

Techy Tuesday Tax Tools

Retirement Modeller and LTA Transitional Tax-Free Amount Tool

The information that follows is based on our understanding of current taxation, legislation and HM Revenue & Customs practice all of which are liable to change without notice.

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Learning Objectives

By the end of this session you will be able to:

Demonstrate how cashflow modelling can help clients understand the risks in retirement

Demonstrate your capacity for loss process by effective stress testing of client outcomes.

for using the Lifetime Allowance and Retirement Modeller tools.

Demonstrate the inputs required for the Lifetime Allowance and Retirement Modeller tools.

LET'S GO LIVE.

New allowances

Lump Sum (LSA)



Lump Sum and Death Benefit (LSDBA)



^{*} Higher for those with existing protections. Enhanced Protection capped at April 23 and April 24 values respectively.

LSA – default transitional rule

Lump Sum Allowance

Less

25% of "previous LTA used"



Bob has used up 46.59% of his lifetime allowance

Scheme Pension (no PCLS) £25k per annum £500,000 x 25% = £125,000

So his LSA is £268,275 - £125,000 = £143,275

Transitional Certificate

Before 1st RBCE 3 months deadline

LSDBA – default transitional rule

Lump Sum and Death Benefit Allowance

Less

"previous LTA used"

If 100% LTA used then LSDBA is £0

Bob has used up 46.59% of his lifetime allowance

Serious III Health Lump Sum £300,000 x 100% = £300,000 Drawdown £200,000 x 25% =£50,000

So his LSDBA is £1,073,100 - £350,000 = £723,100

Transitional Certificate

Before 1st RBCE 3 months deadline

Previous LTA used – do you apply for a TTFAC?

Max PCLS Taken

60% of LTA used when LTA was £1.8m

100% of LTA used when LTA was £1.0m

"Default" LSA Used

 $£1,073,100 \times 60\% \times 25\%$ = £160,965

£1,073,100 \times 100% \times 25% = £268,275

"Default" LSA Left

£268,275 - £160,965 = £107,310

£268,275 - £268,275 = £0

TTFAC

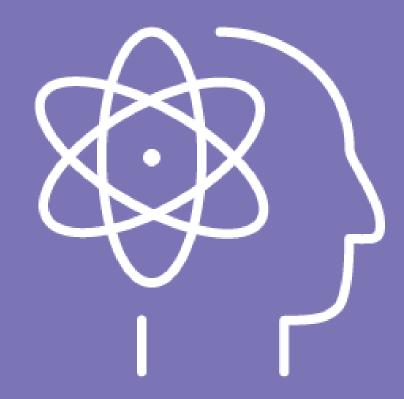
£268,275 - £270,000 = £0

£268,275 - £250,000 = £18,275

Exercise

Roberta used 100% of her LTA when she took her benefits when the LTA was £1.5m taking full PCLS of £375,000?

Does she need a TTFAC?



Is there the possibility of a lump sum death benefit being paid pre 75 and within the 2 year window?

No – no need

Yes – her LSDBA would be: £0 without a certificate and £1,073,100 - £375,000 = £698,100 with a certificate

Transitional tax-free amount certificates

6 things you need to know



to prove that the scheme member is entitled to a lower reduction in their LSA and LSDBA than that provided for by the standard default calculation.

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Thanks for your time

Get in touch with your usual contact if you need further help.



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