

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.

This is just for UK advisers – it's not for use with clients

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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.

Explain the theory 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”

If 100%
LTA used
then LSA is
£0

Bob has used up 46.59% of his lifetime allowance

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

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 Ill 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

Individual
or PRs
apply

First
RBCE
scheme

Before 1st
RBCE

Complete
Evidence

Must
have LTA
usage

Three
months

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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