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## NEST cuts initial contribution charge to 1.8%

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The National Employment Savings Trust (NEST) has reduced the upfront charge on contributions going into the scheme from 2% to 1.8%.

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NEST Corporation chairman Lawrence Churchill announced the charge reduction yesterday at the annual Eversheds pensions conference.

It also confirmed the annual management charge remains at 0.3%.

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The news comes after NEST chief executive Tim Jones announced the scheme's charging structure offers an 'outstanding deal' beyond the start-up loan.

NEST Corporation managing director, scheme development, Helen Dean says the slight reduction will give NEST members access to a scheme that is "approaching the best in the pensions market".

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She adds: "It will give more income for members at retirement as charges can eat up pension pots."

NEST said for a median earner aged-36 charges at the NEST level are likely to be 5.8% compared with charges at the stakeholder cap of 13%.

In addition, NEST said a typical group personal pension with no commission has an average AMC of 0.5% compared with NEST's 0.3%.>

This equates to a 6.6% reduction in a retirement pot for a GPP whereas with NEST the reduction is 5.8%.

NEST says once the cost of establishing the scheme had been met it anticipates the contribution element will fall away, leaving the flat AMC of 0.3% but the ultimate decision is up to trustees.

NEST's modelling revealed all groups of individuals were better under NEST with the exception of those saving for a short period at the age of 60.

The previous government announced in March the broad level of charges was likely to be an AMC of 0.3% and a contribution charge of about 2%.

Henry Tapper, director at First Actuarial, comments: "This is a Christmas special from NEST."

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"The contribution charge is only going to be there for a few years, and if that is the price we pay for a good pension, then so be it.

"IFAs are not being done out of GPPs by some scurrilous cross-subsidy scheme. I think we should get behind this."

Tom McPhail, head of pensions research at Hargreaves Lansdown, adds: "NEST was brilliant before, and it is even better now. Reducing the charges even further is a positive statement of intent."

However, some industry figures were less impressed with the announcement.

Jennie Kreser, partner at law firm Silverman Sherliker, says: "The average stakeholder AMC is closer to 1.5%, so I am not totally convinced that the figures add up.

"Yes the AMC is technically cheaper but the 1.8% will be paid on contributions for the foreseeable future, so in the long run it seems more expensive."



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