

ANNUAL ALLOWANCE FACTSHEET



If you access your pension savings flexibly, the amount you can contribute to a money purchase pension scheme (sometimes called a defined contribution pension) without getting a tax charge will be much lower.

This is important if you plan to make further contributions to a money purchase pension scheme. It won't be possible to reverse your decision later.

This document highlights the key things you'll need to consider.

How can I access my pension savings flexibly with Just?

- Receive a taxable lump sum from our Pension Annuity.
- Change your Fixed Term Annuity to flexi-access drawdown and receive an income payment.
- Receive a guaranteed maturity amount as a lump sum payment from our Fixed Term Annuity.
- Receive a payment of scheme pension from a money purchase arrangement, where the arrangement provides scheme pensions to less than 12 pensioners when the first payment is made.

What's my annual allowance?

There's currently no limit on the amount of money that you can contribute into a pension each tax year, and you can normally receive tax relief on contributions up to 100% of your earnings.

But if your contributions are more than £60,000¹ a year, tax charges apply that effectively recoup the tax relief you receive on contributions over this amount.

This is called your annual allowance and includes all contributions made by other people, such as your employer.

This is a complicated topic. If you need more information simply ask your financial intermediary for details.

What counts towards my annual allowance?

This depends on the type of scheme you're a member of.

- For money purchase schemes (also known as defined contribution schemes), any amount that you or someone else contributes will count towards your annual allowance.
- For defined benefit or hybrid schemes, your scheme will calculate a monetary amount that counts towards your annual allowance.
- For cash balance schemes, the amount that counts towards the annual allowance is the difference in value of the policy between the beginning and end of the scheme year.

If you're unsure of which type of scheme you're a member of, you should get in touch with the administrator of your pension scheme.

¹ A tapered annual allowance will apply to those with income over certain levels. To find out more, visit: [gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance](https://www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance)

What happens if I exceed my annual allowance?

If you go over the annual allowance, the excess amount will be subject to a tax charge. This will be calculated at your marginal rate of income tax.

Sometimes you may be able to carry forward any unused annual allowance from previous tax years to reduce the charge. If you feel this might apply, you should seek financial advice.

What happens when I access my pension savings flexibly for the first time?

The maximum amount you can contribute each tax year to a money purchase or certain hybrid pension scheme(s) without incurring tax charges will reduce to £10,000. This is called your money purchase annual allowance.

If you don't go over the £10,000 limit, you'll still keep your overall annual allowance for defined benefit schemes, cash balance schemes and money purchase schemes of £60,000.

What happens if I go over my money purchase annual allowance?

- You will receive an annual allowance tax charge on the additional amount contributed to your money purchase pension scheme(s) in excess of £10,000.
- Your defined benefit and cash balance schemes annual allowance will be reduced to £50,000 for that tax year.

Do I need to do anything when I access my pension flexibly?

When you first access your pension savings flexibly, your scheme administrator will write to you.

If you're continuing to build up pension benefits with another pension scheme, you may need to notify them that you have accessed your pension flexibly. You'll need to confirm the date which this first happened.

Information correct as at April 2023

Which pension schemes do I need to notify?

You'll need to notify any scheme you're a member of where:

- you contribute to a money purchase pension scheme, or if someone else contributes in respect of you, or
- you accrue benefits under certain hybrid pension scheme(s).

When do I need to notify my pension scheme that I've accessed my pension flexibly?

It's important to notify a pension scheme within 91 days of receiving the notification from your scheme administrator. Otherwise, you may be liable for a financial penalty.

You only need to notify each pension scheme once. This will either be after you access your pension savings flexibly for the first time, or after joining another pension scheme.

Who can I contact for help?

Your financial intermediary can answer any questions about accessing your pension savings flexibly. You can contact our customer services team on 01737 233297 between 8.30am and 5.30pm Monday to Friday – they'll be happy to help.

FOR MORE INFORMATION

Call: **01737 233297**

Lines are open Monday to Friday, 8.30am to 5.30pm

Please note your call may be monitored and recorded and call charges may apply.

Email: **support@wearejust.co.uk**

Or visit our website for further information: **wearejust.co.uk**

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