

LIFETIME ALLOWANCE - FREQUENTLY ASKED QUESTIONS

Q1: What is lifetime allowance?

A1: The lifetime allowance is the total amount of pension savings you can have before a tax charge applies.

Q2: What is the value of the lifetime allowance?

A2: The lifetime allowance will remain at £1,073,100 until April 2026.

Q3: How is the value of my benefits calculated?

A3: It is the amount of your annual pension multiplied by 20 plus the tax-free cash lump-sum = capital value

Q4: When does the lifetime allowance test apply?

A4: The capital value is tested against the lifetime allowance when your benefits start to be paid.

Q5: How much is the lifetime allowance tax charge?

A5: The lifetime allowance tax charge is 25% of any amount taken as pension income that is over the lifetime allowance, or 55% of any amount taken as a lump sum that is over the lifetime allowance.

Q6: Are there any protections available?

A6: You can apply for individual protection 2016 (IP2016) if your pension savings were valued over £1 million on 5 April 2016. You will need to inform HMRC using their online service of the value of your pension savings on 5 April 2016. The pension fund was only obliged to provide you with this information up to 5 April 2020

Q7: What is individual protection 2016?

A7: This is a protected lifetime allowance equal to the value of your pension savings (up to £1.25 million) at 5 April 2016. The value of the benefits at 5 April 2016 had to be £1 million or more to apply.

Q8: Is there a deadline for applying for IP2016?

A8: There is no application deadline; however, you must apply before you take your retirement benefits as you will need to provide the HMRC reference number to the pension fund. The reference number will be provided once you have successfully applied for protection.

Q9: Are AVC contributions included?

A9: Yes, the value of the AVC fund is added in to the calculation of the capital value.

Q10: Where can I find out the value of my benefits?

A10: The value of your benefits can be found on your annual benefit statement which is available to view on [My Pensions Portal](#).

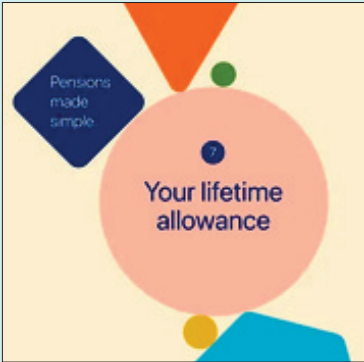
Q11: How is any tax charge paid?

A11: The tax charge is deducted from your tax-free lump sum or you can choose the 'Scheme Pays' option. If you choose the 'Scheme Pays' option, the pension fund will pay the tax on your behalf in exchange for a permanent reduction to your pension benefits. You will need to report the tax deducted by filling in a self-assessment tax return.

Q12: Where can I find more information?

A12: You can obtain further information by visiting the [HMRC website](#).

You may wish to seek independent financial advice from an FCA registered adviser. For help in choosing an independent financial adviser, visit the [Money Advice Service website](#)



For more information about lifetime allowance view the [short video](#).

Tax rules limit how much pension you can build up over your lifetime without having to pay a tax charge. This video explains how the lifetime allowance works.



To find more information about your pension benefits and the Local Government Pension Scheme, please view our [short video](#).

If you have any questions about your LGPS membership or benefits, please contact:



West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP



Customer Services: 0300 111 1665



Email: www.wmpfonline.com/contactus



Web: www.wmpfonline.com



Pensions Portal: www.wmpfonline.com/pensionsportal

Lines open during the following times:
8:30am to 5.00pm Monday - Thursday
8:30am to 4.30pm Friday.
Calls may be monitored for training purposes.