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Adviser factsheet

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Fixed Protection

Introduction

In 2012, 2014 and 2016 the government reduced the level of the Lifetime Allowance (LTA). Alongside these reductions, various Fixed Protection regimes were introduced.

These protections allowed people to secure a higher LTA and potentially reduce or eliminate any future LTA charges. Anyone could apply for Fixed Protection, regardless of the value of their funds. However, contributions to defined contribution schemes and accrual within a defined benefit scheme needed to cease.

All the protections operate in the same way, but each has a different protected amount and an increased level of tax-free lump sum potentially payable.

Fixed Protection

Summary of protection limits

The LTA was abolished on 6 April 2024. In its place, two new allowances were introduced:

Lump sum allowance (LSA): This limits the amount most people can take as a tax-free lump sum during their lifetime.

Lump sum and death benefit allowance (LSDBA): This limits the amount which can be taken as a tax-free lump sum during lifetime or following death before age 75.

For most people these are £268,275 and £1,073,100 respectively. However an individual's LSA and LSDBA is reduced to take account of benefits crystallised before 6 April 2024.

There are three types of Fixed Protection, and they allow holders a higher lump sum allowance and lump sum and death benefit allowance as shown in the table below:

Type	Lump Sum Allowance	Lump Sum and Death Benefit Allowance
Fixed Protection 2012	£450,000	£1.8m
Fixed Protection 2014	£375,000	£1.5m
Fixed Protection 2016	£312,500	£1.25m

The deadline for applying for FP12 and FP14 were 5 April 2012 and 5 April 2014 respectively. FP16 needed had to be applied for before 6 April 2025.

As part of the abolition of the LTA anyone who had applied for and held one of the Fixed Protections as at 15 March 2023 could no longer lose their protection with effect from 6th April 2023.

Loss of Fixed Protection

Since 6 April 2023 anyone who had applied for and held one of the Fixed Protections before 15 March 2023, doesn't lose their protection in the way they previously could have. These individuals have been able to make contributions and accrue benefits without losing the protection.

Anyone who applied after 15 March 2023 (this would normally only be for FP16) can still lose their protection if they have a cessation event. Those are the old rules which were in place before the LTA was abolished. Protection would be lost by a number of actions such as paying contributions to a defined contribution scheme, accrual within a defined benefit scheme, or if a new arrangement is set up for a member (except to receive a permitted transfer). If Fixed Protection is lost, the LSA and LSDBA will be based on standard rules for future crystallisations unless another protection applies.

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