



Financial Planning on Separation Conference 2024

Lifetime Allowance and Pension Sharing

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#ResFAConf

What will we cover today?

- Recap on historical LTA limits and new LSA/LSDBA limits
- Which LTA Protections might our clients have?
- How the Protections work with:
 - A Pension Sharing Order Debit
 - A Pension Sharing Order Credit
- Crystallised or Uncrystallised Benefits
 - When we can claim an LTA/LSDBA Enhancement Factor

Lifetime Allowance Limits since A-Day: 6th April 2006

Tax Year	Standard LTA
2006/07	£1,500,000
2007/08	£1,600,000
2008/09	£1,650,000
2009/10	£1,750,000
2010/11 and 2011/12	£1,800,000
2012/13 and 2013/14	£1,500,000
2014/15 and 2015/16	£1,250,000
2016/17 and 2017/18	£1,000,000
2018/19	£1,030,000
2019/20	£1,055,000
2020/21 to date	£1,073,100

Lifetime Allowance Protections 1

- Protection based on individual's actual pension values at a point in time
- Additional pension contributions were allowed

Protection Type	Deadline for Applying	LTA Value	LSA Value	LSDBA Value
Primary	5 th April 2009 - had to have pensions £1.5m+ on 5th April 2006	Worked out based on £1.5m + enhancement factor, but uses highest LTA when taking benefits	£375,000	£1.8m x Primary Protection Factor
Individual Protection 2014 (IP14)	5 th April 2017 - had to have pensions £1.25m+ on 5th April 2014	Fund Value as at 5 th April 2014 (max £1.5m)	25% of Fund Value as at 5 th April 2014 (max £375,000)	Fund Value as at 5 th April 2014 (max £1.5m)
Individual Protection 2016 (IP16)	5 th April 2025 - had to have pensions £1m+ on 5th April 2016	Fund Value as at 5 th April 2016 (max £1.25m)	25% of Fund Value as at 5 th April 2016 (max £312,500)	Fund Value as at 5 th April 2016 (max £1.25m)

Lifetime Allowance Protections 2

- Protection based on a simple limit – same for everyone
- Historically, additional pension contributions were not allowed
- If Protection was held on 15th March 2023, contributions now allowed
 - Need to understand which system applies when looking at PSOs

Protection Type	Deadline for Applying	LTA Value	LSA Value	LSDBA Value
Enhanced	5th April 2009	Unlimited	£375,000 unless lump sum protection specified on certificate, in which case capped at the amount could have received on 5 th April 2023	Value of Lump Sum Death Benefits that could have paid out on 5 th April 2024
Fixed Protection 2012 (FP12)	5th April 2012	£1.8m	£450,000	£1.8m
Fixed Protection 2014 (FP14)	5th April 2014	£1.5m	£375,000	£1.5m
Fixed Protection 2016 (FP16)	5 th April 2025	£1.25m	£312,500	£1.25m

Lifetime Allowance Protections

Protection Type	LTA Value	Protection Type	LTA Value
Primary	£1.8m + enhancement factor	Enhanced	Value that could have been paid out on 5 th April 2024
		Fixed Protection 2012 (FP12)	£1.8m
Individual Protection 2014 (IP14)	Fund Value as at 5 th April 2014 (max £1.5m)	Fixed Protection 2014 (FP14)	£1.5m
Individual Protection 2016 (IP16)	Fund Value as at 5 th April 2016 (max £1.25m)	Fixed Protection 2016 (FP16)	£1.25m
Allow Additional Funding		If Protection held on 15 th March 2023, Additional Funding Allowed from 6 th April 2023 If Protection applied for AFTER 15 th March 2023, Additional Funding NOT Allowed	
If Pension Benefits are subject to a Pension Debit (PSO) Primary/IP will be recalculated and reduced.		If Pension Benefits are subject to a Pension Debit (PSO) Enhanced/FP are NOT affected	

PSO against your benefits (Pension Debit)

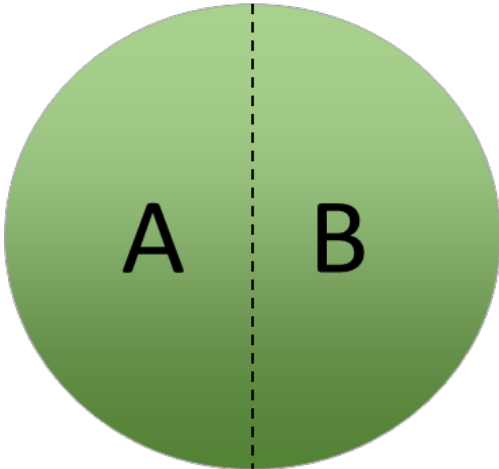
- If you have Primary/IP, your LTA protection will be recalculated and reduced
- If you have Enhanced/FP, your LTA protection is not affected
 - A PSO therefore gives you more headroom for growth
 - If Protection was in place on 15th March 2023, further contributions can be made from 6th April 2023
 - If Protection applied for after 15th March 2023, any further contributions will defeat Protection

PSO awarded to you (Pension Credit)

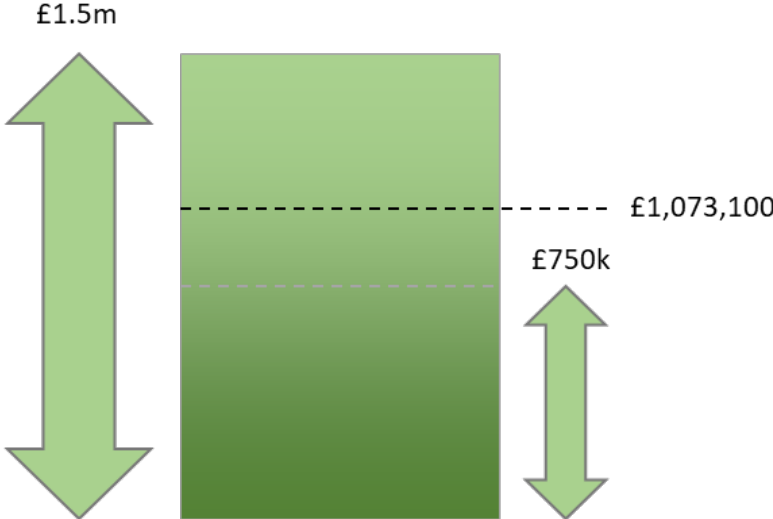
- If you have Primary/IP
 - no change to the Protection, but your pension benefits are now higher, so may push you over your LTA/LSA/LSDBA limits
- If you have Enhanced/FP
 - Prior to 6th April 2023, had to be VERY CAREFUL as to where the PSO was placed.
A PSO is not a permissible transfer, so if a new arrangement was set up, it defeated the Protection.
PSO needed to be placed into an existing pension arrangement as a top-up and not set up as an additional policy
 - If Protection was in place on 15th March 2023, this no longer applies, as additional contributions are allowed
 - If Protection applied for after 15th March 2023, no contributions allowed, so still need to be careful

How Pension Sharing can Help with LTA issues

Pension worth £1.5m



PSO gives clean break
e.g. split pension 50/50



- No Protection?
- Primary/IP?
- Enhanced/FP?

Crystallised or Uncrystallised?

- Why does it matter? The benefits from a PSO will count towards the recipient's LTA....BUT
- If they are coming from a pension that came into payment after A-Day (6th April 2006) then the pension benefits have already been tested against the LTA
 - So, is the PSO coming from Crystallised Benefits?
 - If no, will use up own LTA/LSA/LSDBA allowances when benefits are taken
 - If yes, did the pension come into payment AFTER A-Day?
 - If yes, previously could claim an Enhancement Factor (this basically increases your own LTA/LSDBA by the amount of the crystallised Pension Credit you have received)
- New Rules
 - Cannot become entitled to an Enhancement Factor from 6th April 2024 going forwards
 - Anyone who holds an Enhancement Factor will continue to benefit
 - Increases their LSDBA but not LSA
 - Those who become entitled to an Enhancement Factor before 6th April 2024 have until 5th April 2025 to apply for it

How do I claim an LTA enhancement?

- The increase to the LTA is called a Pension Credit Factor
- To claim it, you complete HMRC Form APSS 201
- It is online form; once completed it needs to be printed, signed and sent to HMRC
- HMRC will then send back a document confirming the Enhancement Factor

Any Questions?



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