

HARGREAVES
LANSDOWN

DRAWDOWN
KEY FEATURES
AND IMPORTANT
INFORMATION

KEY FEATURES OF DRAWDOWN

What you need to know before you apply.

ACCESSING YOUR ACCOUNT

How to set up your secure number and online access

If you're new to Hargreaves Lansdown, after your drawdown account's been set up, you'll receive a PIN and client number separately. You'll need these to set up your telephone security and online access. If you don't do this, we may only be able to take instructions and answer account queries from you by signed letter.

To set up your telephone security, simply call us on **0117 980 9926** with your PIN and client number to hand. Once set up we can answer your account queries and take your instructions over the phone.

To view and manage your account online you'll need to register for online access:

- Go to **www.hl.co.uk** and click on 'Register' at the top right hand corner of the page
- Follow the on-screen instructions – you'll need your PIN, client number, date of birth and National Insurance number to hand

Don't forget you can also download our free and easy-to-use mobile app, so you can trade and manage your investments whilst on the move.

IMPORTANT INFORMATION

This document is published solely to help clients to make their own investment decisions; it isn't personal advice.

All investments should normally be held for the long term as their value can fall as well as rise, so you could get back less than you invest. If you're unsure of an investment's

suitability, and you've not done so already, you should contact a financial adviser for personal advice.

The information in this document is correct as at 2 April 2024. Pension and tax rules can change, and the value of benefits depend on your circumstances.

HOW TO COMPLAIN

Please write to us at:
Hargreaves Lansdown,
One College Square South,
Anchor Road,
Bristol,
BS1 5HL

We have a clear policy to ensure that we deal with complaints promptly and fairly. If you're not happy with our response you can also complain to the Financial Ombudsman Service.

TRUST DEED AND RULES

The Hargreaves Lansdown SIPP is governed by a Trust Deed and Rules.

A copy of this document is available upon written request or can be viewed at **www.hl.co.uk/pensions/sipp/apply-now**

FINANCIAL SERVICES COMPENSATION SCHEME

Investments in a SIPP will, in most cases, give you entitlement to the FSCS in the event that the provider becomes unable to pay claims. In addition some, but not all, of the investments you hold within a SIPP will also be covered by the FSCS.

For more information about the FSCS, please go to **www.fscs.org.uk**

Drawdown is one option available to you if you want to withdraw money from your pension. It's an alternative to taking an uncrystallised funds pension lump sum (UFPLS) or buying an annuity (which provides a guaranteed income for life), and allows you to keep your pension invested as you choose.

What you do with your pension is an important decision and can affect your future options. We're required by the Financial Conduct Authority (the financial services regulator) to give you these key features to help you decide whether drawdown in the HL SIPP is right for you.

You normally need to be at least 55 (rising to 57 from 2028) before you can apply to access your pension.

Please read these key features carefully so you understand what you're applying for, and then keep them safe for future reference.

Aims of drawdown in the HL SIPP

- To let you take a tax-free lump sum from your HL SIPP.
- To let you withdraw a flexible income.
- To let you keep your pension invested.
- To provide flexible death benefits.
- To let you buy an annuity later on if you wish.

Risk factors to consider

- The value of your drawdown fund, and the income it provides, may fall or rise. It's not guaranteed.
- If you withdraw too much income too soon, you live longer than expected or your investment returns are poor, you could run out of money.
- Investment returns might be less than expected, giving a lower future fund value.
- A reducing fund will mean less available income and/or less to buy an annuity with in the future. It'll also reduce the value of death benefits for any beneficiaries.

- The lifetime allowance was abolished from 6 April 2024 and replaced with three new allowances – the lump sum allowance, the lump sum and death benefit allowance, and the overseas transfer allowance. Any pension commencement lump sum (tax-free cash) paid in connection with moving into drawdown uses up both the lump sum allowance and lump sum and death benefit allowance. Lifetime allowance used and benefits taken before 6 April 2024 may also restrict your available allowances.
- Annuity rates can change on a daily basis. If you buy an annuity in the future, annuity rates could be worse than when you started drawdown.
- Future changes in legislation and taxation could affect your benefits.
- Whilst pensions offer a tax-efficient way of passing on your wealth now, these rules are expected to change from April 2027 and pensions could be subject to inheritance tax. We will notify you of any changes before the rules change. HM Revenue & Customs (HMRC) has indicated this may be chargeable in some circumstances under current rules. Inheritance Tax is a complex area and beyond the scope of this document. If you need help with this issue you can contact us for personal advice or download our guide. Go to **www.hl.co.uk/free-guides/saving-inheritance-tax**
- Inflation will affect the value of your income. Prices tend to rise over time so your money might need to last longer than you first thought.
- Flexibly accessing pension benefits (which includes taking taxable income from flexible drawdown) could limit how much can be paid into your pensions in future. See page 5 for further details.
- When moving into drawdown, the payment of your tax-free cash sum (also known as a Pension Commencement Lump Sum – PCLS) is considered a Relevant Benefit Crystallisation Event (RBCE). Once you've had your first RBCE after 6 April 2024, you'll be unable to apply for a Transitional Tax-Free Amount Certificate, which may entitle those

who've used up some, or all, of their lifetime allowance to different allowances. You can find more information on page 9.

- Money held in a pension may be protected from creditors if you're in debt and they take action against you. Any protection could be lost once you withdraw money from a pension.
- Withdrawing money from your pension might reduce any means-tested benefits you get. Find out more at **www.gov.uk/benefits-calculators**
- You should be careful where you choose to re-invest any money you take out of a pension. Investment scams are a reality of life, unfortunately. Find out more at **www.fca.org.uk/scamsmart**

Your commitment

- To give us the information we need to both set up drawdown for you and test any requested tax-free cash against your lump sum allowance and lump sum and death benefit allowance. You can find more information on these allowances on pages 8 and 9.
- To regularly review your income strategy.
- To understand and review your chosen investments and how suitable they are for your goals.
- To let us know of any changes to your personal circumstances.
- To ensure there is sufficient settled cash in your SIPP to meet any requested tax-free cash, income payments due and fees payable.

Note, for cash to be 'settled' it needs to have cleared in your account following any transactions, and be available to move. This could be following a transfer or top-up you've done, dividends or income paid from your investments, or cash made from an investment sale.

If you're unsure of any key features mentioned, or have any questions about drawdown in the HL SIPP please call us on **0117 980 9926** before completing your application.

DRAWDOWN IN THE HL SIPP

Questions and answers.

When can I start drawdown?

Usually from age 55 (rising to 57 from 2028). If you have a protected retirement age, or can't carry on working because of ill health, you might be able to start drawdown earlier.

How do I apply online?

If you have an existing HL SIPP, in most cases you can apply for drawdown online. All you need to do is visit www.hl.co.uk/retirement/drawdown/apply-for-drawdown and log into your account.

During the application process we'll generate an illustration for you (which will show you how withdrawals could affect how long your pension lasts, what different growth rates could mean for your pension value and what might be left to pass on to your loved ones) and you'll be asked to complete a set of risk questions. If you're happy to accept the risks you'll just need to finish the online application form.

You can request a taxable income in your online account after you've applied for drawdown online or as part of a postal application.

HOW TO APPLY BY POST

Applying for full or partial drawdown

1. Contact our Pensions Helpdesk to cover your retirement options and complete a set of risk questions. You'll need to consider your objectives before you apply and how you'll invest to meet your goals
2. Request an illustration
3. Complete and return an application

Applying to transfer a drawdown plan or inheriting a SIPP

1. Contact our Pensions Helpdesk to cover your retirement options and complete a set of risk questions. You'll need to consider your objectives before you apply and how you'll invest to meet your goals

2. Complete and return an application
3. Receive an illustration and confirm you're comfortable with the risks

Where can I find more information about the risks?

It's really important that you understand how drawdown works to make sure it's the right option for your circumstances. You can find out more information by visiting www.hl.co.uk/retirement/drawdown/risks-and-benefits. You can also complete a set of risk questions which will give you a good idea of what you need to consider, go to www.hl.co.uk/risk-questions

What other documents do I need to provide along with my postal application?

Your application form will detail any other documents we need from you, but remember if we don't have recent risk questions on record for you, we aren't able to process your postal application. Other documents are likely to include:

- Proof of age (such as a copy of your passport, photocard driving licence or your birth certificate)
- Recent bank account statement (postal version)
- Valid P45 for the current tax year

Do I need any other documents if I apply online?

If we don't already have the following documents for you on record, we'll let you know during the application. These are likely to include;

- Proof of age (such as a copy of your passport, photocard driving licence or birth certificate)
- Recent bank account statement/bank account details

How much does drawdown cost?

There's no charge for setting up drawdown, making withdrawals, or for buying and selling funds. There's a charge for dealing shares and investment

trusts, but how much will depend on whether trades are made online or offline, and how often.

The maximum charge for holding investments in an HL pension account is 0.45% a year, but the investments you choose may also have their own charges.

What happens to my charges when I move into Drawdown?

The HL charges applied to your Drawdown account will be the same as those applied to your SIPP or Workplace SIPP. Please note that charges apply to the HL SIPP and Drawdown accounts separately where you hold both accounts.

Our full Tariff of Charges, including all dealing charges, can be found in the Terms and Conditions.

How are charges paid?

Charges are taken automatically each month. You'll need to keep cash in your account to pay any charges – there is a suggested minimum cash balance based on the size of your SIPP, but you can hold as much cash as you like. Remember charges can affect the value of your pension and how much income it may give you.

Do I have to move all my pension into drawdown?

Not if you don't want to. Moving only part of your pension into drawdown can be tax efficient, and is known as partial or phased drawdown. You can always apply to move more money into drawdown later if you want.

Do you charge for holding cash?

We do not charge a fee for holding cash or for cash transactions. Hargreaves Lansdown Pension Trustees Limited (HLPT), the trustee of the SIPP, expects to earn interest of between 0.5% below and 0.5% above the prevailing Bank of England base rate over the next 12 months on cash balances held in SIPP Trustee Bank Accounts. HLPT receives all interest earned on cash balances

held in Client Bank Accounts and then credits interest to the cash balance of your SIPP, on the cash you hold with us, at rates determined by us. HLPT pays to Hargreaves Lansdown Asset Management (HLAM) an amount equal to the difference between the interest HLPT receives on the cash balance in your SIPP and the interest we credit to your SIPP. Current rates and details of how we determine those rates can be found on the HL Website at www.hl.co.uk/rates and at www.hl.co.uk/about-us/cash or by calling our Helpdesk.

What will happen to my existing HL SIPP account once I move money from it into drawdown?

If you're moving all of your SIPP into drawdown, we'll close your SIPP account once this is complete. It'll be visible online but only so you can see any transaction history. If you're only moving part of your SIPP into drawdown, the remaining money will stay in your SIPP. So, you'll have two SIPP accounts, one of which will be in drawdown, and any charges will apply to each account separately.

If you have a Workplace SIPP (set up by your employer) with 'lifestyling' enabled – where investments automatically change as you approach retirement – this will stop when you move to drawdown. You will then be responsible for all investment decisions unless you pay for financial advice.

How might tax relief delay my application?

If you'd like to move your whole SIPP into drawdown, tax relief from any recent contributions (including by direct debit) must be received from HMRC and have settled in your account before we can set up your drawdown account. Tax relief is usually received 6-11 weeks after a contribution is made to the HL SIPP. If you're only moving part of your SIPP into drawdown you don't need to wait for your tax relief to be received; it'll be added to your non-drawdown account.

What if I'm waiting for investment income in my HL SIPP?

If you're moving your whole SIPP into drawdown any dividends from shares or interest from direct holdings of cash and bonds, which haven't been received, will be included in the fund value used to calculate your tax-free cash. Dividends or interest due from funds (unit trusts or OEICs) won't be included in this calculation and will be added as

cash to your drawdown account when received. Please note, any instruction for investment income to be automatically reinvested won't apply to this money. If you're moving only part of your SIPP into drawdown any investment income due, but not received, on the day we set up drawdown will be added to your non-drawdown account when it's received.

Can I still buy and sell investments in my HL SIPP account when setting up drawdown?

Yes, but if you do we'll have to wait until these trades have completed in full before we can pay any tax-free cash and/or income. So, you might find it easier not to place any trades on your SIPP account until your selected cash and/or investments have been moved into drawdown and we confirm everything is set up.

FUTURE PENSION CONTRIBUTIONS

Can I still pay into my pension?

You can't pay money into your drawdown pension, but you can pay money into a non-drawdown SIPP. Tax relief will continue on personal contributions as long as you're under 75. Personal and annual contribution limits will apply.

Under current pension rules, money purchase pension contributions could be limited by the money purchase annual allowance (MPAA). This is currently £10,000 (2024/25 tax year). Investors in capped drawdown, whose income is still subject to the GAD limit, will not trigger the MPAA unless they flexibly access benefits in another way. Investors who start or convert to flexible drawdown under current pension rules will trigger the MPAA after taking their first taxable income payment, or on the date they first flexibly access benefits in another way.

TRANSFERRING PENSIONS

Can I transfer a pension before moving into drawdown?

Yes. If you're planning to transfer a pension from another provider for drawdown, you'll need to do this first. Once the transfer is complete you can apply to move your SIPP into drawdown.

Do I need to check anything first?

Yes. You should check with your current provider that you won't pay high exit fees, or lose any valuable benefits before you apply to transfer. If your pension is transferred as cash, you'll be out of the market and won't be exposed to any market falls or rises during that time. If

you're transferring investments you won't be able to make any changes to your holdings until the transfer's complete.

How long will it take?

We'll start to arrange your transfer once we receive your fully completed application. Most transfers into the HL SIPP complete within 2-4 weeks if transferred electronically as cash. Transferring investments may take roughly 6-8 weeks depending on your investments and provider.

Can I transfer an existing drawdown plan to HL?

Yes. And if it's a 'capped drawdown' plan you'll have the option to convert to flexible drawdown at no extra cost. If you need an income from your drawdown pension, remember to take this ahead of requesting your transfer. Income withdrawals can't be paid until your transfer has completed.

Can I still transfer other pensions to the HL SIPP?

Yes – you might find merging your pensions into one makes them easier to manage. Just make sure you won't pay excessive exit penalties or be giving up any valuable benefits first.

What are my options for transferring a drawdown plan?

You have two options. If you don't select an option we'll transfer your drawdown plan as cash.

Transfer your drawdown plan as cash

Your provider will sell your investments, then transfer the cash amount. You will not be invested during the transfer, so will not make gains or losses. Once your transfer is complete, you'll be able to buy investments.

Transfer your drawdown investments

All your investments and cash will be transferred. You will be invested during the transfer, so you could make gains or losses. You will not be able to trade until your transfer is complete. We'll convert each matching fund to the cheapest available unit class. Contact us if you don't want this to happen.

We'll contact you if your provider can't transfer your investments or you want to transfer an investment we cannot hold.

Can I transfer my HL drawdown SIPP elsewhere?

Yes. Be aware though, you're unable to partially transfer a drawdown arrangement. Drawdown arrangements must be transferred in full.

YOUR TAX-FREE CASH AND INCOME

How much tax-free cash will I receive?

Each time you move money into drawdown you can usually take up to 25% of that amount as a tax-free lump sum.

If you choose to take less than the maximum available, or none at all, you can't change your mind later on, and further tax-free cash can't be taken from money already in drawdown.

What if I need to sell investments to cover my tax-free cash and income?

You can place your instruction to sell investments by calling our dealers on **0117 980 9800** with your security details to hand, directly through your online account, or by signed letter, clearly stating the name and specific amount of the investments to be bought or sold (e.g. 'please sell £1,000 of Fund A' or 'please sell all of my Fund B'). We aren't able to accept an instruction simply asking us to sell 'sufficient' investments.

If you place an investment sale to meet an income payment, remember to consider trade and settlement periods.

A typical investment fund (unit trust/OEIC) normally takes around 5 working days to complete after a sale has been placed. Other investments might take a longer or shorter time to complete.

If you're transferring pensions to move into drawdown straightaway, you might want to sell investments before the transfer is made.

How much income can I take and when?

You don't have to take any income if you don't need to or want to. But if you do, you can draw as much as you like. You can choose to set up a regular income to be paid monthly, quarterly (March, June, September and December), half-yearly (June and December), or as a yearly lump sum (you choose the payment month). You can also choose to take one-off payments as and when you need to.

It's your responsibility to make sure there's enough settled cash in your account to meet your withdrawal request.

Remember to factor in any charges which are due or outstanding. These will be collected from any available cash on your account first.

When are income withdrawals paid?

The money should arrive in your bank account on the 28th of the month (or the previous working day if this isn't a working day).

Why should I be aware of fund switching and withdrawals?

If you give an investment instruction to sell and reinvest the proceeds at the same time (e.g. a fund switch) in your drawdown account, we may use cash available at the time to cover the cost of the reinvestment while the sale is being processed. To avoid this restricting any pending income withdrawal, it might be wise to wait until income is received before giving this kind of investment instruction.

What if there's not enough settled cash to cover my income withdrawal?

You'll still receive an income payment but it will be for the amount you hold in settled cash (as long as this is at least £50).

TAX

How will my income withdrawals be taxed?

Like all pension providers, we're required to deduct tax before a withdrawal is paid out. The taxable income will be added to any other income you've received in that tax year, so taking large withdrawals could push you into a higher tax bracket. We'll deduct any income tax under Pay As You Earn (PAYE). Taxation depends on your personal circumstances.

What tax code will be used?

When you withdraw a taxable income for the first time, or where HMRC haven't yet given us a valid tax code, we're required to deduct income tax using either an emergency tax code or the tax code provided if you have a valid P45 and we've got a copy. However HMRC guidance means we may have to use this code on a 'Month 1' basis at the start. Applying a tax code on a 'Month 1' basis means that all previous income and tax in the year isn't taken into account. It assumes you're due to receive the same amount every month.

So you might pay the wrong amount of tax at the beginning.

After the first payment's been made, HMRC should then provide us with an

updated, or re-confirmed, tax code which we'll use for any future payments. Once we've got a confirmed tax code for you, we'll usually be required to apply this on a cumulative basis. This means the tax deducted on future payments will take into account the income we've already paid to you in that tax year, as well as any allowances or tax bands you've used so far. If further payments are made in the same tax year the new tax code should help to adjust any under or over-paid tax. You should settle any remaining under or over-paid tax directly with HMRC, and direct any queries relating to your tax code to your local tax office.

BANK DETAILS

What kind of bank account can my withdrawals be paid into?

This must be a UK bank account held solely or jointly in your name. If we already hold bank account details which are linked to a different HL product, such as an ISA, we can't automatically assume these bank account details should be used for drawdown. You'll need to confirm the bank account details to be used on your application. To ensure your bank account can be verified, you may need to forward a copy of a recent bank statement (which must be a postal version sent to your current address).

How do I change the bank account my withdrawals are paid into?

Your request must be made in writing either by signed letter or by completing our 'change of bank account details' request form (you can ask for one by phone or download via the 'Account Administration' tab on your online account). To guarantee that any pending withdrawals will be paid into this bank account, we must receive these details by the 17th of the month in which your request should take effect.

INVESTING

When and where can I start investing?

You can start as soon as you're ready. You can choose your own investments using any combination of cash, shares, funds or fixed interest investments (gilts and bonds), as well as other investments. Or you can let a financial adviser choose investments for you, for a fee.

If you've thought about your drawdown goals, but are unsure how to achieve them, you may want to consider investment pathways.

There are four pathways to choose from, and each matches a potential retirement goal with an investment option. For more information, see page 22-23 of the guide to drawdown and investing or visit www.hl.co.uk/retirement/drawdown/investment-pathways

We also offer ready made options, however they aren't specifically designed for drawdown, and it's not personal advice, it's available if you think it's right for your needs.

How do I place investment instructions?

You can place your instructions as part of your application form. You'll need to clearly state the name and specific amount of the investments to be bought or sold. Otherwise, you can call our dealers on **0117 980 9800** with your security details to hand, or trade directly through your online account.

For funds, what's the difference between income and accumulation units?

- Income units: any income generated by the underlying holdings is given to investors as cash. This will be deposited into your drawdown account to save or reinvest.
- Accumulation units: any income generated is 'rolled-up' in the price of the unit, rather than paid out, increasing the growth of the investment.

How will income generated from my investments be treated?

Investment income can be held as cash (this is the default option if you're opening an HL SIPP for the first time) or you can choose for it to be automatically reinvested back into the fund or share that paid the income. Note, the default value for reinvesting is £10 a holding, but you can choose a different reinvestment value up to £1,000 a holding. Income can be treated differently for each HL Account you hold, but not for each individual holding.

You can change your preferences by signed letter, calling us on **0117 980 9926** with your security details to hand, or via your online account under the 'Account Administration' tab.

CLIENT INVESTMENT TOOLS

Portfolio Analysis tool

Available if you've registered for online access. This tool allows you to see how and where your entire HL portfolio is invested. You can analyse each individual account you hold or specific holdings from different accounts. You can also use the tool to analyse investments you're thinking about buying or selling.

Watchlist tool

Available if you've registered for online access. You can use the tool to track the performance of funds, shares and other investments you're interested in. You can create multiple watchlists and add or remove investments.

MONITORING AND REVIEW

When should I review my investments and income?

To make sure you achieve your goals, you need to regularly review your drawdown plan and check it's still on track. This includes checking you're happy with your investments and making changes when necessary. If you're taking an income, you also need to check the amount you're withdrawing is sustainable.

What review documents will I get?

Once your money's been moved into drawdown, we'll send written confirmation by post, and enclose your drawdown statement. You'll also receive a review pack once a year, which will confirm:

- your fund value on the review date
- the amount and frequency of any income you're taking
- the proportion of your holdings, including how much of your drawdown account is made up of cash or investments similar to cash
- an illustration of how assumed investment returns could affect your fund in future; and
- how much of your allowances you've used so far in the HL SIPP Drawdown Account (for some, this will be sent separately to the review pack but will be provided on an annual basis).

See pages 8 and 9 for more information.

If you're in capped drawdown you'll receive a GAD review on every third anniversary of the arrangement set up date (or annually from age 75). This will show any increase or decrease to the maximum annual income available.

Every three months, you'll receive an Investment Report and valuation for all your HL accounts, including any ISA or Fund and Share accounts.

PASSING YOUR PENSION TO LOVED ONES

How do I let you know who I'd like to benefit from my pension when I die?

The easiest way to inform us of your wishes is through your online account. If you've registered for online access, simply login and select 'Account Settings' and 'Manage SIPP beneficiaries'. Or, you can complete and return an 'Expression of wish' form which you can request by calling us on **0117 980 9926**.

You can choose anyone you like, and can nominate more than one person. You can also change these if you'd like later on.

CHANGING CIRCUMSTANCES

What if I become unable to manage my investments myself?

If you start to question whether drawdown is still right for you, we strongly recommend you seek personal financial advice. We can provide this if you'd like us to. But for now, you might want to consider setting up a lasting power of attorney. This will make sure your financial affairs are taken care of if you're unable to do it yourself. More information about how to do this can be found at www.gov.uk/power-of-attorney

What if I decide an annuity is better for my needs?

You can use some, or all, of your drawdown fund to buy an annuity at any time. Please contact us and we'll give you a free annuity quote showing some of the most competitive rates available. You can also get quotes online by visiting www.hl.co.uk/annuity

What if I want to cancel my drawdown account?

You can cancel your drawdown account within 30 days by writing to us. Any tax-free cash and income would need to be returned. If you decide to cancel we will deduct charges for any services we have provided during the period.

The cancellation period will not apply when moving further funds into an existing drawdown account.

DDKF1124

THE LUMP SUM ALLOWANCE AND LUMP SUM AND DEATH BENEFIT ALLOWANCE

The government announced that the lifetime allowance would be abolished from 6 April 2024 and replaced with the lump sum allowance and lump sum and death benefit allowance.

The standard value for the new allowances will be:

- Lump sum allowance – £268,275
- Lump sum and death benefit allowance – £1,073,100

Only the tax-free element of certain lump sums will use up your lump sum and/or lump sum and death benefit allowances.

For drawdown, the tax-free cash taken will use up both the lump sum allowance and lump sum and death benefit allowance.

How might this affect my application?

Following receipt of your drawdown application, we'll need you to complete an additional allowance check form before proceeding with your application if you've confirmed any of the following:

- When you take benefits from the HL SIPP there's a possibility that the tax-free cash portion of your movement into drawdown will result in you exceeding either your remaining lump sum allowance or lump sum and death benefit allowance.
- You've registered for pension protection (enhanced, fixed, individual, primary or an enhancement factor).

So, if you think you might be affected and you'd like this additional allowance check form in advance, please call us on **0117 980 9926** and we'll arrange this for you.

What uses up my allowances?

When you take certain types of payment, those payments will use up your lump sum allowance.

The payments that use up your lump sum allowance include:

- Pension commencement lump sums (PCLS); and
- The tax-free element of an Uncrystallised Funds Pension Lump Sum (UFPLS)

Like the lump sum allowance, certain types of payments will use up your lump sum and death benefit allowance.

Those payments include:

- Pension commencement lump sums (PCLS)
- The tax-free element of an Uncrystallised Funds Pension Lump Sum (UFPLS)
- The tax-free element of serious ill health lump sums; and
- Non-taxable lump sum death benefits (excluding charity lump sum death benefits, trivial commutation lump sum death benefits and lump sum death benefits paid from funds crystallised before 6 April 2024)

The above lump sums are all examples of what are called 'Relevant Benefit Crystallisation Events' (RBCEs).

What happens if I go over my allowances?

If you've gone over either of your allowances, you can either leave the excess in your uncrystallised SIPP or continue to move into drawdown (any income withdrawn will then be subject to income tax).

Pension protection

If you hold any type of pension protection you'll usually have your own allowances which will be greater than the standard amount. If you hold protection please send us a full copy of your protection certificate (including all pages), or the HMRC print out confirming your reference number if you applied online, along with your application.

HOW TO WORK IT OUT

How can I work out if I might exceed either of my allowances?

If this is the first time taking benefits from any pension, or you've only taken benefits since 6 April 2024, you'll simply need to check if the tax-free cash sum you're taking (usually 25%) will exceed either of your remaining standard allowances.

If you have previously accessed any pensions before 6 April 2024 that used your lifetime allowance, a 'standard transitional calculation', as set out by HMRC, will normally apply to determine how any lifetime allowance used translates to your new allowances. Under the 'standard transitional calculation', the lump sum allowance will normally be reduced by 25% of the lifetime allowance that's already been used. Those who have used all their lifetime allowance are assumed to have no remaining allowances.

Standard transitional calculation example

Let's say someone had used 50% of their lifetime allowance with no protection, the calculation would broadly be:

$$50\% \times \pounds 1,073,100 \times 25\% = \pounds 134,137.50$$

The remaining lump sum allowance would be:

$$\pounds 268,275 - \pounds 134,137.50 = \pounds 134,137.50$$

The amount calculated above is also deducted from the lump sum and death benefit allowance unless:

- The individual received a serious ill health lump sum before 6 April 2024 and was under the age of 75 when the payment was made, or
- The individual died before 6 April 2024, was under 75 when they died, and a lump sum death benefit is paid to a beneficiary before 6 April 2024.

In which case the lump sum and death benefit allowance is reduced by 100% of the individual's previously used lifetime allowance. Using the same example as for the lump sum allowance (50% of their lifetime allowance had been used), if that individual had received a serious ill health lump sum before the age of 75 then the amount of lump sum and death benefit allowance they've used would be:

$$50\% \times \pounds 1,073,100 \times 100\% = \pounds 536,550$$

If all the other pension benefits you're receiving started before 6 April 2006, and this will be the first time you're taking benefits since this date –

In this instance, these pensions will not have been tested against the lifetime allowance.

To calculate how much of the lump sum allowance and lump sum and death benefit allowance this will use you'd first multiply the current annual pension income you're receiving by 25. Then you'll further multiply this by 25% and deduct this figure from both allowances e.g: $25 \times \pounds 20,000$ (annual income) $\times 25\% = \pounds 125,000$.

If your existing pension is being paid from a capped drawdown plan, you multiply the maximum income which could be taken by 25 and not the actual income you're receiving (if lower). If you've since converted to flexible drawdown use the maximum income which was available under capped drawdown on the date you converted it (your drawdown provider will be able to confirm this). In some cases the actual figure used may be reduced. The information you supply on your application will tell us whether any reduction is needed.

If you're taking benefits for the first time from other pensions at the same time as taking benefits from the HL SIPP –

you need to deduct the tax-free cash sums you're taking from any other pension schemes from both your lump sum allowance and lump sum and death benefit allowance. If you're taking any lump sum death benefits at the same time, the value of these should be deducted from your lump sum and death benefit allowance.

What if the tax-free sums I've taken are less than the amount calculated under the 'standard transitional calculation'?

Individuals (or the personal representatives of deceased individuals) who have already used up some or all of the lifetime allowance may be able to apply for a 'transitional tax-free amount certificate' which would replace the 'standard transitional calculation'.

Individuals who were assumed to have no allowances remaining (as a result of using all their lifetime allowance) may also apply for these certificates.

With a certificate the calculation would instead broadly be based on the actual tax-free amounts that have been taken.

The certificates (issued by a pension scheme administrator) will confirm the amounts that should be taken off the starting allowances.

For the:

- Lump sum allowance – it would be reduced by the value of each PCLS, the tax-free element of any UFPLS payment, the tax-free element of any stand-alone lump sum as well as 25% of the crystallised value of any pensions that were in payment prior to 6 April 2006.
- Lump sum and death benefit allowance – it would be reduced by the total tax-free amount of lump sums paid when the lifetime allowance was in force as well as 25% of the crystallised value of any pensions that were in payment prior to 6 April 2006. This would be the total of all non-taxable lump sum Benefit Crystallisation Events (BCEs) and non-taxable lump sum death benefit BCEs paid to, or in respect of, the individual, as well as 25% of the crystallised value of any pensions that were in payment prior to 6 April 2006.

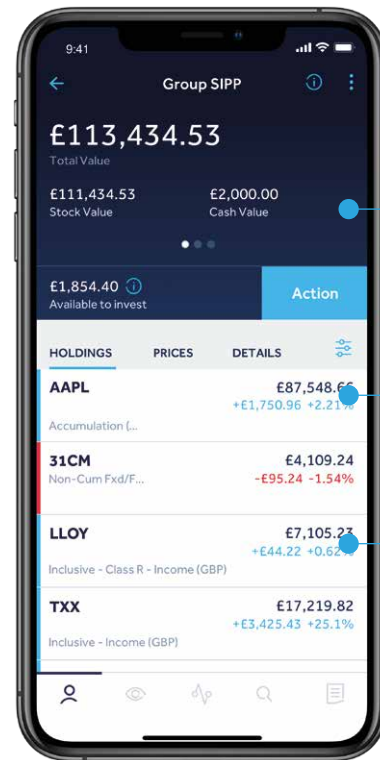
Individuals can apply for these certificates from any scheme of which they are a member (or the personal representatives of a deceased member can apply on their behalf to a scheme of which they were a member immediately before they died).

An application can only be made before the individual's first RBCE and must include evidence of the tax-free sums taken as well as evidence of the lifetime allowance used. If you wish to apply for a transitional tax-free amount certificate you'll need to request an application by calling us on 0117 980 9926 or by emailing sipp@hl.co.uk.

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