

Pensions Bulletin April 2017

This Bulletin contains information about recent changes to pension's law and regulation which may affect our clients. Please read the information carefully and contact your financial adviser if you have any queries.

FSCS Limit on bank accounts increased

With effect from 30th January 2017 the maximum level of money covered by the Financial Services Compensation Scheme (FSCS) for deposits has increased from £75,000 to £85,000 per depositor per bank.

The FSCS limit for investments remains at £50,000 and whether your investment may be covered depends on the specific investment.

Annual Allowance for 'high earners'

As mentioned in our previous Bulletin 'high earners' are subject to taper tax relief on pension contributions. This applies to individuals with an 'adjusted income' of over £150,000. 'Adjusted income' includes all income earned by the individual plus any pension contributions made for them.

As a reminder the rate of reduction in the annual allowance is £1 for every £2 that the adjusted income exceeds £150,000 up to a maximum reduction of £30,000.

If your income is less than £110,000 per annum your pension contributions need not be included.

Expression of Wish

An Expression of Wish is a form that you complete to let us know how you would like benefits from your pension scheme to be paid upon your death.

It is important to regularly review and update your Expression of Wish as your circumstances and legislation may have changed. You should take professional advice to ensure that you fully understand your options and their implications.

You can request an Expression of Wish form from your adviser or one can be obtained directly from our website.

Lifetime Allowance and protections

The Lifetime Allowance is the maximum amount of pension savings, that an individual can accumulate free of tax, across all pension funds. The Lifetime Allowance is currently £1 million.

HM Revenue & Customs (HMRC) introduced two new forms of protection for those who have or may have pension savings above the Lifetime Allowance. These are Individual Protection 2016 (IP2016) and Fixed Protection 2016 (FP2016).

There is no deadline at the moment for applying for either of these protections however to be eligible to apply for FP2016 you cannot have made or had a contribution paid to any pension plan from 6th April 2016.

If you wish to apply for either of these protections there is an online application process which can be found at:

<https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance>

You will be required to create a Government Gateway account as part of the application process.

The Lifetime Allowance will be indexed annually in line with Consumer Price Index (CPI) from 6th April 2018.

Non Standard Assets

The Financial Conduct Authority (FCA) introduced the concept of non-standard assets as part of the new Capital Adequacy requirements for SIPP operators. Non-standard assets are basically unregulated investments or investments which cannot be accurately and fairly valued on an ongoing basis and readily realised within 30 days for example unlisted shares, unregulated collective investment schemes and contracts for difference. There are added requirements on SIPP operators if we accept non-standard assets in our SIPP. As such we have taken the decision not to permit any further such assets in our SIPP.

Please see our website for our Permitted Investment List.

QROPS Transfers

A Qualifying Recognised Overseas Pension Scheme (QROPS), is an overseas pension scheme that meets certain requirements set by HMRC.

It was announced in the Spring Budget 2017 that transfers to QROPS requested on or after 9th March 2017 will be taxable unless, from the point of transfer, both of the individual and the pension savings are in the same country, both are within the EEA or the QROPS is provided by the individual's employer. Where these conditions are not met there will be a 25% tax charge on the transfer.

Payments out of funds transferred to a QROPS on or after 6th April 2017 will also be subject to UK tax rules for five tax years after the date of transfer, regardless of where the individual is resident.

Execution Only Investment

An Execution Only Investment refers to a transaction executed by an investment firm upon the specific instructions of a client.

All of the investment managers that we partner with are aware of our permitted investment list. The investment services that they offer will take account of the investment types that are listed and not invest outside of that list. If you are looking to transact with your investment manager on an 'execution only' basis you must make sure that the investment criteria from our list is being applied.

Pension Wise

Pension Wise is a free and impartial service set up by the government which offers guidance and can help members understand their retirement options. The services of Pension Wise can be used by anyone aged 50 and above. The Pension Wise website is www.pensionwise.gov.uk alternatively you can call 030 0330 1001.

About this document

This Update is based on our understanding of the recent changes to pension's law and regulation.

Every care has been taken to ensure that it is correct. It is issued by DP Pensions Ltd for use by Pension clients and their advisers.

Please note that DP Pensions Ltd and D A Phillips & Co Ltd are not authorised to give financial advice. We do not know all of your circumstances or details of any other pension schemes of which you are a member. You should contact your financial adviser for help on how this legislation may affect you personally.

No responsibility to any third party is accepted if this information is used for any other purpose. The legislation and HMRC practice may change in the future.

If you have any queries regarding the information in this Bulletin and how it affects your circumstances then please contact your financial adviser.

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