MILSTED LANGDON
Financial Services

MILSTED LANGDON: BUSINESS ADVANTAGE • PEACE OF MIND

BIG PENSION CHANGES FOR HIGH EARNERS

ACTION NEEDED BY 5 APRIL 2016

Saving for a financially secure retirement has always made sense. The changes introduced in April 2015 for people accessing pension savings from the age of 55 offer extra benefits from a personal and tax perspective. Here's a quick reminder why...

- Someone with a personal pension, or other defined contribution pension pot, can choose from options including buying an annuity, withdrawing the whole amount or taking part of the pot, with the first 25 per cent tax-free and the rest taxed at their marginal (highest) rate, leaving the rest invested to provide a retirement income.
- They can also take lump sums when they like, with the first 25 per cent of each tax-free and the rest taxed at their marginal rate, but with no regular retirement income.
- People with a defined contribution pension who die before the age of 75 can pass on unused pensions without the beneficiary paying tax. For deaths after 75, withdrawals are taxed at the beneficiary's marginal rate. In both cases, the fund is free of inheritance tax and can be passed down the generations on the same basis.

But it's not all good news...

- The lifetime allowance for pension contributions – the total you can save into a pension in your lifetime and receive tax relief – will fall from £1.25 million to £1 million from **6 April 2016.**
- Higher earners' annual allowance – the amount that can be saved each year into a pension and receive tax relief, currently £40,000 – will be subject to a taper from **April 2016.** For every £2 of adjusted income above £150,000, including individual and employer pension contributions, the allowance will be reduced by £1, down to a minimum of £10,000.
- They will also lose the ability to make increased contributions, to use earlier years' allowances, so they have only until **5 April 2016** to maximise existing tax reliefs on pension contributions before being severely restricted on what they can pay in.
- These changes mean it is essential for those earning over £150,000 to review their pension arrangements now and consider paying contributions before **5 April 2016.**

Making the right choices:
How Milsted Langdon Financial Services can help

Far-reaching pension reforms mean that the choices people make about their finances in retirement are more important than ever. As pensions specialists, Milsted Langdon Financial Services can provide bespoke advice to help you use the new pension freedoms in the way that best suits you.

We can also assist high earners affected by the new annual allowance taper to maximise pension contributions and tax efficiency in the run-up to its introduction and from **April 2016**, including by using any unused annual allowance from the three previous tax years.

For more information, or to arrange a free, no obligation meeting, please contact us.

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