

Pensions planning

For senior ALMO staff

Are you aware of recent changes to pension taxation? Will you be affected by the changes to the annual allowance (AA) and lifetime allowance (LTA)? If pensionable service in your pension scheme exceeds 20 years or if your pensionable salary is in excess of £110,000, you are likely to be affected.

Barnett Waddingham's Executive Pensions team has considerable experience in advising senior Arms Length Management Organisation (ALMO) staff on their pension benefits. Through our extensive knowledge of the issues surrounding pension provision for high earners, we provide a bespoke and specialised service designed to meet needs of ALMOs as well as the requirements of every individual.

... We are happy to provide advice on your pension benefits – please contact a member of the Executive Pensions team.

With the substantial changes that have recently taken place in the pensions legislation directly affecting high-earners, many such individuals may now face tax charges on their ongoing pension savings.

Many senior ALMO staff will have built up pension benefits (possibly with different employers) over the course of their careers and will benefit from a detailed review of these arrangements.

CASE STUDY

We were asked by a senior individual to look at her benefits in light of the further reductions in pensions allowances.

The individual had protected LTA of £1.4 million with IP2014. Our analysis showed that, taking into account the LTA and AA, it would be significantly beneficial for the individual to take flexible retirement even though this required her to reduce her working hours to four days per week. This was perceived to be an added benefit as the individual wanted to reduce her working hours for a better work / life balance.

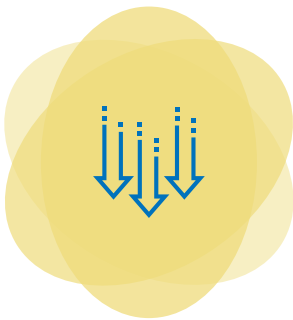


Those closer to retirement will benefit from a review of their likely LTA and should consider methods of minimising the consequences of any adverse taxation.

Promotions and changing jobs often mean increased pensionable salaries, but these can also lead to an increase in the value of the benefit which is tested against the AA, and hence, additional taxation. We can assist on methods of minimising the adverse consequences.

Carry forward Annual Allowance

From 6 April 2014, the AA was reduced to £40,000 per annum and from 6 April 2016 tapered AA has also been introduced – with the AA for high earners potentially reducing to just £10,000 for those with taxable income and value of pension savings exceeding £210,000.



From 6 April
2016 the AA
can be as low
as £10,000 per
annum

Lifetime Allowance

The LTA reduced from £1.8m to £1.5m from 6 April 2012. It reduced to £1.25m from 6 April 2014 and reduced again from 6 April 2016 to £1m.

The LTA has increased in line with CPI from 6 April 2018, to £1.03m for 2018/19 and £1.055m from 6 April 2019.

This means that individuals with pension savings which accumulate to greater than £1.055m from 6 April 2019 may face large tax charges when they reach retirement.

We are able to review your benefits and guide you on any options available to reduce the value of the benefits that are tested against the LTA.

WHAT OUR CLIENTS SAY ABOUT US...

"The report prepared by the Executive Pensions team at Barnett Waddingham was very informative and extremely useful in enabling me to develop my understanding of, and thoughts around, my own situation regarding the future pension position.

The meeting was made even more pleasant by very personable approach in setting out the quite complex issues for me – thank you."

"Explained the complex issue of pension taxation in an accessible and understandable manner.

His experience and expertise enabled very individualised and personal discussions which were most helpful!"

CASE STUDY

We were asked to advise a senior individual who had accrued benefits of £1.2 million as at 5 April 2016.

The individual was intending to retire in two years time when the value of his benefits was expected to exceed £1.3m. One option was to register for FP2016 in order to retain the £1.25m LTA but this would have required opting out of the pension scheme, causing loss of future pension accrual and the valuable ill health and life cover benefits.

If he did continue to accrue benefits, the reduced LTA of £1.03m effective from 6 April 2018 would have resulted in an additional LTA tax much higher than the value of two further years of pension accrual.

Our analysis showed that protecting the LTA of £1.2 million by registering for Individual Protection 2016 (IP2016) and continuing with pension accrual would be significantly more valuable.

We are able to provide support and advice covering a variety of areas including:

- 1 A review of all current and historic pension arrangements
- 2 Pension contribution planning exercises, including AA carry forward review and the impact, if any, of the reduction in AA for certain high earners
- 3 Retirement planning exercises, including LTA headroom checks
- 4 LTA protection review
- 5 Assisting with calculations of AA tax change and reporting it correctly to HMRC
- 6 We can provide seminars on pensions taxation to senior staff

Please contact Bhargaw Buddhdev or Nilesch Shah if you would like to discuss any of the above topics in more detail via the following:

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