

FACT SHEET

FIXED PROTECTION

APPROVED FOR CLIENT USE | APRIL 2024



We recommend that you speak to an adviser if you are affected.

Definitions

What is fixed 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).

There are three forms of fixed protection: one for each of the reductions. Fixed protection helped to make sure that people weren't unfairly disadvantaged by the reduction, by 'fixing' their lifetime allowance at the old value.

The lifetime allowance 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.

Rules

Who was eligible to apply for fixed protection?

You could apply for fixed protection 2012 as long as you didn't already have enhanced protection

or primary protection. For the 2014 and 2016 versions, you also couldn't already hold an earlier form of fixed protection.

Can I still apply for fixed protection?

You can still apply for fixed protection 2016 as long as you still meet the eligibility criteria and haven't done anything since 6 April 2016 which would have caused you to lose the protection if you'd already applied for it.

You can no longer apply for fixed protection 2012 or 2014.

How does fixed protection work?

Those with fixed protection are entitled to receive a higher tax-free lump sum.

Pension Commencement Lump Sum (PCLS) will be limited to the lower of 25% of the value of the pension at the point that they take benefits, and:

- Fixed protection 2012: £450,000
- Fixed protection 2014: £375,000
- Fixed protection 2016: £312,500

Any contributions made to the pension on or after 6 April 2023 can be included for the purposes of calculating the PCLS for those clients that had the protection in place before 15 March 2023. If you applied for protection after 14 March 2023, you would lose fixed protection 2016 by contributing.

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Those with fixed protection also benefit from a higher LSDBA:

- Fixed protection 2012: £1.8m
- Fixed protection 2014: £1.5m
- Fixed protection 2016: £1.25m

Can I lose fixed protection?

Fixed protection can't be given up voluntarily but it can be lost.

Prior to the 2023/24 tax year, accruing any new pension savings would cause you to lose your fixed protection. You could also lose your protection if you didn't opt out of your employer's auto-enrolment scheme within the statutory window each time you were enrolled. It was ok if your existing pension funds increased in value due to investment growth, and you were unlikely to encounter any problems with transferring existing pension funds between providers. Starting in the 2023/24 tax year, individuals with fixed protection could contribute to, transfer to and join registered pension schemes without losing their protected tax free cash allowance. This change was only applicable to those who applied for their protection prior to 15 March 2023.

Full details of the ways fixed protection can be lost are beyond the scope of this fact sheet, and we strongly recommend that you speak to an adviser before making any changes to your pensions if you hold fixed protection. You can also find more information by searching "losing the protection" (including the quotation marks) on www.gov.uk

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

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E enquiries@curtisbanks.co.uk

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