Equitable Life

Equitable Life

Important changes affecting your Equitable pension

November 2005

PSP/Nov/05/Booklet A

Introduction

From 6 April 2006 (commonly referred to as 'A-Day'), new simplified pension laws will be introduced in the UK.

The new laws, referred to as 'pensions simplification', will change pension laws overnight and the same tax rules will apply to all pensions. The new laws will apply to everyone, no matter what type of pension scheme they belong to or when it began.

This booklet aims to:
– give you a summary of the main new laws relevant to your Equitable policy; and
– help you understand if you need to take any action and, if so, what you need to do.

The new rules

The following sections provide a summary of the new rules being introduced from 6 April 2006.

Contributions

There are two new rules relating to the contributions to your pension arrangements.

1 Annual allowance

The annual allowance starts at £215,000, and this is the most that you (or anyone on your behalf) can pay into pension schemes in any one year without having to pay tax. The annual allowance each tax year is as follows.

Tax year	Annual allowance
2006/2007	£215,000
2007/2008	£225,000
2008/2009	£235,000
2009/2010	£245,000
2010/2011	£255,000

The annual allowance does not apply to the year when you take the last of your retirement benefits from this plan, or to the year in which you die.

2 Earnings

If you pay personal contributions in any one tax year that are more than your earnings in that year (or £3,600 if greater), you will not get tax relief on the extra amount.

Checking contributions

You are responsible for making sure that all the contributions paid are within the two rules set out above. We will not monitor the contributions paid.

Your tax return form for 2006/2007 will have a section to fill in about pension contributions.

Benefits

Lifetime allowance

If the total of all your pension savings being paid are worth more than your lifetime allowance when you take your benefits, you will have to pay tax. The standard lifetime allowance, which will be used for most people, is as follows.

Tax year	Standard lifetime allowance
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000

If you go above your lifetime allowance, we will work out the tax you owe and pay it for you to the Inland Revenue (now known as HM Revenue and Customs).

Tax-free cash

When you take your benefits, you will be allowed to take up to a quarter of the total fund, up to the amount of any lifetime allowance you have left, as a cash sum free of any tax.

More details

Contributions for death benefits

There is no longer a separate limit on premiums being paid for death benefits within your pension scheme. So, the amount you pay for these benefits counts towards your contribution limits.

Retirement options

There are more options available to you once you decide to take your pension benefits. To help you consider the full choices available, you may want to get independent financial advice.

Retirement age

From 6 April 2010, the minimum age for starting to draw a pension will normally be increased from 50 to 55. Policyholders with Equitable retirement annuity contracts cannot draw their benefits before age 60 and this will not change.

Death benefits

When you die, if the value of all of your benefits from your pension arrangements is more than your lifetime allowance, you may pay tax.

Protected rights

If you used your policy to contract out of the State Earnings-Related Pension Scheme (SERPS) or the State Second Pension (S2P) at any time, the Government will have paid National Insurance rebates to us, for you. The benefits bought by these rebates are known as 'protected rights'.

Our policies do not allow protected rights to be taken as a pension before age 60. Instead, you can continue to invest the protected rights with us, until you choose to draw them as a pension, as long as you are at least 60 or more at the time. If you retire before age 60, you may transfer the protected rights to another provider (we will apply any early-withdrawal adjustment in force at that time) for them to pay a pension.

The pension benefit secured with the protected rights must include a pension for your husband or wife if you die, or a pension for your legally recognised partner if there is a civil partnership.

Taking small pension funds as cash

If the total value of your pension benefits when you come to take them is less than £15,000, and you are 60 or older, you will be able to take them all as cash. However, you will have to pay tax. The limit of £15,000 is 1% of the standard lifetime allowance and will increase in line with that allowance.

Divorce

If a court makes an order sharing pension benefits, this could affect your lifetime allowance. You should tell us if a pension-sharing court order is made.

Special arrangements for large funds

There are special arrangements if the total value of all your pension benefits at 5 April 2006 will be more than £1,500,000 or is likely to grow to more than the standard lifetime allowance at any time in the future.

If you think this will apply to you, please ask for our fact sheet. There are details of how to do this set out below. This leaflet does not provide financial advice. If you need financial advice, you should contact an independent financial adviser. If you do not already have an adviser, see 'To find a financial adviser' in the 'More information' section of this booklet.

More information

We may update this booklet as we receive new information from the Government and HM Revenue and Customs.

The latest version of this booklet will be available on our website at **www.equitable.co.uk**.

For copies of the latest version of this booklet or the fact sheet for large funds, or if you have other questions about how the new rules may affect you, please contact us.
Phone: **0870 901 0052**
Website: **www.equitable.co.uk**

For a forecast of your State Pension
Pension Forecasting Team
Phone: **0845 3000 168**
Website: **www.thepensionservice.gov.uk**

To find out about State Pensions
Department for Work and Pensions information line
Phone: **0845 3000 168**
Website: **www.thepensionservice.gov.uk**

Inland Revenue (HM Revenue and Customs) for enquiries about tax
Website: **www.hmrc.gov.uk**

For general enquiries about pensions and leaflets
Pensions Advisory Service
Phone: **0845 601 2923**
Website: **www.pensionsadvisoryservice.org.uk**

Financial Services Authority (FSA)
For information about pensions and other financial products
Phone: **0845 606 1234**
Website: **www.fsa.gov.uk**

To find a financial adviser
IFA Promotion
Phone: **0800 085 3250**
Website: **www.unbiased.co.uk**
For a list of three financial advisers in your local area.

Disclaimer: This booklet is a summary of the major changes to laws affecting pension products which will apply from 6 April 2006. You should not consider this information to be financial advice, and you should not rely on it. How your benefits are taxed will depend on your circumstances. You should consult an independent financial adviser before making decisions about your current pension position.

Questions and answers for members of Equitable pension plans

You should read this leaflet with the booklet 'Important changes affecting your Equitable pension'.

1. When do the new rules start to affect my pension?
Most of the changes will come into effect from 6 April 2006. This date is commonly referred to as 'A-day'.

2. What changes will directly affect me?
For most savers, there will be very little change. If you have a very large pension fund, there are some things you need to do (see the section 'Special arrangements for large funds' in our booklet). The booklet describes the main changes.

3. I have heard that you will no longer monitor contributions being paid into my pension any more. Is this true?
Yes it is. From 6 April 2006 there is no limit on the number of pension schemes you can belong to. This means that we will be unable to monitor the contributions you pay. You will need to tell the Inland Revenue (now known as HM Revenue and Customs) about pension contributions on your tax return form.

4. I was hoping to have saved more than £1,500,000 in my pension funds when I retire. Do the new rules stop me doing that?
No, you can still build up a fund as large as you like, but if your total pension savings and benefits go over the standard lifetime allowance (£1,500,000 for the 2006/2007 tax year) when you retire, you may have to pay some tax. (See the section 'Special arrangements for large funds' in our booklet.)
You may want to get independent financial advice for help in this area.

5. Will the changes affect the tax-free cash I can take when I retire?
Normally everybody will be able to take up to a quarter of their pension fund as tax-free cash in the future.

6. Do I need to do anything after A-day?
If you or somebody on your behalf is currently contributing more than the annual allowance (£215,000 for the 2006/2007 tax year) to all pension schemes you belong to, you may want to get financial advice.

7. Will I have more flexibility and choice when I retire?
Yes, we will give you more details as your retirement date approaches.

8. What is my lifetime allowance?
Usually your lifetime allowance is the same as the standard lifetime allowance. Your lifetime allowance may be higher because HM Revenue and Customs have given you protection on your benefits at 5 April 2006. It could be higher or lower because you have received or given a divorce pension credit or received or paid a transfer value from or to an overseas pension fund.