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# Your Financial Survival Guide

*avoid the pension pitfalls*



# about us.

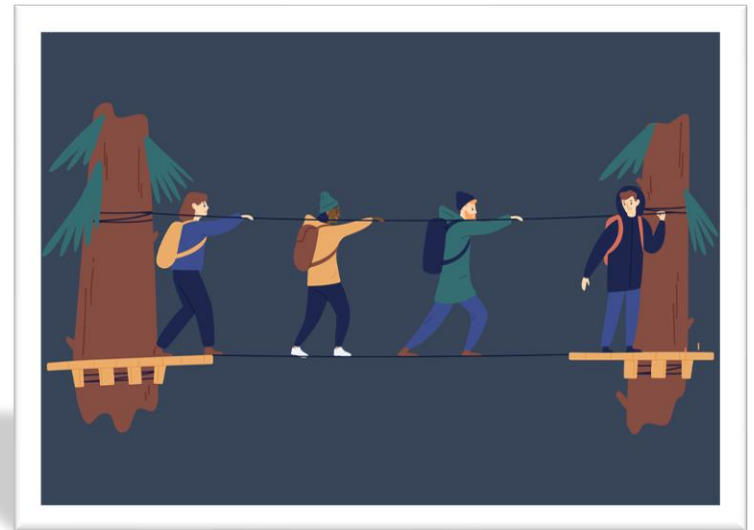
We are a leading financial wellbeing and retirement specialist - helping those in the workplace to improve their financial future.

Established in 2005, we work with hundreds of organisations across both the private and public sector.

Our financial education services are delivered on a bespoke basis.

# what we'll cover today.

- The importance of pension tax limits
- The Lifetime Allowance (LTA)
- How the Annual Allowance (AA) is applied
- Maximising your retirement savings
- Next steps



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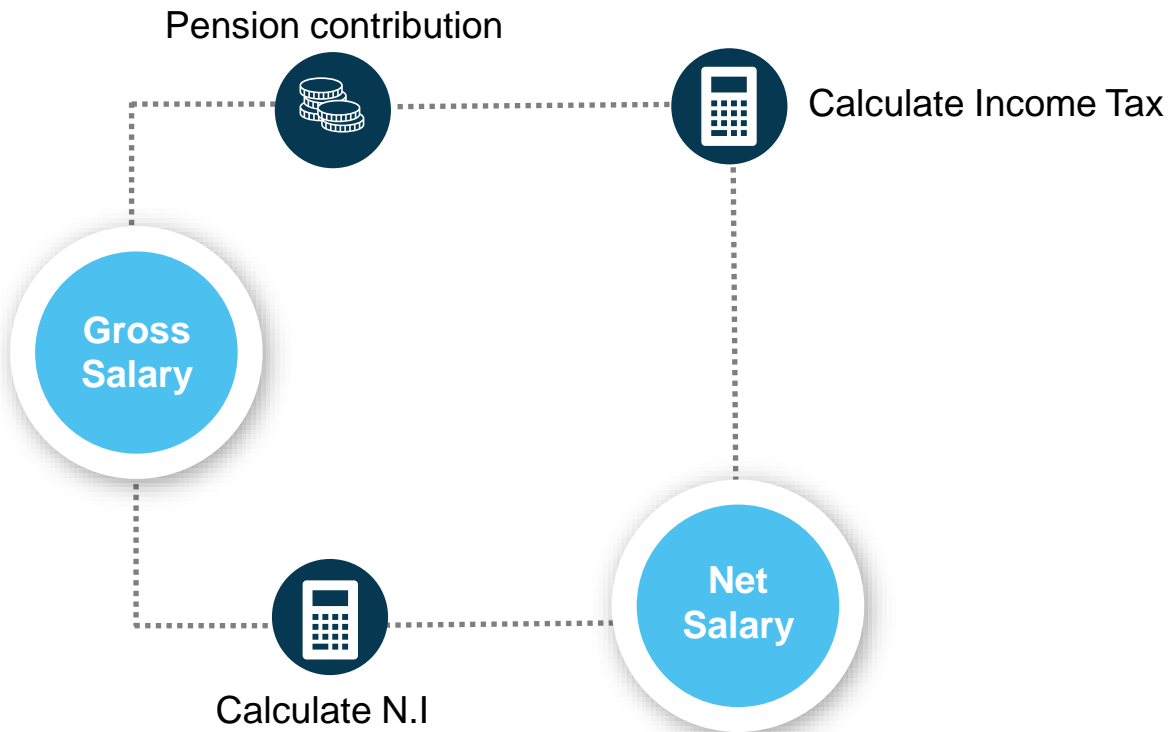
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the importance of pension  
tax limits.

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# net pay pension tax relief.



You save:

**Basic-rate  
Taxpayers  
up to 20%\***

**Higher-rate  
Taxpayers  
up to 40%\***

**Additional -rate  
Taxpayers  
up to 45%\***

\* Tax relief on pension contributions is limited to the greater of 100% of relevant earnings and £3,600.

# Salary Exchange.



You save:

**Basic-rate Taxpayers**  
up to **33.25%\***

Saving made up of:

- 20% income tax, &
- 13.25 NI

**Higher-rate Taxpayers**  
up to **43.25%\***

Saving made up of:

- 40% income tax, &
- 3.25% NI

**Additional-rate Taxpayers**  
up to **48.25%\***

Saving made up of:

- 45% income tax, &
- 3.25% NI

\* Tax relief on pension contributions is limited to the greater of 100% of relevant earnings and £3,600.

# pension tax limits.

In most cases, savings are not taxed when they are built up in a pension scheme, however:

**DB** defined benefits e.g. LGPS, USS, TPS and NHS

Both you and your employer contribute. Tax limits apply to the increase in benefits each year and the total value of benefits built up.

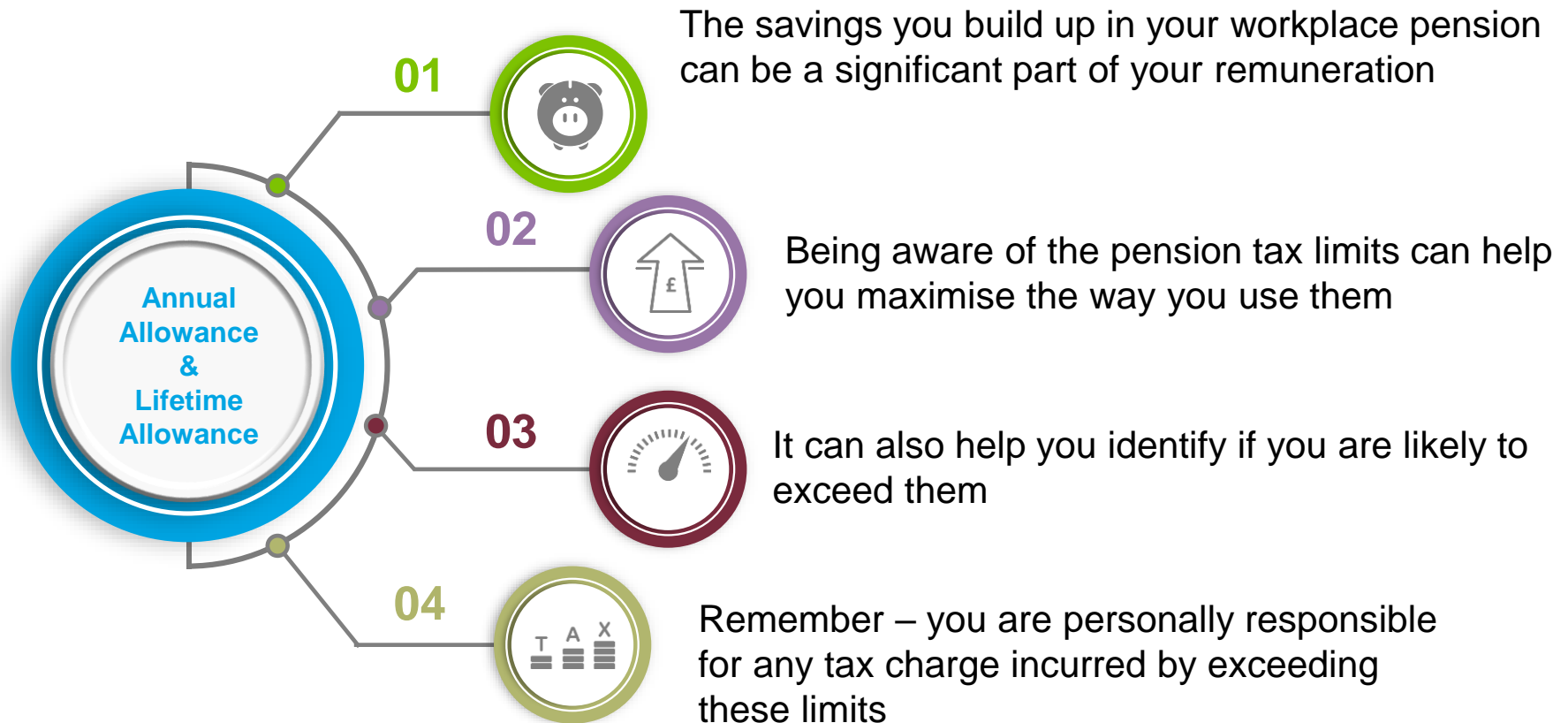
Contributions are paid into a pension pot. Tax limits apply to the amount of contributions made each year and the total value of the pot built up.

**DC** defined contribution e.g. UCRSS, AVCs and the USS Investment Builder

If you are building up both DB and DC benefits, it is the combined value that is assessed against the tax limits



# why these limits are important.



# tax limits.

HMRC limits the tax efficiency offered by pensions in two ways:

## The annual allowance (AA)

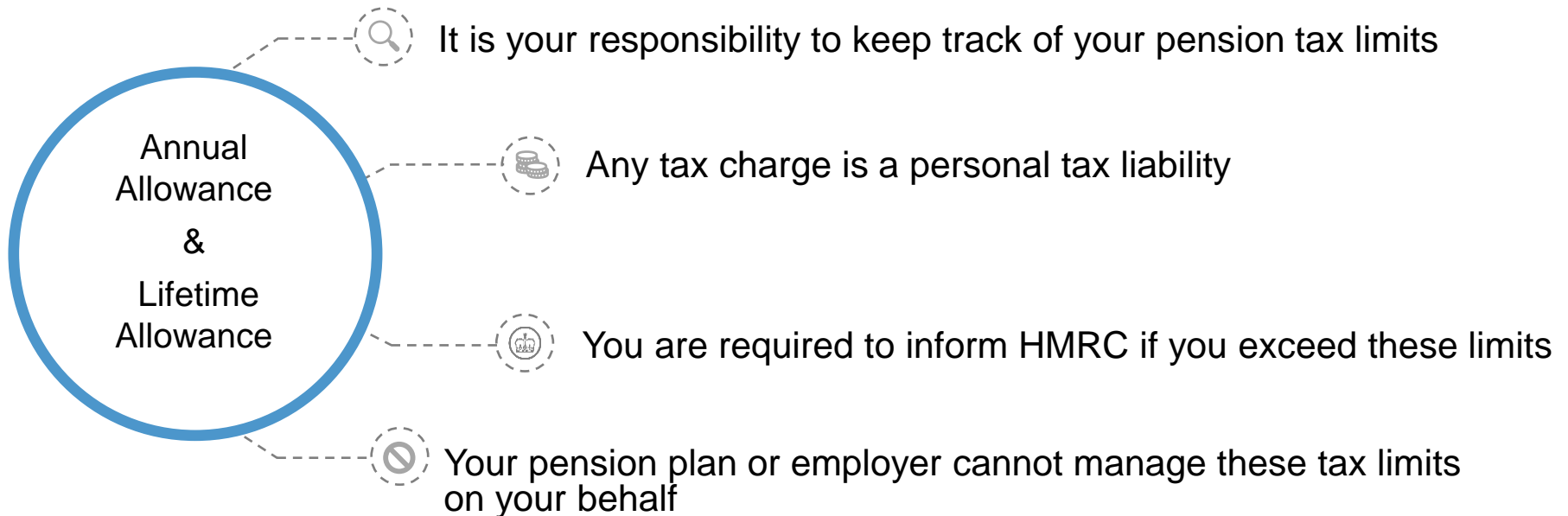
- Limits the amount of pension savings each year before triggering a tax charge

## The lifetime allowance (LTA)

- Limits the total value of your pension savings, before triggering a tax charge
- Usually applies when you begin taking pension benefits



# tax limits.



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the lifetime allowance  
(LTA).



# the lifetime allowance.



A limit set by the Government, if your pension savings are valued above this limit you could face a significant tax charge

**£1,073,100**



You are normally assessed against the LTA at the point you receive your retirement savings from a tax approved pension arrangement\*



You will incur a charge on any benefits that exceed the LTA of:



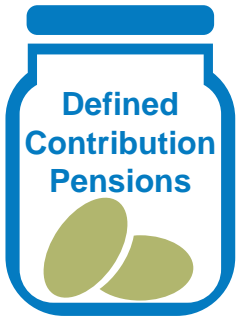
**55%** if these benefits are received as a lump sum



**25% PLUS** your marginal rate of income tax if benefits are received in any other way

\*Other events including death of the pension member will invoke an assessment against the LTA

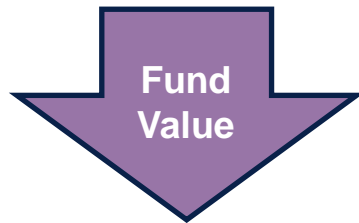
# LTA – how to value pensions.



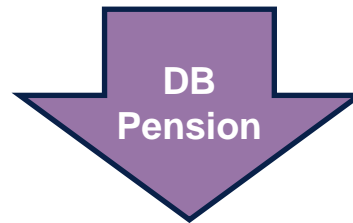
The value of investments and cash



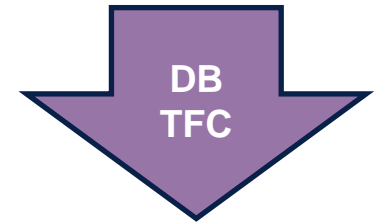
The annual pension x 20 *plus* any tax free cash (TFC)



£773,100



£20,000 income × 20  
= £400,000



£100,000

**Total pension savings = £1,273,100**

**Value exceeding LTA = £200,000**

# LTA – selected other LTA events.



Reaching age 75 with a pension you haven't accessed



Death before age 75 and the funds used to provide:

- DB lump sum death benefit
- DC uncrystallised lump sum death benefit
- Dependant's/nominee's drawdown
- Dependant's/nominee's annuity



Transfer to a Qualifying Recognised Overseas Pension Scheme (QROPS)



Growth within a drawdown plan, from date you move into drawdown until the earlier of the date you purchase a lifetime annuity or reach age 75

For a full list of events that trigger an LTA test visit: [www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm088100](http://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm088100)

# LTA – protection.

The lifetime allowance reduced from £1.25m on 6 April 2016. Protection may be available to you if you were impacted by this reduction

- Available if your pension savings exceeded £1m on 5 April 2016
- Provides a LTA equal to your pension savings on this date
- Subject to a maximum LTA of £1.25m
- There is no deadline for applications

## Individual Protection 2016

## Fixed Protection 2016

- Only available to those who ceased all pension contributions prior to 6 April 2016
- Provides a LTA of £1.25m
- There is no deadline for applications

An assessment against your LTA normally happens at the point benefits are received



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how the annual allowance  
is applied.



# the annual allowance (AA).

Applies to the combined value of all contributions in a tax year

A £40,000 annual allowance usually applies but is reduced in certain circumstances

How it's measured:



**DC schemes** – the value of contributions paid in the tax year

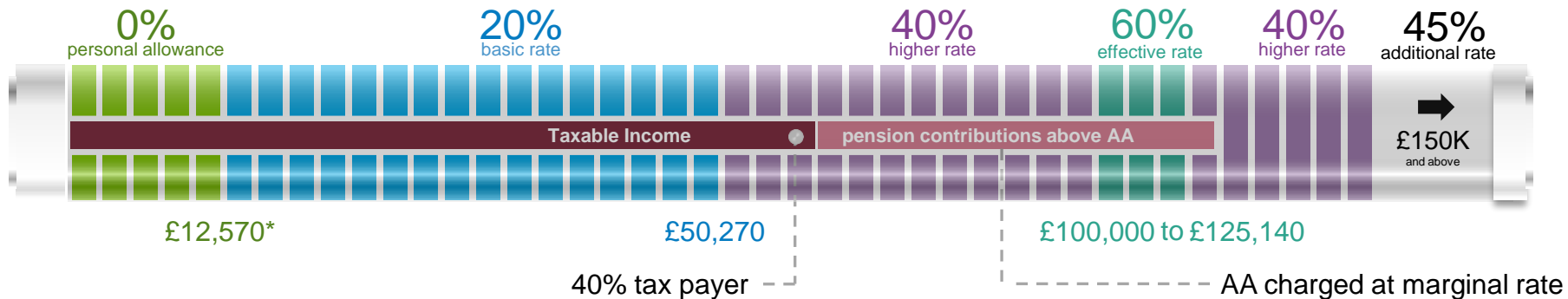


**DB schemes** – a formula is used and this figure is usually provided by the scheme administrator

If you exceed your available AA you will have to pay a tax charge

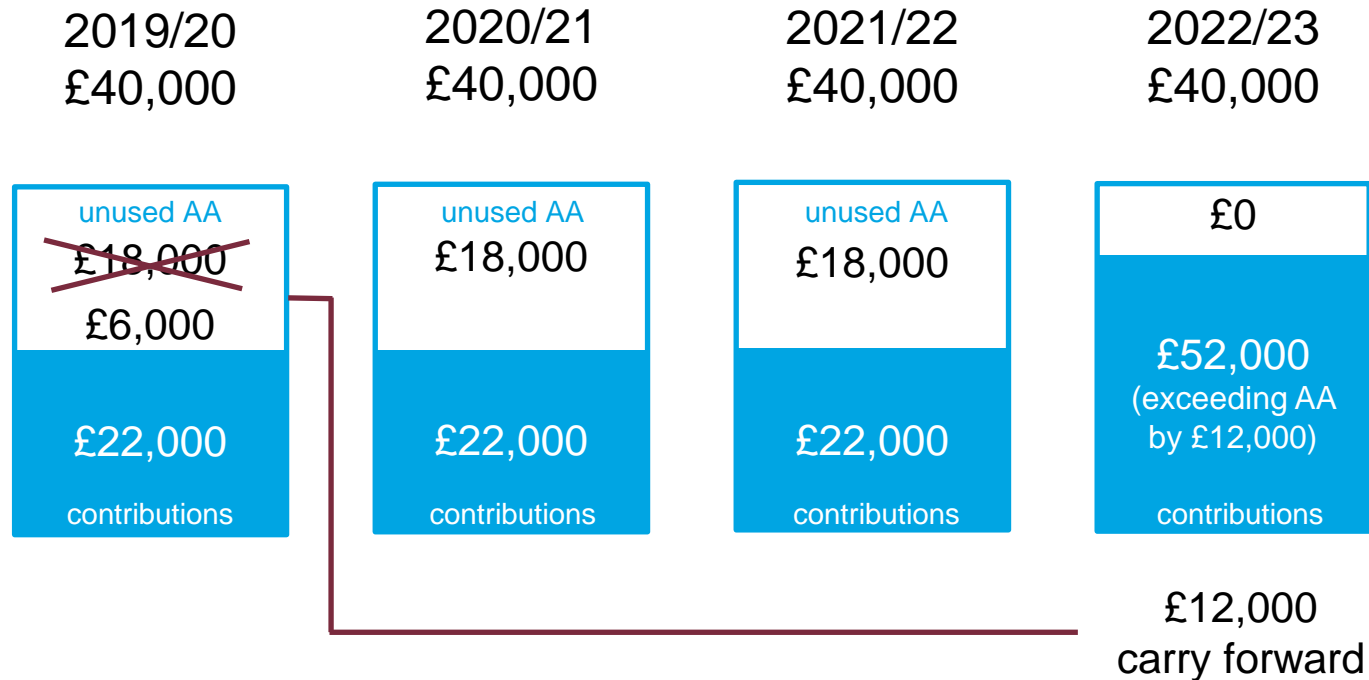
# the annual allowance (AA).

- An AA charge is only applied to contributions in excess of your annual allowance
- The charge is determined by your tax band



\*The Personal Allowance gradually reduces to zero for those earning between £100,000 and £125,140

# an example of carry forward.



Tax relief is only available on contributions up to 100% of earnings

Assumptions: (1) the scheme's PIP has been aligned with the tax year for the past 3 years, (2) salary has not changed for the last 4 years & (3) pension contributions of £22,000 per year have been made for the previous 3 years

# the tapered annual allowance.

The tapered AA reduces your available annual allowance. The rules relating to the taper changed from 6 April 2020.

Tax Years Before



Taxable income less than

**£110,000**  
No taper

.....  
Lowest possible annual allowance

**£10,000**

Tax Years From



Taxable income less than

**£200,000**  
No taper

.....  
Lowest possible annual allowance

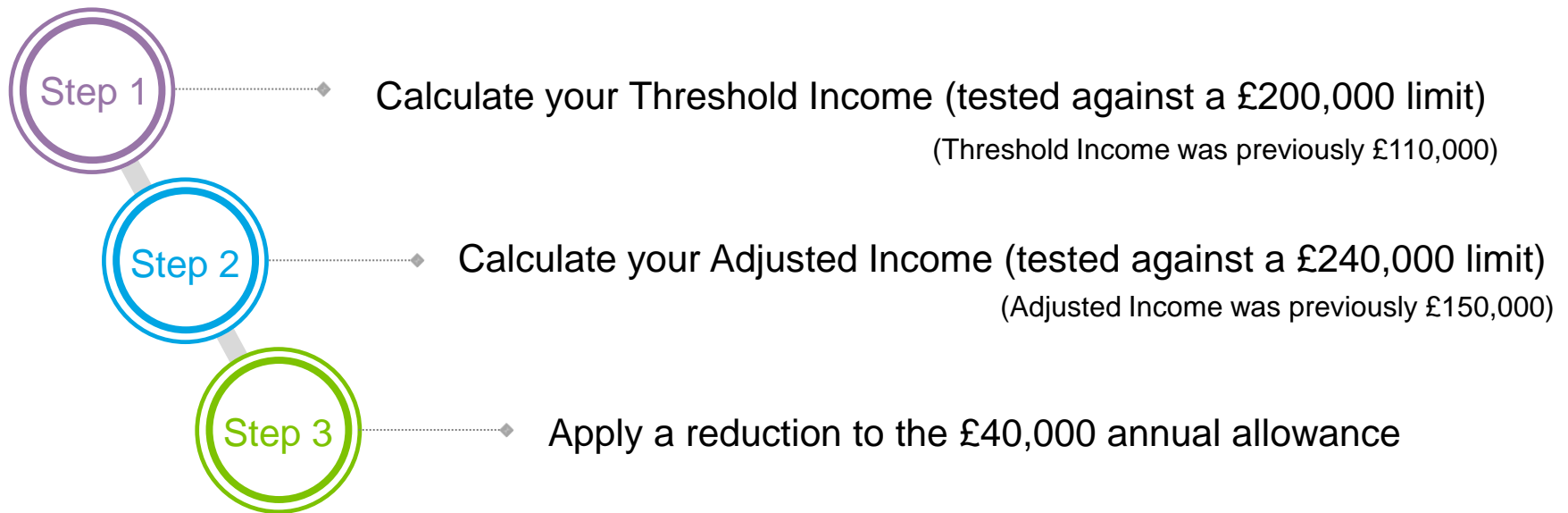
**£4,000**



# the tapered annual allowance.

You may have a reduced annual allowance if your total taxable income exceeds £200,000

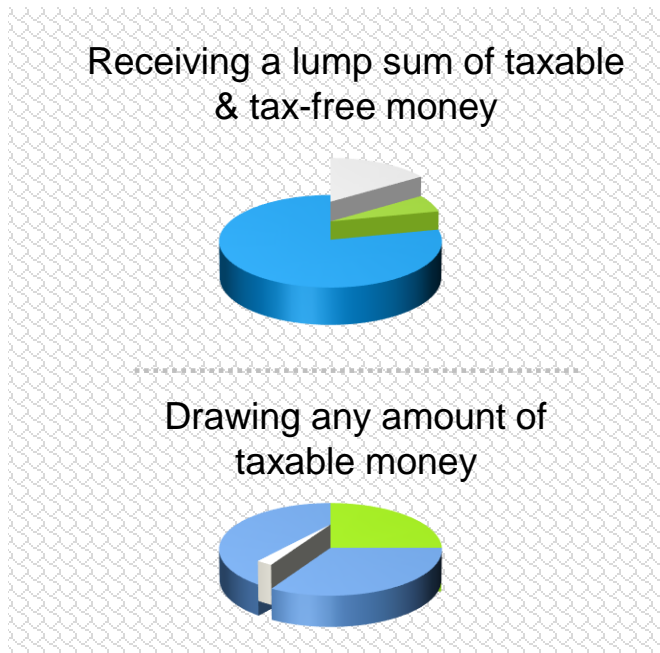
Calculating the tapered annual allowance is a 3-step process:



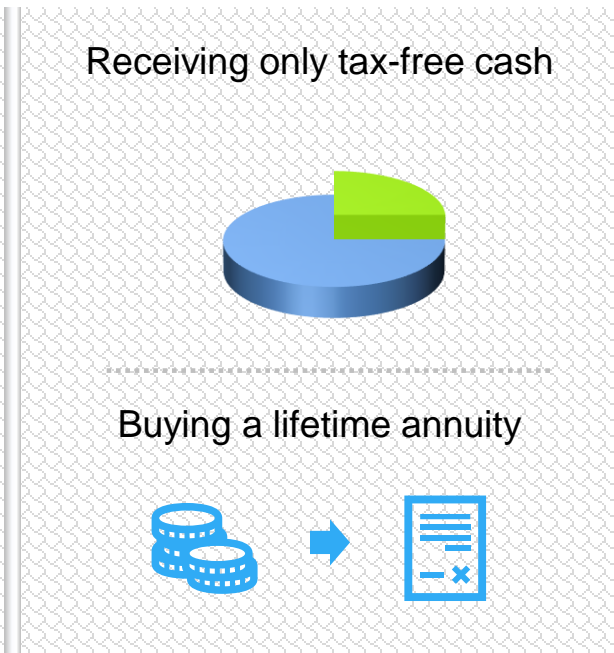
# money purchase annual allowance.

The Money Purchase Annual Allowance (MPAA) of £4,000 may apply if you draw money from your DC pension.

When it will apply ↪



↪ When it won't apply



Carry forward is not available when the MPAA applies





# paying the AA tax charge.

## Additional Information pages

**Pension Savings Tax Charges**

7 Value of pension benefits in excess of your Available Lifetime Allowance, taken by you as a lump sum  
£                      . 0 0

8 Value of pension benefits in excess of your Available Lifetime Allowance, not taken as a lump sum  
£                      . 0 0

9 Lifetime Allowance tax paid by your pension scheme  
£                      . 0 0

10 Amount saved towards your pension, in the period covered by this tax return, in excess of the Annual Allowance  
£                      . 0 0

11 Annual Allowance tax paid or payable by your pension scheme  
£                      . 0 0

11.1 Value of pension benefits transferred subject to the overseas transfer charge  
£                      . 0 0

11.2 Tax paid by your pension scheme on your overseas transfer charge  
£                      . 0 0

12 Pension scheme tax reference number  
PSTR

13 Amount of unauthorised payment from a pension scheme, not subject to surcharge  
£                      . 0 0

14 Amount of unauthorised payment from a pension scheme, subject to surcharge  
£                      . 0 0

15 Foreign tax paid on an unauthorised payment (in £ sterling)  
£                      . 0 0

16 Taxable short service refund of contributions (overseas pension schemes only)  
£                      . 0 0

Box 17 is not in use

18 Foreign tax paid (in £ sterling) on box 16  
£                      . 0 0

**Tax avoidance schemes**

19 The scheme reference number or promoter reference number

20 The tax year in which the expected advantage arises, for example, 2017-18 YYYY YY  
    -

**Disguised remuneration**  
Only complete this section if you've used a disguised remuneration avoidance scheme. Read the notes before completing this section.

**Non-PAYE employment income**

21 Amount of non-PAYE disguised remuneration employment income  
£                      . 0 0

**Self-employed and partnership income where trading has ceased**

22 Amount of disguised remuneration taxable as income in 2018-19  
£                      . 0 0

23 Amount of disguised remuneration to be treated as income of an earlier year  
£                      . 0 0

24 Tax year income in box 23 is to be taxed, for example 2017-18 YYYY YY  
    -

SA101 2019 Page Ai 4

**7 Value of pension benefits in excess of your Available Lifetime Allowance, taken by you as a lump sum**  
£                      . 0 0

**8 Value of pension benefits in excess of your Available Lifetime Allowance, not taken as a lump sum**  
£                      . 0 0

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£                      . 0 0

Box 17 is not in use

**18 Foreign tax paid (in £ sterling) on box 16**  
£                      . 0 0

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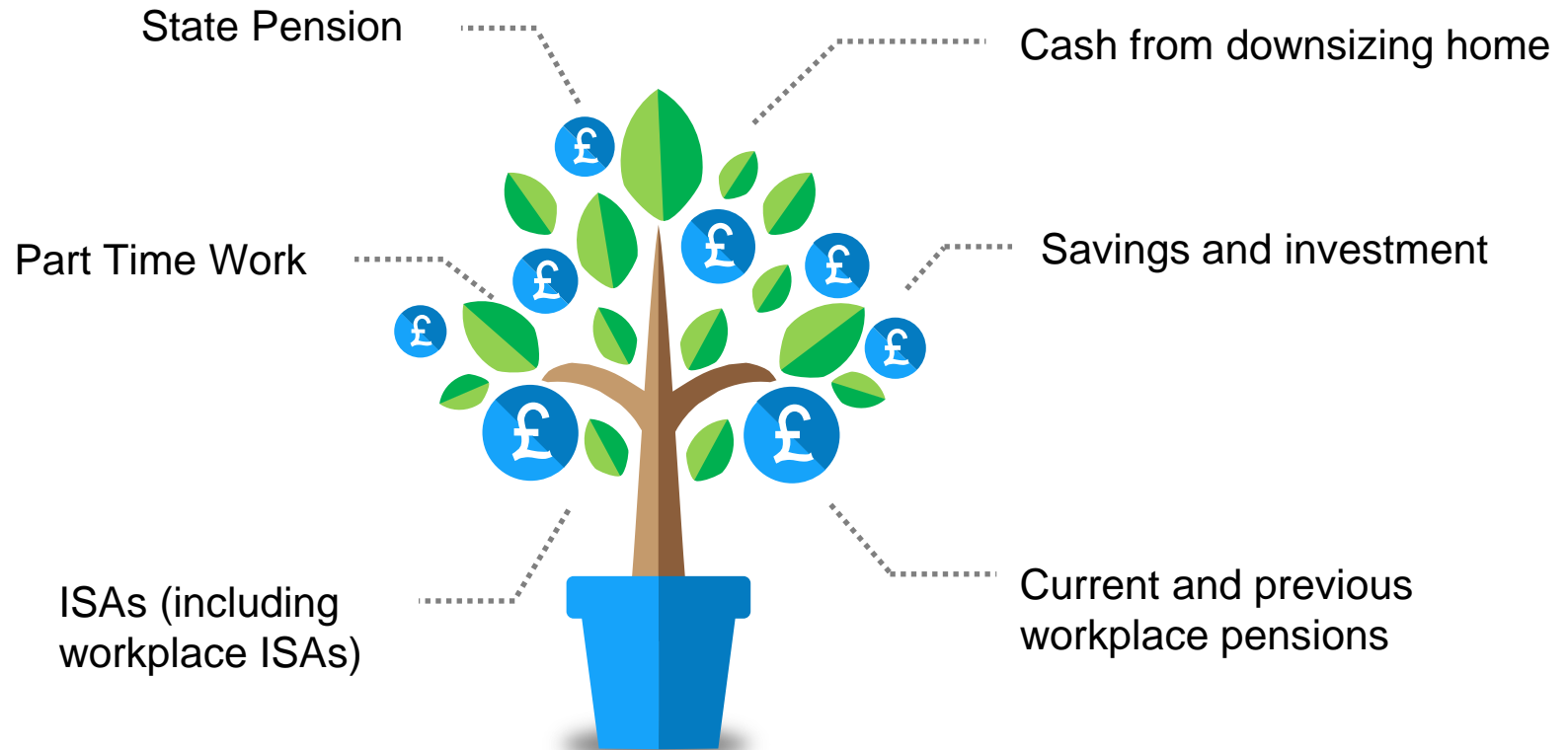
maximising your  
retirement savings.

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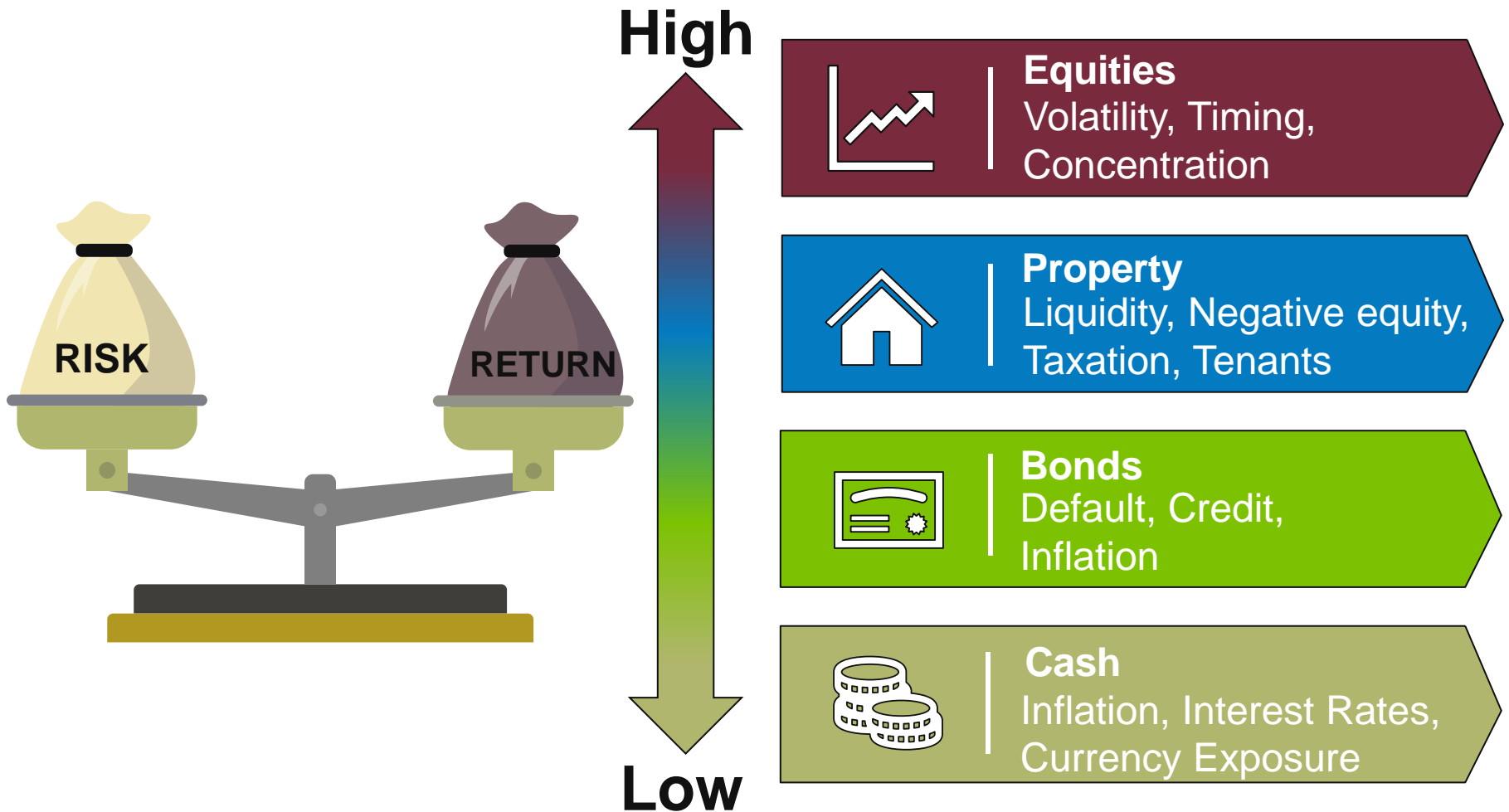
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# your retirement savings.

When you reach retirement, your pension might only be one part of your total retirement income.

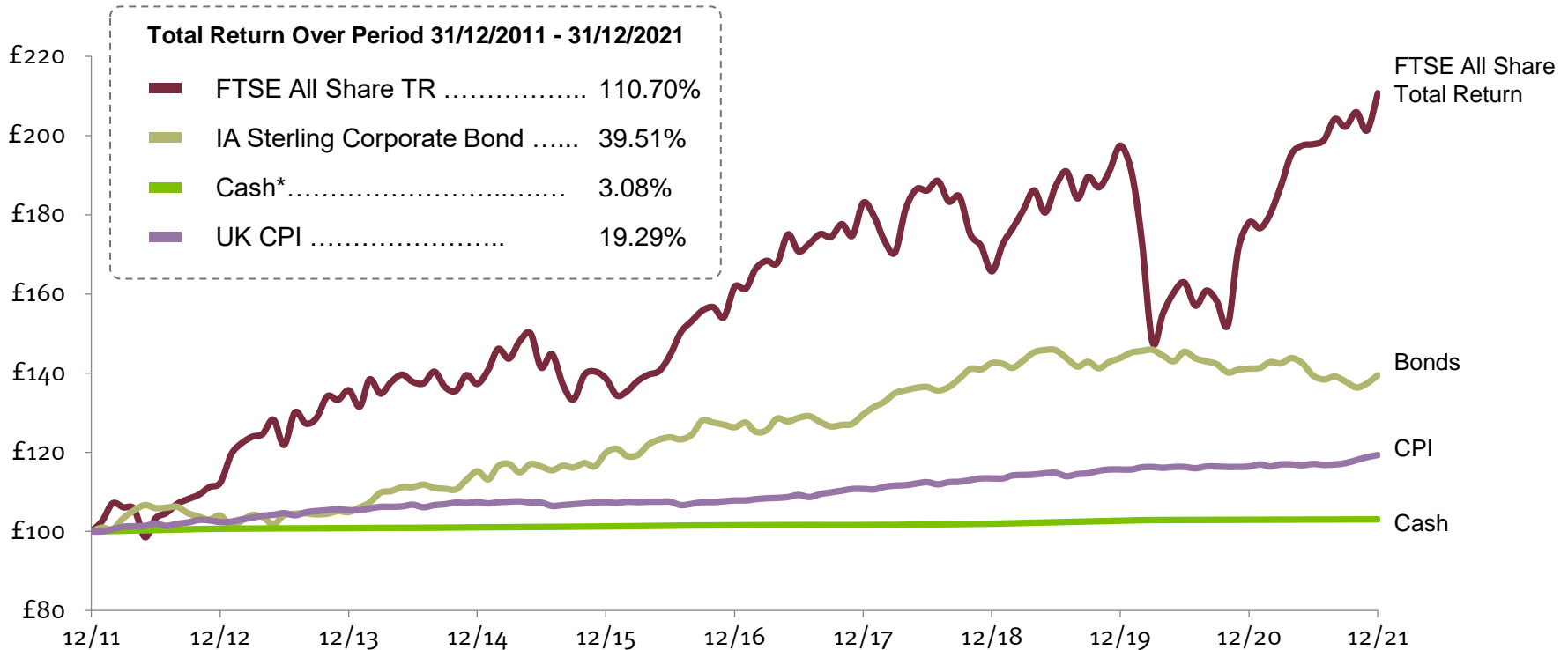


# investment risk and returns.



# risk and returns: the real world.

The value of £100 originally invested 31/12/2011 by 31/12/2021



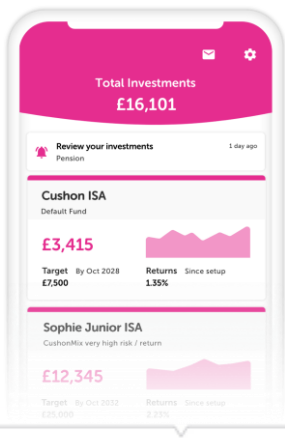
**This chart shows past performance which is not a reliable guide to the future**

Source: Financial Express & Bloomberg

\*Cash is calculated using: FE FER Cash Proxy from 31/12/2011 to 31/12/2018 and the UK Bank of England Base rate from 31/12/2018 to 30/12/2021.

# ISA.

- An ISA protects your savings from taxation
- Interest and dividends are tax free
- Growth is free of Capital Gains Tax
- Current allowance is £20,000
- Workplace ISA via cushion



# maximising your retirement savings.

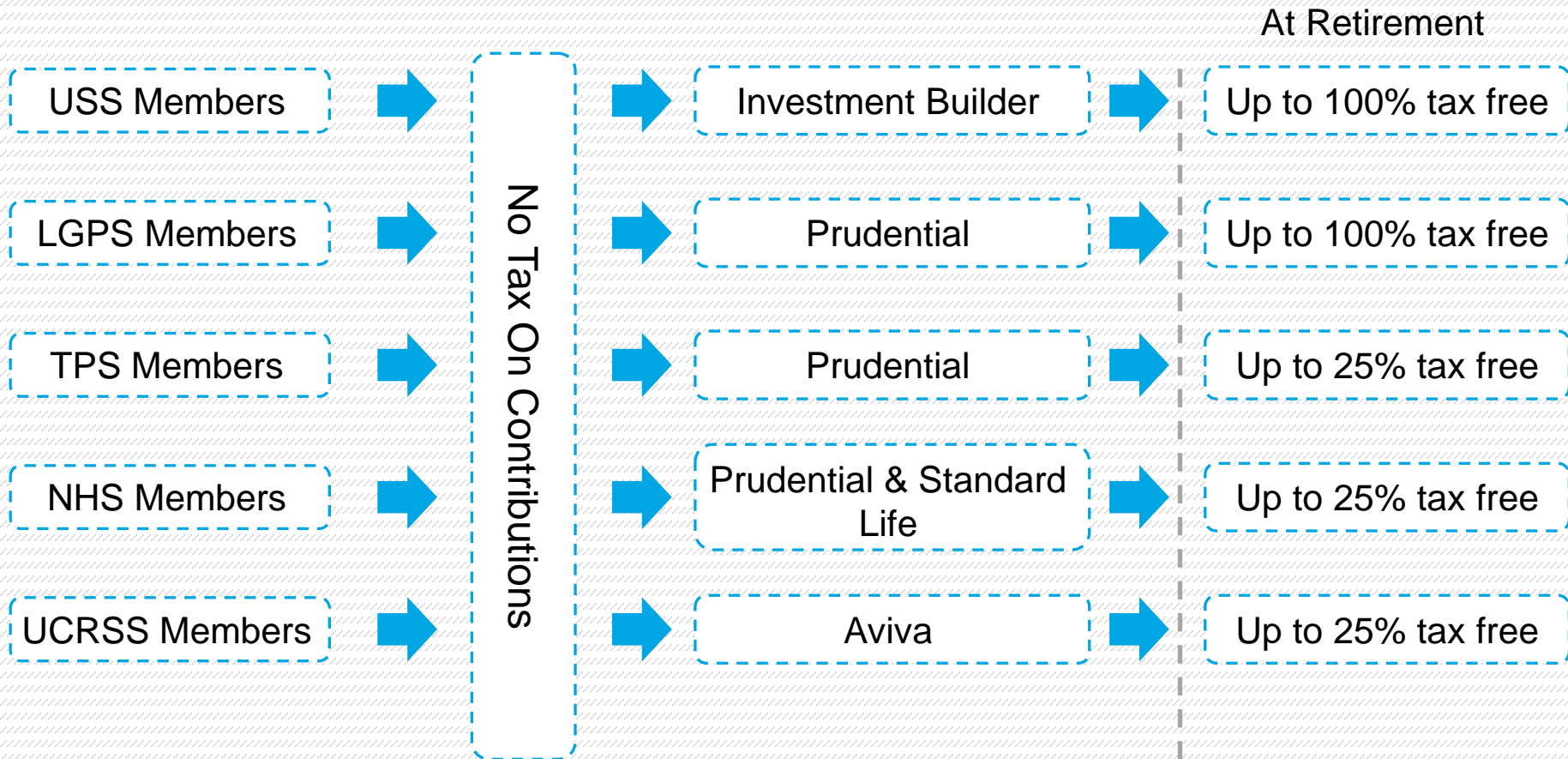
- You may be able to maximise the use of any unused AA or LTA by increasing the savings you make into your pension
- As a defined benefit member you can normally make AVCs
- How these are invested and accessed at retirement varies between schemes
- UCRSS members can increase their DC savings into the scheme
- USS members can save more into their investment builder



[uss.co.uk/help-and-support/videos-and-animations](https://www.uss.co.uk/help-and-support/videos-and-animations)



# AVC summary.



Tax relief on contributions and maximum tax free cash entitlement is subject to HMRC limits



# LGPS – Salary Exchange

LGPS members are able to make AVCs using Salary Exchange

- Annual Salary £100,000
- Employee AVC = £3,000pa (3%)
- Tax Saving = 40%
- NI Saving = 3.25%
- Personal Cost = £1,740pa



Tax savings



Employee AVC (3%)



# TPS – increasing benefits.

## **Additional Voluntary Contributions (AVC)**

- There is no link between the TPS main scheme and the AVC so you can take benefits from the AVC before you claim your main scheme pension
- Can take up to 25% tax free & the balance taken as an income subject to tax

## **Additional Pension Contributions (APC)**

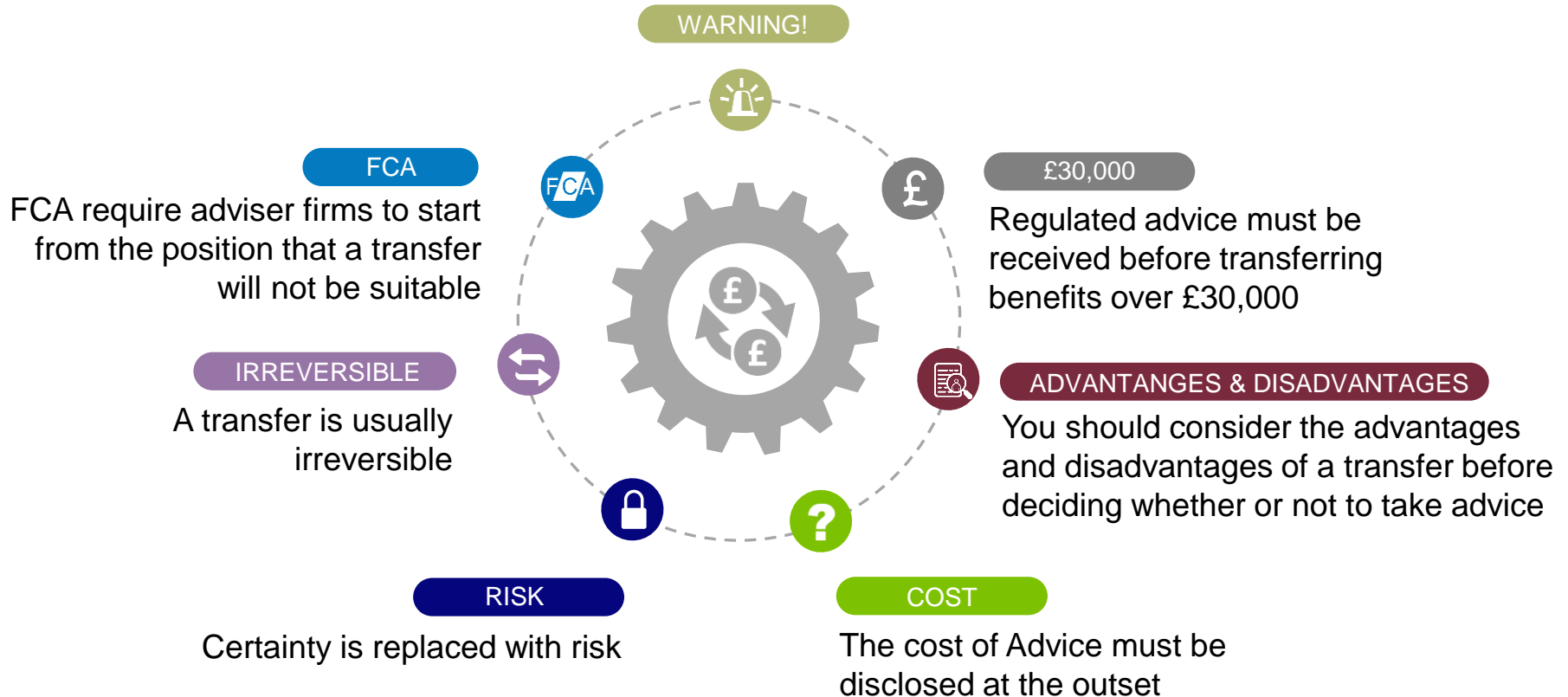
- Buy extra pension by making regular or lump sum payments
- Maximum benefit that can be purchased is:
  - £6,300 per year for final salary members
  - £6,500 per year for CARE members

## **Faster Accrual – CARE ONLY**

- Pay larger contributions for faster accrual
- Faster accrual rates are:  $1/45^{\text{th}}$ ,  $1/50^{\text{th}}$  &  $1/55^{\text{th}}$
- Runs from 1 April to 31 March
- Elections must be received by 31 March to cover the next Scheme year

# transferring from DB to DC.

**WARNING** - transferring out of a defined benefit (DB) scheme could damage your wealth!



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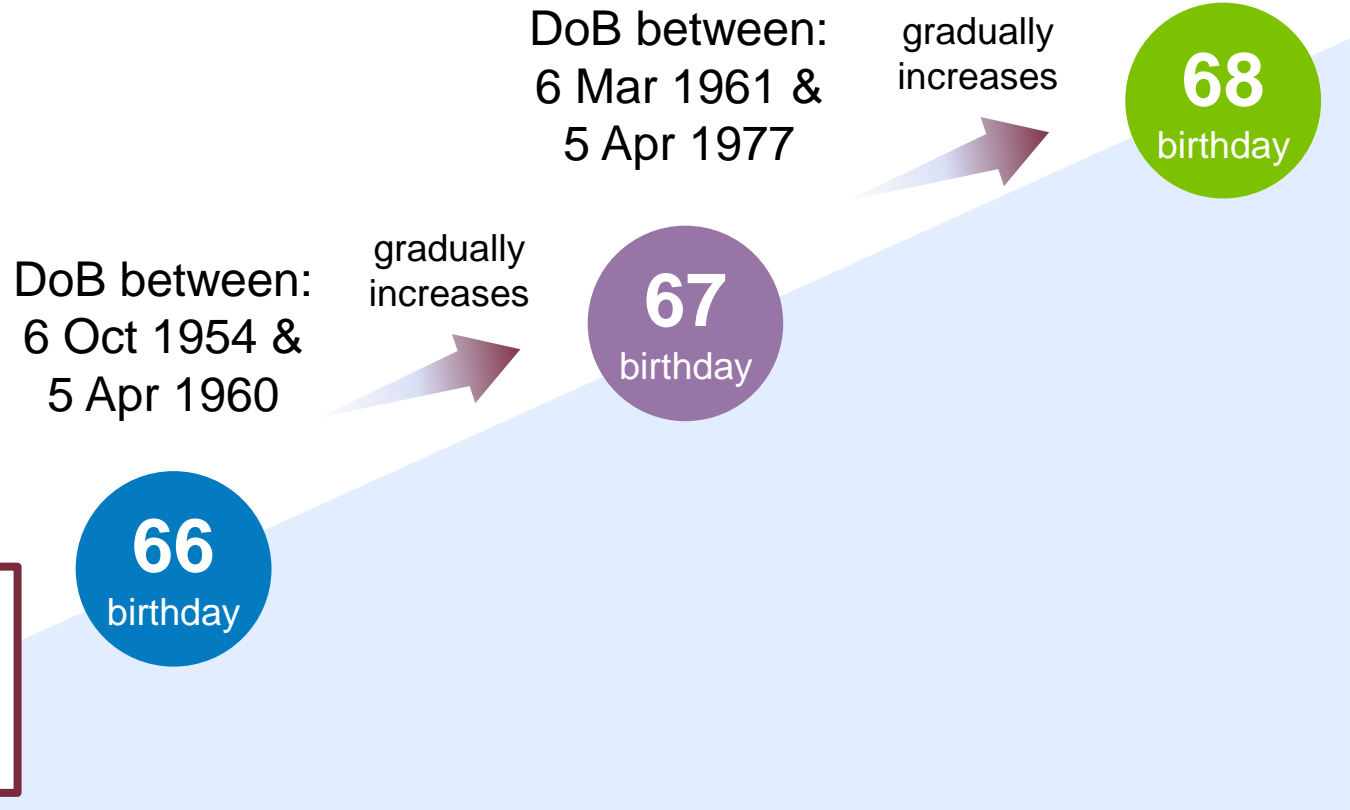
the state pension.

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# your State Pension age.

DoB from:  
6 Apr 1978



The Government intends to bring forward the State Pension age transition from 67 to 68 affecting those born between 6<sup>th</sup> April 1970 and 5<sup>th</sup> April 1978 - if adopted those affected will reach State Pension age between their 67<sup>th</sup> & 68<sup>th</sup> birthdays

# the new State Pension.

If you reach State Pension age after 5 April 2016 the new State Pension can provide income of:

per week

up to  
**£185.15**

per year

up to  
**£9,660.86**

You may receive less if:



You have less than 35 years of National Insurance (NI) contributions, &/or



You have been contracted out of the Additional State Pension

**Every year of NI contributions gained since 2016/17 to the year before you reach State Pension age will make the deduction less**

# example annuity rate.

pot after receiving tax free cash	age	annually	monthly
£100,000	65	£4,826	£402



Single income



No annual increases



No protection



Good health

Source: Money Helper – rates correct as at 01.11.2021

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next steps.

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# taking action.

✓ Calculate whether the tapered annual allowance will apply to you

✓ Check whether you expect to exceed your annual allowance and/or the lifetime allowance

✓ Look at ways of making use of any available annual allowance carry forward

✓ Consider other savings vehicles (e.g. ISAs)

✓ Speak to your partner about whether they are making use of their annual allowance

✓ Check Linc-on to see upcoming webinars covering retirement planning in more detail

# seeking advice.

- Regulated financial advice can provide you with the most suitable course of action relating to a wide range of financial needs.
- It is important that you take steps to ensure you are dealing with genuine firms/individuals and that they are authorised to provide advice in the areas you require.
- A list of regulated financial advice firms can be found here:  
<https://register.fca.org.uk>



See more about the financial services register on the next slide

# the financial services register.

- Under each firm listing there is a section titled 'activities and services' – this details the types of services the firm are regulated to provide.
- Each firm has a regulatory responsibility to ensure Advisers working for them are deemed appropriate for the role – the firm can provide you with a list of their regulated Advisers.
- The FCA are publishing a Directory detailing all regulated advisers, which will then enable you to independently verify any individuals you are dealing with.

## Contents

Who is this firm?

How are customers protected?

What can this firm do in the UK?

Restrictions

Activities and services

Who is involved with activities at this firm?

Who is this firm connected to?

# contact us.

We provide a telephone helpline and a regulated financial advice service through **my wealth** - a trading name of Wealth at Work Limited which is a member of the Wealth at Work group of companies.

It helps individuals to understand their personal financial situation especially when selecting their retirement income options.

- Telephone **0800 028 3200**



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thank you.

0800 028 3200

[www.wealthatwork.co.uk/mywealth](http://www.wealthatwork.co.uk/mywealth)



HUMAN RESOURCES

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