

5 October 2007

FOCUSED FINANCIAL ADVICE

2009 PENSION DEADLINE LOOMS

18 MONTHS LEFT TO APPLY FOR PENSION PROTECTION

5 October 2007 marks the halfway point between A-Day (6 April 2006) and the expiry date (5 April 2009) for claiming transitional protection on your pension arrangements - known as enhanced and primary protection. While this seems a long way off, we would strongly advise that no chances are taken for those who haven't already applied.

Obtaining the necessary valuations from pension providers and occupational pension scheme trustees can be time consuming. It is safe to assume that provider turnaround times will increase as the deadline looms. By not acting now, the risk is that you may lose the opportunity to protect your pension assets.

GENERAL POINT ON ACHIEVING THE LIFETIME ALLOWANCE

You may not think that your current pension funds are sufficient to warrant applying for transitional protection. However, it is highly likely that a 45 year old with a pension fund of £1m (assuming an annualised investment return of 8% and that the lifetime allowance increases by 3% per annum from 2010/11) could find that their pension fund at age 55 is very close to the lifetime allowance. It may therefore be beneficial for them not to pay any further contributions and seek enhanced protection.

GOOD NEWS FOR CLIENTS OF SAUNDERSON HOUSE

Clients of Saunderson House can be secure in the knowledge that the vast majority have, with our proactive advice, secured the appropriate protection and there is no further action required (we will be in contact with the few who need to act).

FOR NON-SAUDERSON HOUSE CLIENTS (WHO HAVEN'T APPLIED)

If the value of your pension arrangements exceeds the standard lifetime allowance (currently £1,600,000) at retirement, the excess will be subject to a recovery tax charge of 25%. Add this to the income tax payable on pension income and you arrive at a combined tax charge of 55%.

Enhanced protection provides full protection for the value of the whole of an individual's pension rights accrued up to 5 April 2006, irrespective of any subsequent investment growth, which will also be fully protected. This option is available regardless of whether the total value of pension rights on 5 April 2006 exceeded £1,500,000, whereas to apply for primary protection, an individual's fund must have exceeded the lifetime allowance at A-Day. Primary protection aims to safeguard pension rights in excess of the lifetime allowance on 5 April 2006 but allows for further contributions to reinstate the fund to your personal lifetime allowance, should the need arise. As you haven't yet applied, we would encourage you to act now before it is too late. We will be pleased to advise.

If you would like advice, please contact Nick Fletcher, Managing Director, on 0207 315 6504 (direct) or at nick.fletcher@saunderson-house.co.uk, who will either help you personally or guide you to the appropriate adviser.

This note is for general guidance only and represents our current understanding of law and HM Revenue & Customs practice as at 5 October 2007. We cannot assume legal liability for any errors or omissions and detailed advice should be taken before entering into any transaction. The value of investments and any income therefrom can go down as well as up and you may not get back the full amount you invested. Levels and bases of, and reliefs from, taxation are those currently applying but are subject to change and their value depends on the individual circumstances of the investor. Saunderson House Limited is authorised and regulated by the Financial Services Authority.