

## Do you need to protect your pensions?

### The Government has announced that the lifetime allowance for pension savings will be reduced from £1.8m to £1.5m on 6th April 2012\*.

If you have built up a large pension fund, this reduction in the lifetime allowance is likely to be an important consideration. There will be a tax charge applied to the value of any pension benefits above the lifetime allowance either on the date you start to take benefits from your pension, or your 75th birthday (if earlier).

Fixed Protection is available to avoid paying this tax charge due to the reduction in the lifetime allowance. If you expect the value of your pension savings to be higher than £1.5m when you draw the benefits, you can apply for Fixed Protection which will freeze the lifetime allowance at the existing £1.8m level for your pension savings.

The value of your pension benefits does not need to be above £1.5m now to be able to apply for protection. However, if you rely on fixed protection, it is important to note that there will be restrictions in terms of what you will be able to do with your pension savings post 5th April 2012, so it will not be appropriate for everyone\*\*.

If you already have Enhanced or Primary Protection in place, you may not be eligible for Fixed Protection unless you give up this protection.

### What action is required?

In order to apply for Fixed Protection, an application form supplied by HMRC must be completed. To register for Fixed Protection, HMRC must receive this form by 5th April 2012 at the latest. They will then provide you with a Fixed Protection certificate for your records.

### Get in touch

We would be happy to discuss your personal situation and provide guidance to help you to make a decision regarding whether you should apply for Fixed Protection.

Should you have any queries, please do not hesitate to get in touch with your usual Buzzacott contact or a member of our Financial Planning Team at [enquiries@buzzacott.co.uk](mailto:enquiries@buzzacott.co.uk) or call 020 7556 1200.

### Important Notes:

\* There is a limit on the value of retirement benefits that you can accumulate within approved pension schemes. This is known as the Lifetime Allowance. The total value of your retirement benefits is tested against this lifetime allowance at the time the benefits are paid and a tax penalty will be applied to any excess. The amount of tax penalty applied will depend on how the excess is paid from the pension.

\*\* If you apply for fixed protection:

- After 5th April 2012, you must not accrue any further benefits within your pensions. Pension accrual is any pension contribution (both personal and employer) or most increases in benefit entitlement under a defined benefit pension scheme.
- If you are a member of your employer's pension and apply for Fixed Protection, you should give your employer sufficient notice that you wish to stop accruing benefits to ensure you do not receive any contributions or accrual after 5th April 2012.