



Fixed protection opportunities

Background

Previously, where an individual held fixed protection, certain actions would result in the loss of their protected lifetime allowance (LTA).

The relevant actions were:

- Benefit accrual under their pension
- A transfer that was not a permitted transfer
- Their arrangement received an impermissible transfer
- A new arrangement set up, other than prescribed circumstances

For individuals who had valid fixed protection in place before 15 March 2023, then from 6 April 2023, the above actions won't result in the loss of their protection.

It's still possible for an individual to apply for fixed protection 2016, however, if the protection was successfully applied for on, or after, 15 March 2023, then any of the above actions will result in its loss.

Bear in mind this is not yet legislation, the Finance (No. 2) Bill is likely to receive Royal Assent, and become law, around early Summer.

Limiting the upside

The implications if the Labour Party were to reintroduce the LTA.

Opportunities

For those holding a SIPP, benefit accrual occurred if a contribution was made to their plan, which is no longer the case from 6 April 2023, subject to the protection being in place before 15 March 2023.

- They can start funding pensions from 6 April 2023
 - Could use this to rebuild their pension fund following pension debit on divorce
- Could increase their pension commencement lump (PCLS) sum rights
 - Fund value less than their protected LTA; make contributions to maximise PCLS rights
- They're able to set up a new arrangement for a pension credit after 5 April 2023

For those with defined benefit (DB) arrangements, the test for benefit accrual is an ongoing test. Subject to the 15 March criteria, this is no longer applicable.

Action

- Identify clients with fixed protection to determine if there's scope to re-engage with pension saving.

