

Press release

More than 18,000 pension investors at risk of loss of protection from auto-enrolment contributions

11/08/2011

Freedom of Information figures released today by Platform provider A J Bell reveal that 18,574 individuals are at risk of losing protection of their pension benefits when new auto-enrolment rules come into force from October 2012.

Enhanced protection prevents individuals from facing significant tax charges if their pension benefits are valued at more than the lifetime allowance when they take benefits (from 6 April 2012 the lifetime allowance drops from £1.8 million to £1.5 million). Individuals lose enhanced protection where any contributions are paid to pension schemes. The new auto-enrolment rules require individuals to opt-out of pension schemes every three years to prevent contributions being paid, increasing the likelihood that contributions will inadvertently be paid in respect of those holding enhanced protection.

Commenting on the issue, Billy Mackay, Marketing Director at A J Bell said, "There is an element of personal responsibility here. Anyone holding enhanced protection needs to take measures to make absolutely certain they opt out of being auto-enrolled as the financial consequences could be catastrophic".

Mackay continued, "The numbers involved make a clear case for the Government taking basic steps to prevent significant losses amongst those holding enhanced protection. Exempting those with enhanced protection from being subject to auto-enrolment is an option, but many individuals may not want their employer to know that they hold this protection.

Mackay concluded "An alternative would be to allow enhanced protection to be retained provided contributions do not breach a certain threshold, say, £1,000. Very few of those holding enhanced protection will make contributions of up to £1,000 as the incentive is not there, so the impact on the Treasury would be minimal. Conversely the impact of this policy for anyone who holds enhanced protection and inadvertently allows themselves to be auto-enrolled could be significant."

Example of investor with enhanced protection

An investor has personal pension fund worth £2.5 million at 1 October 2012. Their pension benefits were built up whilst they were working for a previous employer. They do not wish their current employer to know about their existing pension benefits and so have not advised their employer that they hold enhanced protection.

If the investor misses their employer's communication regarding auto-enrolment and is automatically enrolled in the new pension scheme, the payment of contributions to the pension scheme causes the loss of enhanced protection. This puts £1 million of the investor's pension benefits at risk of a tax charge.

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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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The companies listed in the adjacent table are all registered in England and Wales at Trafford House, Chester Road, Manchester M32 0RS.

Company	Company Number	VAT Number
A J Bell Holdings Limited	4503206	833 5478 13
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A J Bell Limited	3091664	639 0316 44
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