



Don't Let Pensions slip Away



What is Individual Protection 2014 ([IP14](#)) for pensions?

With the reduction of the lifetime allowance (LTA) from £1.5m to £1.25m from April 2014, Fixed protection (FP14) and Individual Protection (IP14) were introduced to protect those with pension assets in excess of £1.25m.

This value, up to a maximum of £1.5m, becomes the individual's **personalised lifetime allowance***. This means that when the individual crystallises any benefits, they will be tested against, and will use up a percentage of their personalised lifetime allowance, unless the standard lifetime allowance has increased above this level. Any benefits crystallised above this allowance will be subject to the lifetime allowance charge in the normal way.

Registration for FP14 closed on 5th April 2014.

The key difference from FP14 is that IP14 will not be lost if additional contributions are made to money purchase schemes or if benefit accrual occurs under defined benefit schemes. Also, new schemes can be joined without fear of losing protection.

** If an individual also has enhanced protection the individual protection is dormant until such time, if ever, enhanced protection is lost.*

Who can register for IP14?

To be able to register for IP14 the individual must:

- have had total pension benefits valued at at least 1.25m on 5 April 2014, and
- not already hold primary protection
- Individuals have up to 5 April 2017 to register for IP14 using a new form, **APSS240**. Those holding FP14 may also apply, although there is a 3 year window to enable individuals to collate information on all their pension arrangements as at 5th April 2014, we recommend that those considering IP14 should request this information now.

The new form is now available on HMRC's website and will be able to be completed online, or printed off and returned by post. It won't have to be completed by the individual concerned - HMRC will allow advisers to complete it on their behalf.

Those who register will normally receive a certificate from HMRC confirming the protection. Please note that those who also have enhanced protection or either of the fixed protections will instead just get a letter confirming the application has been accepted - an individual protection certificate will only be issued if the other protection has been lost and HMRC have been notified.

How are benefits valued for IP14?

An individual's total pension benefits had to be valued at more than £1.25M on 5 April 2014 to qualify for IP14. This included both uncrystallised and crystallised benefits. We recommend that individual's seek independent advice as soon as possible. There is no downside to registering for IP14.

Why is it important?

HMRC has estimated that 30,000 of those affected by the reduction in the Lifetime Allowance for pensions, would already hold pension savings over the new £1.25m limit from April 2014. There are significantly more with existing protection who can add Individual Protection as a safety net. Those approaching 75 or planning to take pension benefits in the coming months should be dealt with first, followed by those over or close to 55.

You will have clients affected by this, knowingly or not, who will need professional, independent advice but do not know where to go. A "headroom check" assessment of the value of an individual's pension funds is critical.



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