

Retirement – can you rely on the NHS?

Dentists should reduce their reliance on the NHS pension to fund their retirement. Massive government debt includes a public sector pension liability of £650 bn. Both Gordon Brown and David Cameron have vowed to reduce the MPs' pension scheme so they can 'look other public employees in the eye' when introducing pension reform.

We predict that dentists under the age of 35 may well be most heavily affected. Dentists under 35 may have adequate time to build a back-up strategy but need to start now to achieve this. Few commentators expect the NHS pension scheme to exist in the current format by 2035. Sweeping changes to the scheme in 2008, including increased contributions and an extended retirement age of 65 for new joiners just won't be enough to withstand the political and economic pressure the NHS pension scheme faces.

We advise all dentists to continue with NHS pension contributions where possible. However a personal pension could offer an additional and valuable source of income especially for practitioners with some private fee income. Personal pensions offer the prospect of significant tax breaks and the advantage of a long-term investment horizon. Tax relief is still available for most dentists this is how it works for higher rate tax payers:

TAX relief example

- You pay £500 per month
- The government adds £125 per month
- Your total contribution becomes £625 per month
- You reclaim £125 per month through self assessment
- A £625 contribution costs you £575 net of tax

The elephant in the room – Private fee income

Individual dentists may have little power to prevent changes to the NHS scheme benefits or the political agenda. Our experience of helping practitioners with their retirement planning reveals that the greatest threat to retirement income is often a failure to take account of increas-

ing private fee income and the resulting loss of valuable NHS Pension benefits. Here we look at two practitioners and how their career choice of fee income affects their financial future.

Case studies

The NHS dental practitioner:

Mr Brown retires at 60 with 37 years of NHS service. He has

enjoyed a long career treating NHS patients. He can expect to receive an index-linked pension of £50,000 pa and a lump sum of £150,000.

The Private dental practitioner:

Mr Cameron retires at 60 with 15 years NHS Service. At age 38 he stopped treating patients on the NHS and then enjoyed 22 years

of private fee income. His total net profits remained the same as Mr Brown yet he can expect to receive an index-linked pension of only £20,200 pa and a lump sum of £60,800.

Our private practitioner receives a pension and lump sum which is nearly 60% less than the NHS practitioner.

How to take account of private fee income

A good independent financial adviser (and one who understands the NHS Pension) should recommend suitable strategies to mitigate a reduced NHS pension. This may well involve personal pension contributions which still attract tax relief at your highest rate. [DT](#)

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Lisa Bainham, Practice Manager, The Old Surgery Dental Practice, Cheshire

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About the author



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