

# FACT SHEET

## PENSION SHARING AND THE LIFETIME ALLOWANCE

APPROVED FOR CLIENT USE | OCTOBER 2022



***This fact sheet explains how pension sharing may affect your lifetime allowance and, if you have it, lifetime allowance protection. You may wish to read our lifetime allowance and lifetime allowance protection fact sheets first.***

### Definitions

#### What is a pension sharing order?

A pension sharing order is a way of splitting a pension between two people following a divorce or the dissolution of a civil partnership. It is a court order which enables part of one person's pension to be transferred to the other without breaking the normal pension rules (which wouldn't allow a pension to 'change hands' during a transfer).

#### What are pension debits and pension credits?

'Pension debit' is the term given to the money being deducted from the original owner's pension. 'Pension credit' is the term given to the money being received by the new owner. In other words, these terms can refer to the same sum of money, depending on which perspective you're thinking about.

### Rules

#### How does a pension sharing order affect people with normal lifetime allowance entitlement?

If a pension debit is taken from your plan and you don't have any kind of lifetime allowance protection, you should be able to make contributions to rebuild the lost funds should you wish to do so. You'll still be subject to the normal

annual allowance rules: please see our separate fact sheets for further details.

If you receive a pension credit, the funds become yours and will be tested against your lifetime allowance when you access them. However, if the pension credit came from funds which your ex-partner had already accessed (i.e. crystallised funds) then you may be able to apply for a lifetime allowance enhancement factor, which gives you a higher lifetime allowance to account for the pension credit. Please see our separate fact sheet for details.

#### How does a pension sharing order affect people with primary protection?

If you have primary protection and a pension debit is taken from your pension, your primary protection factor will need to be revalued. The factor was originally calculated using the value of your pension rights on 5 April 2006. It will be revalued by deducting the value of the pension debit from the value of your pensions in 2006, then using this figure to calculate a new factor. The new factor will apply to any benefit crystallisation events (BCEs) from when your pension sharing order takes effect. If you lose your primary protection altogether, you will be subject to the normal lifetime allowance for future BCEs.

Curtis Banks Group plc (registered number 07934492) and Curtis Banks Limited (registered number 06758825) are companies registered in England & Wales with their registered addresses at 3 Temple Quay, Bristol BS1 6DZ. Tel: 0117 910 7910 Fax: 0117 929 2514. Curtis Banks Limited is authorised and regulated by the Financial Conduct Authority (number 492502). Curtis Banks Pensions is a trading name of Suffolk Life Pensions Limited. Suffolk Life Pensions Limited is a company registered in England & Wales (registered number 1180742) and is authorised and regulated by the Financial Conduct Authority (number 116298). Suffolk Life Annuities Limited is a company registered in England & Wales (registered number 1011674) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (number 110468). The registered address of both companies is 153 Princes Street, Ipswich, Suffolk IP1 1QJ. Tel: 0370 414 7000 Fax: 0370 414 8000. Call charges will vary. We may record and monitor calls. If you're contacting us by email, please remember not to send any personal, financial or banking information because email is not a secure method of communication. SL056.202210 October 2022.

## CONTINUED

Receiving a pension credit won't cause you to lose primary protection, but the protection won't be revalued either. If the pension credit came from crystallised funds, you may be able to apply for a lifetime allowance enhancement factor; please see our separate fact sheet for details. Otherwise, any amount which is above your lifetime allowance will be subject to a lifetime allowance excess charge as normal.

### **How does a pension sharing order affect people with enhanced protection?**

Pension debits don't directly affect enhanced protection. However, accruing new pension benefits will normally invalidate enhanced protection, so you may not be able to rebuild the funds which were deducted.

For people with enhanced protection there are strict rules about transferring pension benefits, particularly into new pension arrangements. If you receive a pension credit, you need to be careful that the transfer does not cause you to lose protection. In most cases, the pension credit will need to be moved into an existing pension arrangement. We strongly suggest that you talk to a financial adviser before making such a transfer.

If the pension credit came from crystallised funds, you may be able to apply for a lifetime allowance enhancement factor; please see our separate fact sheet for details. Although you're exempt from paying lifetime allowance charges if you have enhanced protection, you're still technically subject to the lifetime allowance. As there are certain actions you can only complete if you have some lifetime allowance available (such as taking an uncrystallised funds pension lump sum), it could still be worth applying for an enhancement factor.

### **How does a pension sharing order affect people with fixed protection (2012, 2014 & 2016)?**

Pension debits don't directly affect fixed protection. However, accruing new pension benefits will normally invalidate fixed protection, so you may not be able to rebuild the funds which were deducted.

People with fixed protection receiving a pension credit will need to take care that the transfer does not invalidate their protection. The funds will normally need to be transferred into an existing pension arrangement. We strongly recommend that you take advice before making such a transfer.

If the pension credit came from crystallised funds, you may be able to apply for a lifetime allowance enhancement factor; please see our separate fact sheet for details. Otherwise, any amount which is above your lifetime allowance will be subject to a lifetime allowance excess charge as normal.

### **How does a pension sharing order affect people with individual protection (2014 & 2016)?**

If you have individual protection and you are subject to a pension debit, your protected lifetime allowance will need to be reassessed.

Firstly, the value of the pension debit itself is revalued: it will be reduced by 5% for every complete tax year since the protection took effect. That value will then be deducted from the value of your pension funds as at 5 April 2014 or 2016 (depending on your protection type). You will be given a new protected lifetime allowance amount which will apply for future benefit crystallisation events (BCEs), or you may lose individual protection altogether.

Receiving a pension credit won't invalidate your individual protection, but won't cause it to be reassessed either. If the pension credit came from crystallised funds, you may be able to apply for a lifetime allowance enhancement factor; please see our separate fact sheet for details. Otherwise, any amount which is above your lifetime allowance will be subject to a lifetime allowance excess charge as normal.

# CONTINUED

## **Important points to consider**

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

## **Contact Details**

If you'd like to speak to us about anything on this fact sheet, please contact us on:

**T 01473 296 969**

We may record and monitor calls. Call charges will vary.

**E [sippsupportteam@curtisbanks.co.uk](mailto:sippsupportteam@curtisbanks.co.uk)**

Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.