

## Fixed protection 2014

Under current HMRC rules, if you have pension savings worth more than £1.5m you will be subject to a lifetime allowance tax charge, unless you have already been granted some form of lifetime allowance protection.

From 6 April 2014 the standard lifetime allowance will be reduced from £1.5 million to £1.25 million, but with fixed protection 2014 you can fix your lifetime allowance at £1.5 million. This means you can continue to take pension savings worth up to £1.5 million without paying the lifetime allowance charge. You'll have to apply before 6 April 2014 to get fixed protection 2014.

### How do I know what the value of my pension savings is?

If you are already in receipt of a pension your scheme administrator should provide you with a statement annually showing the percentage of the lifetime allowance that you have used up.

If you have not yet started to draw your pension, then its value is approximately:

- In a defined benefit or final salary scheme, 20x your annual pension income.
- In a money purchase or defined contribution scheme, the total funds held for you in that scheme.

These calculations will help you to assess your position in a very approximate way only. In particular, if you are an active member of a defined benefit scheme it can be difficult to work out whether a pay rise or the addition of another year's service could take you over the allowed limit.

Given the complexity of the calculations you should seek advice from an Independent Financial Adviser if you are concerned that you may be close to the limit.

### Who needs to apply for fixed protection 2014?

You can't have fixed protection 2014 if you already have primary, enhanced or fixed protection. You'll lose fixed protection 2014 if you:

- have a contribution paid to any of your money purchase pension pots
- build up new benefits in a defined benefits or cash balance pension pot above a set amount
- join a new pension scheme - unless you're only transferring pension savings from one of your existing schemes into the new scheme
- start saving in a new pension pot either under an existing pension scheme or a new pension scheme.

Fixed Protection will therefore only be of interest to those who are likely to have existing pension benefits worth in excess of £1.25m at 6 April 2014 and are happy to stop making new pension provision thereafter. Note also that if you obtain Fixed Protection 2014, or already have Enhanced Protection or Fixed Protection 2012, you must ensure that you opt-out of any pension scheme into which you get automatically enrolled, to ensure you do not lose this protection.



## **How do I apply for fixed protection 2014?**

Please refer to HMRC's website, [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and search for fixed protection.

## **Individual Protection 2014**

The Government has also announced that it is working to devise a different level of protection called "individual protection 2014". The details of this have not yet been released, however, as it will be possible to have both fixed protection and the new individual protection, a person who wishes to apply for fixed protection need not delay.

To speak to someone at Quattro Pensions please contact Andrew Allsopp FIA on 01527 598688.

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