

# FACT SHEET

## PRIMARY PROTECTION

APPROVED FOR CLIENT USE | APRIL 2024



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

### Definitions

#### What is A-Day?

6 April 2006 is often known as A-Day. It was the date on which multiple existing pension tax systems were overhauled and replaced with a new, single set of rules. It was the date on which the annual allowance and lifetime allowance were originally introduced.

The problem with the lifetime allowance in particular was that many people had accrued larger pensions under the pre A-Day rules, and it would have been unfair for them to face a potentially significant charge simply because the rules changed. This principle has resulted in various forms of pension protection.

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.

#### What is primary protection?

Primary protection is one of the original forms of lifetime allowance protection. It was introduced

at A-Day to help make sure that people weren't unfairly affected by the new pension rules.

### Rules

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

You could apply for primary protection if the total value of your pensions on 5 April 2006, including ones you had already accessed, was more than £1.5m.

There was a special calculation for valuing pensions you had already accessed. You could also only protect pensions which were within pre A-Day limits.

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

Probably not. The application window for primary protection was from 6 April 2006 to 5 April 2009. HMRC has a late application process for those with 'reasonable excuses' for missing the deadline; only very exceptional situations are likely to meet the criteria so many years later.

#### How does primary protection work?

Those with primary protection are entitled to a higher LSA. Following abolition of the lifetime allowance, any lump sum entitlements you may hold are also protected. This will be a monetary figure on your protection certificate, which is increased by 20% then reduced by any lump sums previously taken.

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If you don't have lump sum protection included on your protection certificate, the maximum lump sum available will be 25% of the pension value up to a limit of £375,000 (less any sums taken).

Additionally, if you have primary protection, you're entitled to a higher LSDBA equivalent to £1.8m plus £1.8m multiplied by their primary protection factor.

$£1.8m + (£1.8m \times \text{primary protection factor}) = \text{LSDBA}$ .

### Can I lose primary protection?

Primary 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 settlement 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 primary protection, your protection will need to be revalued. The value of your pensions as at 5 April 2006, which would have been calculated to find your primary protection factor in the first place, is reduced by the value of the pension debit. A new primary protection factor is then calculated using this new figure. Your pension debit may be large enough to cause you to lose primary 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.

### Contact Details

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

**T 01473 296 950**

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

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