

Suffolk Life highlights that fixed protection is not just for the uncrystallised

14, September 2011

Suffolk Life, one of the UK's leading providers and administrators of SIPPs and drawdown has highlighted that some investors in drawdown may be caught out by the reduction in the lifetime allowance and could face future tax charges if they do not opt for fixed protection.

For those clients entering drawdown, either capped or flexible there will always be further lifetime allowance test. The fund is first tested at the point they enter drawdown and take their pension commencement lump sum, using up a percentage of the lifetime allowance. When the client subsequently buys an annuity or reaches age 75 there will be a further benefit crystallisation event and hence an additional test.

This test looks at the growth on the fund since the last BCE and tests it against the remaining unused percentage of the lifetime allowance. The reduction in lifetime allowance next year will also reduce the discreet value of the remaining allowance.

Claire Brooks, Pensions Technical Manager stated "For those at or near the lifetime allowance when crystallising into drawdown, there is always the chance they may exceed their percentage of unused lifetime allowance. This is exacerbated by the reducing lifetime allowance. Fixed protection could be the answer for those eligible to apply."

In order to apply for fixed protection the client must have ceased contributing to, or accruing benefits in, all registered pension schemes. If there is no additional growth fixed protection has no detrimental effect. In addition, if the client wanted to make contributions at a later date, realising they did not need to rely on fixed protection then following the contribution they must notify HMRC that fixed protection no longer applies.

Greg Kingston, Head of Marketing, added "With the market volatility that has almost become the norm over the past couple of years some investors could easily be caught out by this. They'll certainly thank the adviser that protected their investment gains from further taxation."

Ends

For further information, please contact:

Greg Kingston, Head of Marketing, Product & Marketing
Suffolk Life
07855 783969

Claire Brooks, Pensions Technical Manager, Product & Marketing
Suffolk Life
07827 890017

Louise Dolan / Laura Hudson
FD
020 7269 7192 / 7137

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 16,000 self-invested plans and total assets exceed £4 billion. Suffolk Life owns over 2,200 properties for over 4,000 SIPP investors. All figures are as at April 2011.

Suffolk Life is part of the Legal & General Group.

Established in 1971 and based in Ipswich, Suffolk Life employs around 200 people and has built an enviable reputation based on its expertise and knowledge of the SIPP market.

This has been recognised through numerous awards including:-

Technology, Admin and Service award, Income drawdown – Pensions Management 2010, 2009 & 2008
Technology, Admin and Service award, SIPPs – Pensions Management 2007 & 2006
Admin & Service awards, SIPPs – Pensions Management, wins in 2002, 2003 & 2004, commended in 2005

Defaqto 5 star SIPP award 2010 & 2011

Investor in Customers 2 star award 'outstanding' for 2006, 2008 and 2010

The information contained in this press release is intended solely for journalists and should not be relied upon by private investors or any other persons to make financial decisions

Suffolk Life is the trading name of Suffolk Life Pensions Limited (registered in England and Wales number 180742) and Suffolk Life Annuities Limited (registered in England and Wales number 1011674). Both companies are authorised and regulated by the Financial Services Authority.

Suffolk Life operates and administers self-invested personal pensions and similar pension products and similar pension products.

Telephone calls to Suffolk life are recorded for training, monitoring and fact verification purposes.

September 2011