

## illuminatetech

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## Pensions and age 75

There's no requirement to buy a retirement income or use a different type of drawdown at age 75. Instead, it's possible to continue with the current accumulation or drawdown pension plan.

But reaching age 75 still acts as a watershed for your clients. This factsheet outlines the key changes that take place at age 75, impacting pension planning and highlights areas where a review and action may be suitable.

### Ongoing contributions

It's possible to continue making personal contributions to a pension after age 75 but there's no tax relief available on payments. Because of this, many pension plans don't accept contributions from clients who are aged 75 or older.

Employer contributions are possible. Unlike personal contributions, there's no age restriction on employers paying contributions and receiving corporation tax relief. But it's worth checking with the scheme involved to see if they will facilitate this.

### Is it possible to take a pension commencement lump sum (PCLS) after age 75?

Yes. If the product allows the individual to remain invested after age 75 then it's possible to take PCLS after age 75.

However, it's worth noting that should the individual die after age 75 and before taking any PCLS, there is no tax-free element, and all benefits would be taxable in the hands of the recipient. The right to PCLS ends when the individual dies and doesn't pass on to any beneficiary.

### Change to death benefits

On death, it's possible to pass on any unused pension wealth to family members. If death happens before age 75 then the pension benefits are free of income tax. If death occurs at age 75 or over, then any pension benefits taken will be taxed at the marginal rate of income tax.

So, at age 75, it may be prudent to review the nominated beneficiaries to make sure benefits can be passed on in the most tax efficient way. Any recommended changes may be driven by the beneficiaries' rates of income tax.

It's worth remembering that most unused pension funds and death benefits will be included in a deceased person's estate for Inheritance Tax (IHT) purposes from 6 April 2027 onwards.

## Scheme rules

Some older schemes may have some restrictions within their rules around options as members approach age 75.

These barriers could include:

- Insisting clients must take a pension commencement lump sum (PCLS) before age 75.
- Not offering flexi-access drawdown after age 75.
- Insisting on annuity purchase at age 75.

This provides an opportunity to review existing pension plans to identify where lack of choice could be an issue. Where there are barriers to choice, it may be suitable to recommend a transfer to a more flexible pension plan before age 75.

### If you only read one thing

- Tax relief isn't available on personal contributions after the age of 75. However, employer contributions can still receive corporation tax relief.
- Many older pension plans may still have barriers to choice at age 75, so some people may want to consider a transfer before that date to increase choice and flexibility.
- If death occurs at age 75 or older, then beneficiaries have to pay income tax on any pension benefits taken, at the relevant marginal rate of income tax. Therefore, advisers and clients may wish to review nominated beneficiaries in advance of the 75th birthday.
- Most unused pension funds and death benefits will be included in a deceased person's estate for IHT purposes from 6 April 2027 onwards.

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