



## Content Plus – January 2015

### The pensioner bonds with market leading rates

#### *The long-awaited terms for these bonds have been announced*

In last March's Budget, the Chancellor announced that National Savings would launch a new Pensioner Bond with "market leading" rates. He said that for costings purposes, the assumed rates were 2.8% gross fixed for one year and 4.0% gross, fixed for three years. However, as the bonds were not due to launch until this month, Mr Osborne said that rates would be confirmed in the Autumn Statement.

The Autumn Statement came and went with no mention of Pensioner Bonds, an omission which made some people suspect that the 'market leading' aspect was going to be watered down. When the Treasury finally said that the rates would be announced at 4.00 pm on a Friday, that scepticism was strengthened. Such a slot is usually reserved for bad news – it made it difficult for the weekend personal finance pages to provide coverage.

In the event, the Chancellor dumfounded the cynics by sticking with his March rates. National Savings confirmed several other facts about the bonds:

- The minimum age to invest is 65 when the bonds are launched this month, although at the time of writing no specific date had been revealed.
- The maximum investment is £10,000 per person, per issue, with a minimum investment of £500. Investments can be made on a joint basis provided the minimum age of 65 applies to both applicants.
- The Bonds will be of the growth rather than income variety, with interest *added* each anniversary and paid at maturity.
- Interest is paid net and non-taxpayers will have no choice but to make a reclaim from HMRC.
- Early encashment is subject to a 90 days' interest penalty.

The rates are certainly market-leading, so much so that there is a case for saying the government is being overly generous. If the Treasury borrows short term in the government bond (gilts) market, it pays less than 1%.



The total issue is limited to £10 billion and is likely to be taken up very quickly. If you are tempted, do talk to us before taking any action. For example, Class 3A National Insurance Contributions, available from October, could be a better choice if you wish to boost your income.

*The value of investments can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.*