

## Press release

# Freedom of Information request reveals extent of unfair pension protection restriction

21/07/2011

Freedom of Information figures released today by platform provider A J Bell reveal the number of individuals at risk of being worse off because of a rule preventing individuals holding primary or enhanced protection from applying for fixed protection.

From 6 April 2012 the lifetime allowance drops from £1.8 million to £1.5 million. Fixed protection allows individuals to protect themselves from this drop. Anyone registering for fixed protection will continue to benefit from the higher £1.8 million lifetime allowance and will be able to receive a tax free lump sum of £450,000 i.e. 25% of the higher lifetime allowance.

Individuals already registered for primary and/or enhanced protection are not allowed to apply for fixed protection. Anyone with primary or enhanced protection but without any tax free lump sum protection can only receive a tax free lump sum of £375,000 i.e. 25% of the reduced lifetime allowance. Those with enhanced protection have the option of revoking their protection by paying a small contribution to their pension scheme, but investors with primary protection do not have this option. In this scenario, the lump sum will be reduced by up to £75,000.

### **Example of investor without primary protection**

*The investor had a fund of £1.65 million at A-Day. They applied for enhanced protection without lump sum protection, but they did not apply for primary protection. Their fund is now worth around £1.8 million.*

*From 6 April 2012 their maximum lump sum will drop to £375,000 (25% of the lower lifetime allowance). If they revoke their enhanced protection by paying a small contribution they can apply for fixed protection before 6 April 2012 and receive a lump sum of £450,000.*

### **Example of investor with primary protection**

*The same investor applied for BOTH enhanced and primary protection at A-Day.*

*From 6 April 2012 their maximum lump sum will drop to £375,000. They can revoke enhanced protection but cannot lose primary protection in the same way and so cannot apply for fixed protection.*

*The decision they took over five years ago has cost them £75,000 of tax free cash because of the HMRC restriction.*

The figures from A J Bell highlight that 3,913 individuals hold primary protection without lump sum protection. Some of these individuals will be better off under primary protection, because they will benefit from a higher lifetime allowance than under fixed protection. Up to 935 individuals are at particular risk of being worse off based on the level of protection they received in respect of their 6 April 2006 pension benefits. This involves individuals who had funds worth less than £1.8 million at A-Day and so are less likely to be able to benefit from the higher lifetime allowance.

Commenting on the figures, Gareth James, Technical Marketing Manager at A J Bell said, "We, along with many in the pension industry, raised the lump sum issue with HMRC when the legislation was first released. It will have made many of those with existing protection worse off, and left no escape route for those with primary protection".

James continued, "We are not expecting HMRC to increase the tax free lump sum payable to those with primary protection but it can easily solve this problem by allowing individuals the option to switch from primary to fixed protection".

**END**

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Please note this document is intended for trade and national press individuals.

## Notes for Editors

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A J Bell is continuing to grow rapidly in challenging capital markets. Invesco Perpetual and Midas Capital own 37% and 10% respectively of the share capital, the remainder being owned by Andy Bell and the management team.

Established in 1995, A J Bell specialises in providing administration, trustee and actuarial services for SIPP and SSAS.

A J Bell is now the largest privately owned provider of self administered pensions and institutional stockbroker services in the UK, with in excess of 55,500 individual SIPPs and assets under administration exceeding £15.1bn. It also provides third party SIPP administration services for Barclays Stockbrokers, Halifax Share Dealing, Skandia and TD Waterhouse.

Our customer proposition - Market leading, low cost, transparent, service, value, choice, leading functionality, integrity, award winning.

Our business - Market leaders, growing, innovative, own intellectual property, profitable, stable, we don't provide advice or investment management.

Research by CoreData Research places Sippcentre alongside Standard Life as advisers' two most preferred SIPPs.



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