

LCP Pensions Tax Modeller

2016

Helping employees understand current and future tax consequences of their pension savings.

Reduced limits on tax relief for pension savings have been in force for a number of years and further took effect from April 2016. It is clear that employees need ongoing support to avoid tax surprises and to make full use of the tax relief allowances and options available to protect existing savings.

LCP's web-based Pensions Tax Modeller helps members of defined benefit and defined contribution pension schemes on this. The Modeller is bespoke to each pension scheme and branded according to client wishes. It was first launched in 2010 and has supported thousands of employees since the first significant reductions in tax relievability pension savings were introduced in April 2011.

What does the Pensions Tax Modeller do?

The Modeller compares current and future pension savings against the Annual and Lifetime Allowances applicable for tax purposes in each year. The Modeller can also illustrate the impact of applying for Individual Protection and how this might compare with any existing forms of protection.

How does it work in practice?

Members only need to enter a few details from their most recently issued benefit statement. The Modeller then projects the scope for additional pension savings and/or the potential tax charges.

What if we have multiple pension schemes with different benefits?

The Modeller is highly flexible and can be easily adapted to cater



Employee questions:

- Will I exceed the new "tapered" Annual Allowance?
- How may the Annual Allowance affect me in the future?
- Am I likely to exceed the new Lifetime Allowance of £1.0m?
- What options are available to mitigate a tax charge?
- What is the impact of holding Fixed Protection?
- Will Individual Protection help me?
- Do I have scope for additional pension savings in the next few years?

Additional benefits include:

- Advanced input options (such as benefits held in other pension schemes, historical contributions paid, and expected future voluntary contributions), which allow the user to assess the potential for using the "carry forward" tax facility.
- Printable pages for reference, which will include the graphs, assumptions used and all the data items that have been entered.
- A hosted secure website for which no IT involvement is required.

for different schemes, different benefits, and any bespoke functionality requested.

Why now?

New changes in the tax regime mean regular on-going monitoring is needed to avoid surprises in annual tax returns for employees. The Modeller is an excellent way for employers to offer support to, and manage questions from, employees in this challenging area.

What other tools can help me?

You can find out more about our pensions taxation advisory service here: www.lcp.uk.com/pensions-benefits/publications/corporate-pensions-taxation-advisory/

How do I find out more?

If you would like to discuss or view a demo of the Pensions Tax Modeller or would like more information on our suite of videos, please contact Mark Jackson, Alex Whitley or Robert Prestidge.



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It's a big challenge to explain the complexity of the pensions tax regime and its potential impact to individuals. LCP's modeller helped our senior employees understand the implications, test different scenarios and make more informed decisions. We particularly liked the ability to customise features of our schemes, such as undiscounted pensions on redundancy, which could make a huge difference to the outcomes.

LCP is a firm of financial, actuarial and business consultants, specialising in the areas of pensions, investment, insurance and business analytics.

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