

# FACT SHEET

## INDIVIDUAL PROTECTION

APPROVED FOR CLIENT USE | APRIL 2025



***We recommend that you speak to an adviser if you are affected by individual protection. We have a separate fact sheet about the Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA) which you may wish to read before this one.***

### Definitions

#### What is individual protection?

For the first six years after the lifetime allowance was introduced, it increased each year. However, from April 2012 it began to decline: it dropped in 2012 (from £1.8m to £1.5m), 2014 (from £1.5m to £1.25m) and again in 2016 (from £1.25m to £1m).

When the first drop happened in 2012, the only form of protection made available was fixed protection 2012, which allowed people to keep a higher lifetime allowance but prevented them from making any further pension savings. When the lifetime allowance dropped again in 2014, individual protection was introduced. It still allowed people to protect some of their pension savings from the drop, but gave them more flexibility to make further pension savings in the future.

There are two versions of individual protection: one for 2014 and one for 2016.

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

- **Lump Sum Allowance:** 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.

### Rules

#### Who was eligible to apply for individual protection?

You could apply for individual protection 2014 as long as you didn't already have primary protection, and the value of your pensions on 5 April 2014 was more than £1.25m. You could apply for individual protection 2016 as long as you didn't already have primary protection or individual protection 2014, and the value of your pensions on 5 April 2016 was more than £1m.

#### Can I still apply for individual protection?

No, you can no longer apply for individual protection 2014 or 2016.

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## How does individual protection work?

Individual protection gives you a protected allowance based on the value of your pensions at the point the lifetime allowance dropped. There are specific rules for how to value your pension for this purpose.

For individual protection 2014 your protected amount can be between £1.25m and £1.5m, and for individual protection 2016 it can be between £1m and £1.25m. These maximums make sure that you can't protect funds which already would have been above the lifetime allowance before it dropped.

For example, if the value of your pensions on 5 April 2014, according to the special valuation process, was £1.4m, then your individual protection certificate would give you a protected lifetime allowance of £1.4m.

## Does individual protection increase PCLS (tax free cash) entitlement?

Yes. If you have individual protection, you will be entitled to the lower of:

- 25% of the value of your pension at the point that you take benefits or;
- 25% of the individual protected amount.

Additionally, if you have this type of protection, you are entitled to a higher LSDBA equivalent to the protected amount.

## Can I lose individual protection?

Individual protection can't be given up voluntarily, but it can be lost or revalued.

If you get divorced or dissolve a civil partnership, your pension may be subject to a 'pension sharing order'. A pension sharing order is issued following a divorce or dissolution so that funds can be transferred from one person's pension to the other's. If funds are taken from your pension (known as a 'pension debit') and you hold individual protection, your protection will need to be revalued.

Firstly, the value of the pension debit itself is revalued: it is reduced by 5% for every complete tax year since the protection took effect. The new value of the pension debit is then deducted from the value of your pensions as at 5 April 2014 or 16, which would have been used to find your original individual protection amount. A new individual protection amount is then issued using this new figure. Your pension debit may be large enough to cause you to lose individual protection altogether.

## Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

## Contact details

If you'd like to speak to us about anything on this fact sheet, please contact us on:

**T 0370 414 7000**

We may record and monitor calls. Call charges will vary.

**E [enquiries@curtisbanks.co.uk](mailto:enquiries@curtisbanks.co.uk)**