Brexit deal and pensions: everything you need to know

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Britain has left the EU - what does it mean for your pension? Credit: Jorg Greuel/Getty Images

Retirement savers will have to keep an eye on state pension payouts, the value of the pound and ongoing consumer protections now a Brexit deal has been agreed.

The question on most people's minds will be what it all means for them and their money.

Pensions will be affected in a number of ways and, like all things when it comes to retirement, it will pay to be prepared. This is Telegraph Money's guide to what Brexit will mean for your nest egg.

‘Frozen’ pensioners

This is a problem which has long afflicted those who have retired to sunny spots such as Australia. Those who claim a state pension and live in Britain are protected by the "triple lock" which ensures their payments increase each year in line with the highest of price inflation, average wage growth or 2.5pc.

This protection does not extend to retirees living overseas. In the EU, the Government uplifts payouts, essentially replicating the triple lock, but this does not extend further afield, leading those who live in affected countries branded “frozen pensioners” – because their payments are frozen.

There had been fears that this could be under threat following the country's exit from the EU but the Government has confirmed this will not be the case. British state pensioners living overseas will continue to see their payments increase for as long as they remain eligible.

Currency shifts

Shifts in the currency can massively affect the spending power of those living overseas who are paid in sterling. If Brexit causes the value of the pound to fall, then it would decrease the spending power of pensioners living in the EU.

On the other hand, if the pound’s value strengthens thanks to the new certainty, then it would have the opposite effect.

Sir Steve Webb, a former pensions minister, said: “It would also be an issue if some of your savings are invested overseas.”

Regulatory changes

There could also be some changes to the protections offered to savers if Brexit allows Britain to “take back control” of its financial regulations.

Currently, a good deal of domestic regulatory policy originates from the EU and is effectively gold-plated into British law. Experts said that, following Brexit, it would be up to the Government to decide whether this practice would continue.

However, the Government said today that Britain would not be bound by EU rules and would have full economic independence.

In future, the Government could choose to make regulation much tighter, potentially making British pension savers the most protected in the world. Or it could decide to loosen regulation in the hopes that pension firms will use greater freedom to help savers, but possibly leaving consumers exposed.

Of course, things could effectively stay the same, with British regulators continuing to adopt new policy in line with their European counterparts.

Quantitative easing

Sir Steve also pointed out that quantitative easing could continue in a bid to boost the economy. The practice of printing money stimulates the economy but pulls down interest rates, and this could be bad news for pension savers.

“If you look at pensions over the past five or 10 years, it’s all been about low interest rates which means low annuity rates,” he said. “If we are really about to embark on another decade of low rates, then that is a problem for those looking at their pension.”