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FINANCIAL SERVICES



# LIFETIME ALLOWANCE

*Tax advantaged pension funds that an individual can accumulate within their lifetime*

You can save as much as you like into a pension, but there is a limit on the amount of tax relief you're allowed. From 6 April 2014, the Lifetime Allowance for pensions reduced from £1.5m to £1.25m. In essence, the Lifetime Allowance is intended to cap the level of tax advantaged pension funds that an individual can accumulate within their lifetime.



When the Lifetime Allowance reduced to £1.25m, two new forms of protection were introduced: Fixed Protection 2014 and Individual Protection 2014.

Anyone who has pension benefits with a value in excess of the Lifetime Allowance will be subject to a tax charge on their excess benefits value known as the 'lifetime allowance charge'.

The Lifetime Allowance creates a ceiling on the benefits value that can be built up by your registered pension scheme whilst continuing to benefit from tax relief. If the benefits value when they are taken exceeds the Lifetime Allowance, the difference between the two is subject to the Lifetime Allowance charge.

The Lifetime Allowance charge can be applied in either one of two ways or a combination of both, depending on how the excess benefits value above the Lifetime Allowance is taken. The charge is either 55% if taken as a lump sum, or 25% if taken as income.

If you decide to take your benefits in stages (more commonly referred to as 'phased retirement') you'll use up a

proportion of the Lifetime Allowance in force each time benefits are taken.

If you take any of your benefits, this is known as a 'benefit crystallisation event'. Anyone taking their benefits either in full or in stages will have one or more benefit crystallisation events.

*Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of and reliefs from taxation are subject to change.*

*Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, Goldmine Media cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.*

## PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

There is no one-size-fits-all solution. Each person's individual circumstances will require a different solution. It is important that you continue to review your pensions and obtain professional financial advice. The sooner you act, the better. If you leave it too late, your options might be restricted. To review your current situation or requirements, please contact us for more information.