

# Pension Simplification

Pension simplification introduced two new controls, the Lifetime Allowance (LA) and Annual Allowance (AA). The LA is currently £1,073,100 and the individual AA is £40,000.

Most individuals are able to fund up to these limits with the possibility to also carrying forward unused AA from the previous three years. Exceeding the LA or the AA will trigger a tax charge.

Other changes included:

- Early retirement age available from age 55
- Full concurrency (i.e. being able to pay into any array of plans you wish), subject to the Annual Allowance and potential for carry forward
- Wide investment flexibility
- Up to 25% tax-free cash
- The ability to commute 'small' funds as a one-off lump sum as opposed to having to draw a regular income from age 55 (subject to part of the fund being taxed)
- Flexible options at retirement when deciding to take benefits such as Flexi-access Drawdown
- No need to 'have to' secure benefits at age 75 via an annuity

In addition, pension freedom gives individuals further and greater flexibility to access their pension savings from age 55.

The changes include:

- To increase the flexibility of the drawdown rules by removing the maximum 'cap' on withdrawal and minimum income requirements for all new drawdown funds from 6 April 2015
- To enable those with 'capped' drawdown to convert to a new Flexi-access Drawdown fund once arranged with their scheme
- To enable pension schemes to make payments directly from pension savings with 25% taken tax-free, known as the Uncrystallised Fund Pension Lump Sum (UFPLS) option
- To remove restrictions on lifetime annuity payments
- To ensure that individuals do not exploit the new system to gain unintended tax advantages by introducing a reduced Annual Allowance of £10,000 for money purchase savings where the individual has flexibly accessed their savings

- To increase the maximum value and scope of trivial commutation lump sum death benefits.

Pensions are a long-term investment. You may get back less than you put in. Pensions can be and are subject to tax and regulatory change therefore the tax treatment of pension benefits can and may change in the future.