



Law Society (NI)
Financial Advice

How many Lawyers (or their clients) will pay £137,500 in unnecessary tax on their pension?

Pensions continue to be tinkered with and whilst some of the legislative changes have brought huge new advantages in terms of flexibility over withdrawals and protection for your dependents, there have also been many stings in the tail for investors with large pension pots.

The Lifetime Allowance Cap was £1.8m back in 2012 but has been under constant attack. In April 2016 it reduced to just £1m.

If your pension pot was over £1m at the 5th of April 2016 you may be able to apply for Fixed Protection 2016. This protects your personal Lifetime Allowance at £1.25m.

This means you have an extra £250,000 of Lifetime Allowance. Not protecting it could result in you being taxed at the penalty rate of 55% ($£250,000 \times 55\% = £137,500$).

Fixed Protection 2016 is just one of three main protections available for individuals with large pension funds. The others are Individual Protection 2014 and Individual Protection 2016. See the table below for the main points. Contact info@lsnifa.com or call **028 9023 0696** if you'd like to discuss what options may be in your best interests.

Please remember this is just one of the changes. There are many others that provide opportunities or pitfalls and YOUR Law Society (NI) Financial Advice business is here to help you, your family and your clients.

Protection	What it does	Can I keep building up my pension(s)?
<u>Individual protection 2016</u>	Protects your lifetime allowance to the lower of: - the value of your pension(s) at 5 April 2016 - £1.25 million	Yes. But you must pay tax on money taken from your pension(s) that exceed your protected lifetime allowance.
<u>Fixed protection 2016</u>	Fixes your lifetime allowance at £1.25 million.	No, except in limited circumstances. If you do, you'll:
		- lose your fixed protection 2016
		- pay tax on any pension(s) above the standard lifetime allowance when you take your pension
<u>Individual protection 2014</u>	Protects your lifetime allowance to the lower of: - the value of your pension(s) at 5 April 2014 - £1.5 million	Yes. But you must pay tax on money taken from your pension(s) that exceed your protected lifetime allowance.

The above table and other information is available on the Government's website on the topic <https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance>.