



Pension Lifetime Allowance

HOW TO STAY WITHIN THE LIMIT TO AVOID A TAX CHARGE.

If you've been diligently saving into a pension throughout your working life, you should be entitled to feel confident about your retirement. But, unfortunately, the best savers sometimes find themselves inadvertently breaching their pension lifetime allowance (LTA) and being charged an additional tax that erodes their savings.

If you are a high-income earner or wealthy individual, you could be putting too much into your lifetime pension and risk exceeding the pension lifetime allowance. The following questions and answers are intended to help you avoid this tax charge.

What is the lifetime allowance?

The LTA is a limit on the amount you can withdraw in pension benefits in your lifetime before you trigger an additional tax charge. By pension benefits, we mean money you receive from your pension in any form, whether that's a lump sum, a flexible income, an annuity income or through any other method. This allowance applies to your total pension savings which may be in different pensions.

How much is the lifetime allowance?

In 2021/22 tax year, the LTA is £1,073,100. This allowance has now been frozen until April 2026.

What happens if you exceed the lifetime allowance?

Once you have received your full LTA in pension benefits, you will be required to pay an additional tax charge on any further benefits you receive.

If you take your remaining benefits as a lump sum, you'll pay a tax charge of 55%. If you take your remaining benefits as multiple withdrawals, you'll pay a tax charge of 25% on each one.

How is the usage of your lifetime allowance measured?

Each time you access your pension benefits (for example, by purchasing an annuity, receiving a lump sum or establishing a flexible income), this is recorded as a 'benefit crystallisation event'. There is an additional benefit crystallisation event when you turn 75, and finally, upon your death.

Is lifetime allowance protection available?

You can only protect your pension from the LTA if your savings were worth more than £1 million on 5th April 2016. You may be able to protect your pension savings up to £1.25 million, or up to the value of your pension on that date, depending on the type of protection you have.

Is it possible to avoid the lifetime allowance?

If you do not have LTA protection and you are approaching the limit, there are various actions you can consider. These include stopping your contributions (and, instead, investing your money into an alternative tax-efficient environment), changing your investment strategy or starting retirement earlier.

When should you seek professional advice?

The rules around the LTA are very complex and making the right decisions can feel difficult. Receiving professional financial advice will help to identify if you have a problem and offer different solutions to consider based on a full review of your unique circumstances.

LET US HELP YOU MAKE THE MOST OF YOUR MONEY – AND YOUR FUTURE

Everyone deserves a great retirement. Your goals and ambitions are unique to you and we want to help you get there.

A pension is a long term investment not normally accessible until age 55(57 from April 2028) The value of your investments (and any income from them) can go down as well as up which would have an impact on the level of pension benefits available. Your pension income could also be affected by the interest rates at the time you take your benefits.

The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change in the future. You should seek advice to understand your options at retirement.