



Suffolk Life looks at Lifetime Allowance Trap in its latest case study for advisers

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In its latest case study for advisers, Suffolk Life, one of the UK's leading providers and administrators of SIPP's looks at Lifetime Allowance Trap.

Given the complex nature of benefit crystallisation events and the implications of the transitional protection provisions it is all too easy to be caught out by the lifetime allowance. This case study explores the possible consequences of good intentions by a client (Boris) who did not consult his adviser.

Boris, retired in 2005 taking 25% tax free cash from his main SIPP fund and immediately commenced income withdrawal. At 5 April 2006 although he was only taking the minimum annual income of £14,000 he was actually entitled to up to £40,000 annually based on the pre A-Day limits. This amount is crucial as it is the entitlement figure that is used when calculating the crystallisation amount. In addition to the drawdown plan Boris had further funds with the same SIPP provider as well as a relatively small insured personal pension fund.

His original plan was to use enhanced protection to get unlimited tax free growth in the SIPP but Boris paid contributions after A-Day to his 'small' insured personal pension, thereby invalidating the enhanced protection. The consequences are that total funds over the LTA became liable to tax up to 55% and the long term tax free growth pension strategy has to be abandoned.

Commenting on the case study, John Moret, Director of Sales and Marketing at Suffolk Life, said: "Given the complexities of post A-Day calculations and the general lack of public understanding of the new rules on protection, it shows the value of good advice and the need for regular reviews particularly for investors keen on pensions savings."

Case studies and other marketing literature are available from the Suffolk Life website at www.suffolklife.co.uk

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About Suffolk Life

Suffolk Life is one of the UK's leading providers and administrators of specialist pension products, primarily Self Invested Personal Pensions (SIPPs). It has established over 11,000 self-invested plans and total assets now exceed £3 billion. Suffolk Life has acquired properties for over 2,500 SIPP investors.

Established in 1971 and based in Ipswich, Suffolk Life employs over 180 people and has built an enviable reputation based on its expertise and knowledge of the SIPP market.

Suffolk Life was acquired by Legal and General in May 2008.

This has been recognised through numerous other awards including:-

Technology, Admin and Service award, SIPPs – Pensions Management 2007 & 2006

Best SIPP Provider - Professional Adviser 2006

Best SIPP Provider - Professional Pensions 2006 & 2005

Best SIPP Product - Moneyfacts 2005

Best Buy - Investors Chronicle 2005

Admin & Service awards, SIPPs – Pensions Management, wins in 2002, 2003 & 2004, commended in 2005

Investor in Customers 2 star award for 2007

Further details are available by visiting the Suffolk Life website: www.suffolklife.co.uk