

Email only:

Mr Lance Trevelleyan

27 January 2016

Dear Lance,

I am sorry for the delay on this, I have been off work with the flu since Friday and am only catching up on my paperwork today laden with lots of Lemsip.

We discussed the lifetime allowance last week and it's reduction to £1 million from 2017. By way of a background and based on our records, I applied on your behalf fixed protection against the lifetime allowance, which you may recall arrived with us on 4th April 2012 and it was delivered to HMRC on the morning of the 5th April by courier. The certificate was issued to you directly by HMRC on the 22 May 2012. HMRC has advised in my call that you were registered but a copy of the certificate can only be obtained in writing. I will enclose a letter for you to sign and to obtain a duplicate of that certificate;

You are therefore personally protected to a fund of £1.8 million and for this to be in force your accrual of pension benefits as at 5 April 2012 was effectively ring-fenced and crystallised at that date. All contributions paid into the scheme since then must be used to be allocated to other scheme members.

Having looked at the scheme accounts as at 5 April 2012, the value of the pension fund amounted to £2305817; therefore 78.06% represented your "share of fund" as of that date. The fund and all contributions paid in post 5 April 2012 were allocated into a notional separate pot.

The main reason that the tax free cash lump sum which amounted to £450,000 (£1.8m x 25%) was not paid to you then was because tax rules on death benefits were unfavourable. My advice to you at the time was to leave the funds uncrystallised. On death the whole of the fund would be paid out tax free to your beneficiaries whereas once the lump sum was taken, the fund would have been subject to a tax charge of 55% on death.

The landscape has now shifted and from this current tax year on death prior to age 75 the whole of the fund is now payable free of tax to your beneficiaries (irrespective of whether you draw money from the scheme before age 75). On death after age 75, your spouse would be subject to income tax on the income at their marginal rate.

Moving forward, I would recommend that you consider drawing your lump from the scheme, which amounts to £450,000. Having worked through the tax rules this morning in more detail the payment of the lump sum other than as cash can be paid to you and I would suggest that you advise what

assets these should constitute; this could take the form of loans. I will then draft the paperwork to that effect.

Going forward, it would be clearly advantageous to protect your wife from the lifetime allowance charge above £1.25 million and therefore £1250,000 would be "allocated" to her, with the balance of the fund being used to meet long term pension provision for your children. Please confirm if you are in agreement with these proposals.

I trust that this covers everything, we will need to put in additional paperwork in place to effect this and I am working on the other aspects of the scheme, particularly the loan position to your other companies which I will revert on separately.

Yours sincerely



Gavin McCloskey
For Pension Practitioner .Com