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**INFLATION OUTSTRIPS TAX BREAK THRESHOLDS BY AS MUCH AS THREE TIMES
Four out of seven tax rates have failed to keep up with rising prices, MetLife
analysis shows**

Four out of seven key personal tax breaks have failed to keep pace with inflation over the past 11 years, new analysis* by MetLife Europe Limited (MetLife) shows. Inheritance tax (IHT) has lagged inflation by the most over the past 11 years – the current £312,000 threshold should be £547,505 if it was adjusted for house price inflation, the analysis shows. the IHT threshold has increased by 45.1 per cent since 1997/98 but if it was adjusted for house price inflation should have risen 154.7 per cent.

But other key rates including the Individual Savings Account allowance, the Personal Gift allowance and the Higher Rate Tax threshold have also lagged significantly behind the Retail Price Index since 1997/98, Metlife says.

ISA allowances have increased by just 2.9 per cent since their introduction in April 1999 when they would have risen 31.4 per cent in line with inflation. Higher Rate tax thresholds have increased 33.3 per cent but could have risen by 37.1 per cent. The Gift Allowance – the amount people are allowed to gift without being taxed – has not moved from £3,000 in the past 11 years and could be increased to £4,113 to be in line with inflation.

Tax rates which have kept pace with inflation include the income tax-free threshold, Capital Gains Tax exempt amount and the Stamp Duty threshold on house purchases. However Stamp Duty has only recently been adjusted in line with house price inflation following the introduction of the one-year £175,000 level which runs to September 2009 and is lower than

the level in 1991, during the last housing recession, when stamp duty was temporarily suspended on all properties worth less than £250,000.

MetLife believes the gap between tax rates and inflation is an important factor for people to take into account when saving for retirement as they generally have to rely on fixed incomes. It is urging retirement savers to use solutions which can guarantee income and capital while enabling clients to remain invested in the stock market.

Dominic Grinstead, Strategic Development and Marketing Director at MetLife, said: “People who have made the commitment to save for their retirement often fail to take into account the effect of inflation on their income.

“This analysis shows that inflation over 11 years can have a massive effect on outcomes and everyone needs to take account of what rising prices can do to their pension pots. With the current pressures on Government finances it is unlikely that there will be many reductions in tax for savers in the foreseeable future. Savers need to keep in mind the effect inflation is having on their tax breaks.”

TAX RATE	1997/98 level	2008/09 level	Percentage rise	Percentage rise adjusted for inflation	Level adjusted for inflation
ISA allowance (launched April 1999)	£7,000	£7,200	2.9%	31.4%	£9,199
Individual IHT threshold	£215,000	£312,000	45.1%	154.7%	£547,505
Stamp Duty	£60,000	£175,000	191.7%	154.7%	£152,792
Higher rate tax threshold	£26,100	£34,800	33.3%	37.1%	£35,783

Tax-free threshold	£4,045	£6,035	49.2%	37.1%	£5,546
Gift Allowance	£3,000	£3,000	0%	37.1%	£4,113
CGT exempt amount	£6,500	£9,600	47.7%	37.1%	£8,911

MetLife has seen strong sales and levels of interest from advisers since it launched its NEW Retirement Portfolio in June. The product provides unique guarantees which protect the clients fund value against markets falling, locks-in gains when markets rise and guarantees income for life. For more information advisers should go to www.metlife.co.uk/rp.

MetLife's NEW Retirement Portfolio pioneers unit-linked guarantees by including an optional capital guarantee for those saving for retirement, deferred income guarantee for clients looking to delay taking an income, and an income guarantee for those seeking an immediate income. All the guarantees offer 100 per cent performance lock-ins every three years.

It is fully flexible for retirement benefits offering the ability to consolidate, take full drawdown, partial drawdown and phased drawdown. Clients can choose lump sum death benefits if required and auto-fund rebalancing on selected funds.

Features include accepting protected rights, transfers, regular and single contributions from employers and employees, and the ability to convert into a Self-Invested Personal Pension at any time.

The minimum initial investment is £50,000 and clients have access to a range of MetLife Best of Breed and Index Funds, Managed and Index Portfolios chosen with the assistance of leading independent investment research company, Morningstar Associates Europe Limited. Index Portfolios have annual management charges starting from 0.2%.

Product charges depend on contributions and can be as low as 0.4% of the fund. The new Retirement Portfolio is factory-gate and adapted for customer agreed remuneration. There is no establishment charge unless initial commission is funded that way.

MetLife is an affiliate of US-based MetLife, Inc., a leading global insurance and financial services organisation which counts the U.S.'s largest life insurer among its subsidiaries. The organisation is renowned for its stability, financial strength and security, and had over \$558.6 billion (around £283 billion) of total assets at 31st December 2007.

Notes to Editors

* MetLife analysis of HMRC, PRI and Halifax House Price Index data.

About MetLife Europe Limited

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MetLife, Inc., through its affiliates, serves approximately 70 million customers in the Americas, Asia Pacific and Europe. Affiliated companies, outside of the U.K., include the number one life insurer in the United States, with over 140 years of experience and relationships with over 90 of the top one hundred FORTUNE 500® companies. The MetLife companies offer life insurance, annuities, automobile and home insurance, retail banking and other financial services to individuals, as well as group insurance, reinsurance and retirement and savings products and services to corporations and other institutions.

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