

# LIFETIME ALLOWANCES AND PROTECTIONS

The lifetime allowance (LTA) restricts the amount that an individual can withdraw from their pension benefits before triggering a tax charge.

Although it started at £1.5m in April 2006 and reached as high as £1.8m in 2010 to 2012, since then the LTA has fallen and on 6th April 2016 it was reduced to £1m. From 6 April 2018, the LTA increases annually in line with the Consumer Prices Index (CPI).



## THE TYPE OF PENSION SCHEME OF WHICH YOU ARE A MEMBER DETERMINES THE CALCULATION METHOD YOU SHOULD USE TO WORK OUT IF YOU ARE AFFECTED:

- If you have a final salary pension, also known as a defined benefit scheme, from which you have not yet taken benefits, you need to multiply your pension entitlement by 20, then add any additional lump sum payment to the result to determine if your pension amount breaches the lifetime allowance. For example, if your pension entitlement is £10,000, this would be valued at £200,000. If any lump sum would be provided only by reducing the pension it can be ignored but if it is in addition, for example three times the pension (so £30,000), then the total benefits value would be £230,000.
- If you have a money purchase pension, you simply need to determine whether your pension fund is likely to exceed LTA by the time you decide to draw benefits.
- If you have a pension which was already in payment on 6th April 2006, its lifetime allowance value is 25 times that of the pension in payment.

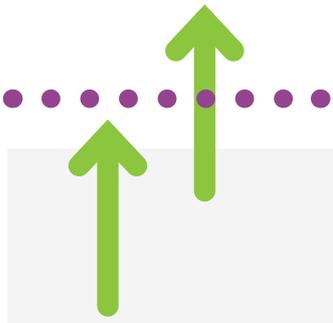


The government has made available various types of protection to help individuals facing an increase in tax liabilities, of which only two are currently available:

Fixed protection (FP2016): available to anyone with pension benefits, this type of protection allows an individual to retain the LTA at its pre-5th April 2016 level of £1.25m as long as no further contributions or benefits occur after that date.

Individual protection (IP2016): available to anyone with a pension amount over £1m (as of 5th April 2016). The lifetime allowance will be individual and based on the total pension benefits held as at that date, capped at a maximum value of £1.25m. An individual may continue to add to their pension but any further contributions may be subject to the full lifetime allowance charge if they result in the value exceeding the protected amount. This protection can be useful if, for example, the fund value falls due to adverse investment performance.





If an individual exceeds their LTA, the excess is subject to one of two tax charges:

**55%**

If the amount is taken as a lump sum, a 55% tax charge is incurred.

**25%**

If the amount is taken as income, a 25% tax charge would be incurred in addition to the normal income tax payable on that income.

If you would like to find out how you could make the most of your annual allowance, please read our Guide to Pensions - <http://www.bloomsburywealth.co.uk/guide-to-pensions>

or get in touch <https://www.bloomsburywealth.co.uk/get-in-touch>

**RAYMOND JAMES®**

Bloomsbury and Bloomsbury Wealth are trade names of Raymond James Investment Services Ltd (Raymond James). Raymond James is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales number 3779657. Registered Office Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY.

The information in this infographic is intended for informational purposes only and no action should be taken or refrained from being taken as a consequence of it without consulting a suitably qualified and regulated person.