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Check your

finances

are in shape.

Annual pension
allowance



**Your
pension**

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part of the Wealth at Work group

about us.

We are a leading financial wellbeing and retirement specialist - helping those in the workplace to improve their financial future.

Established in 2005, we work with hundreds of organisations across both the private and public sector.

Our financial education services are delivered on a bespoke basis.

agenda.

- Pension contributions and the capped section
- Case study – weighing up your options
- Calculating the annual allowance (AA) taper
- Next steps

pension contributions and
the capped section.

contributions to your pension plan.

Pension Contribution Structure – Grades 0 to 3

Haleon's core contribution	Employee contribution	Haleon's matching contribution	Total
15%	0%	0%	15%
15%	1%	1%	17%
15%	2%	2%	19%
15%	3%	3%	21%
15%	4%	4%	23%
15%	5%	5%	25%

contributions to your pension plan.

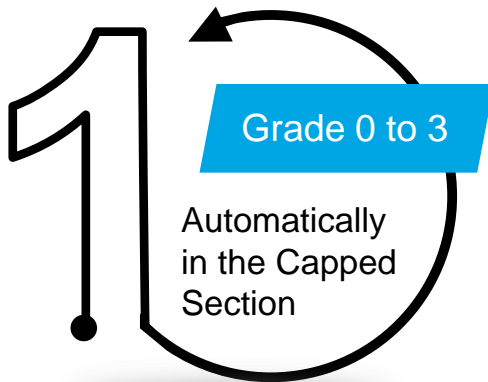
Pension Contribution Structure – Grade 4				
Haleon's core contribution	Employee contribution	Your matching contribution	Haleon's matching contribution	Total
7%	2%	0%	0%	9%
7%	2%	1%	1%	11%
7%	2%	2%	2%	13%
7%	2%	3%	3%	15%



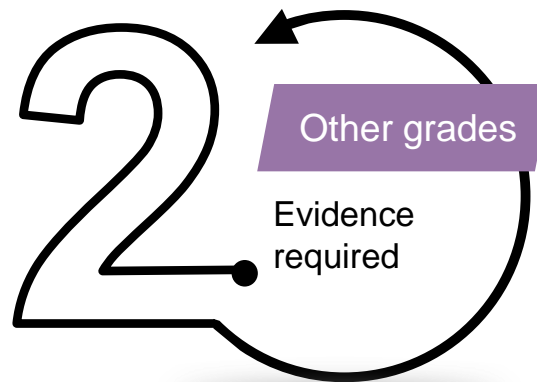
Contributions are paid via Salary Sacrifice for all grades

the capped section.

A 'Capped Section' of the LifeSight Pension Plan is available to those impacted by the AA taper.



Grades 0 – 3 are automatically in the Capped Section



Other grades can join the Capped Section

.....
Evidence of being subject to the AA taper is required



The option to opt out completely and receive a cash allowance has been removed

how the capped section works.

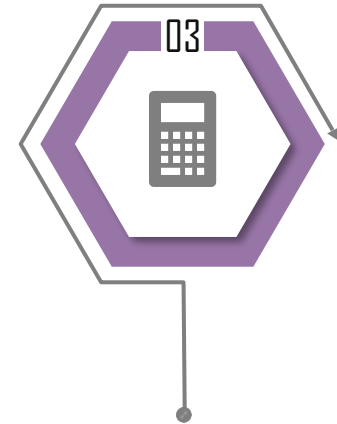
The Capped Section limits the default contribution to your pension to £10,000.pa



A capped salary of £40,000 is applied to grades 0 to 3



The member makes compulsory pension contributions of 5% (£2,000pa)

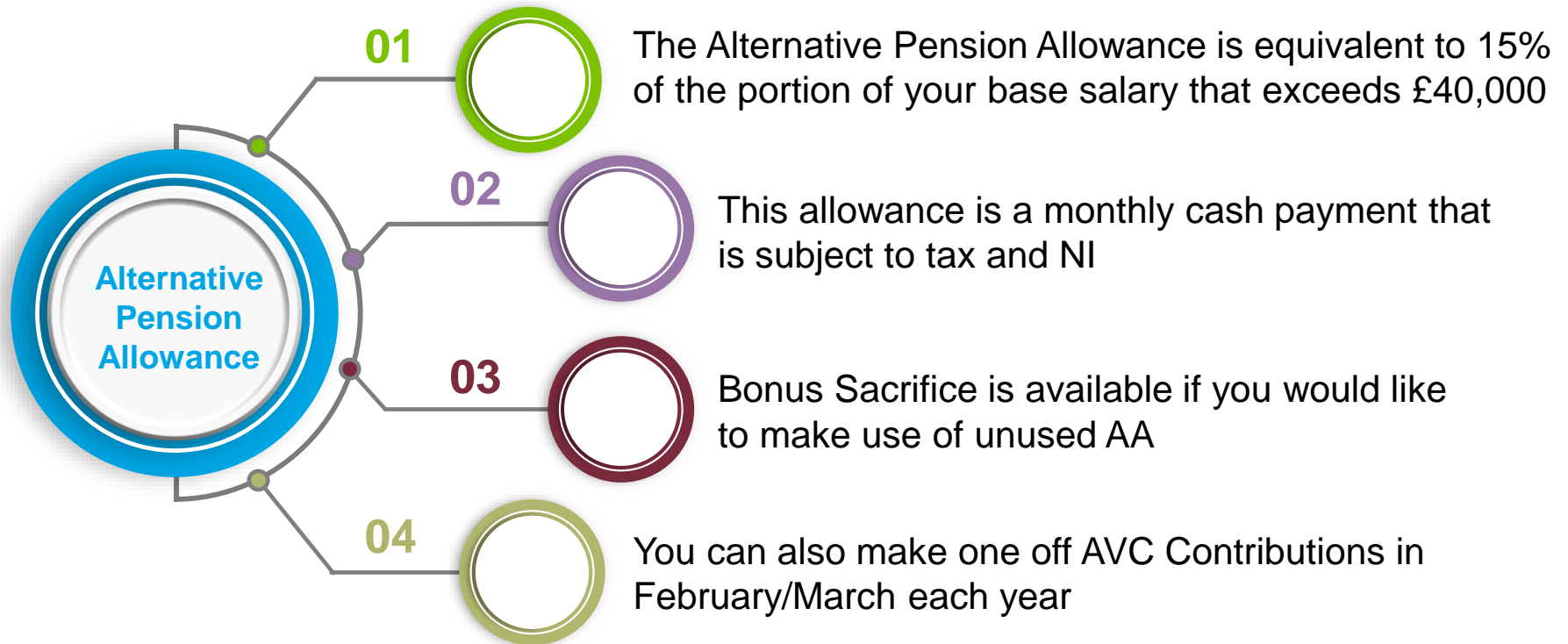


- Haleon pays 5% (£2,000pa) matching contribution
- And 15% (£6,000pa) core contribution

The total contribution to your pension plan is 25% of the £40,000 capped salary (£2,000 member contribution PLUS £2,000 matching and £6,000 core)

how the capped section works.

£10,000 is paid into your pension each year and you will also receive an 'Alternative Pension Allowance'.



how the capped section works.

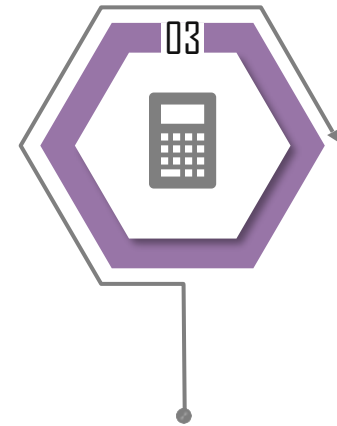
If you are a Grade 4 employee, your contributions and the capped section are applied differently.



A capped salary of
£66,666 is applied to
Grade 4



The member makes
compulsory pension
contributions of 5%
(£3,333pa)



Haleon pays a 10%
(£6,666pa) contribution

The Alternative Pension Allowance is paid equivalent to 7% of the portion of your base salary that exceeds £66,666

case study – weighing up
your options.

case study.

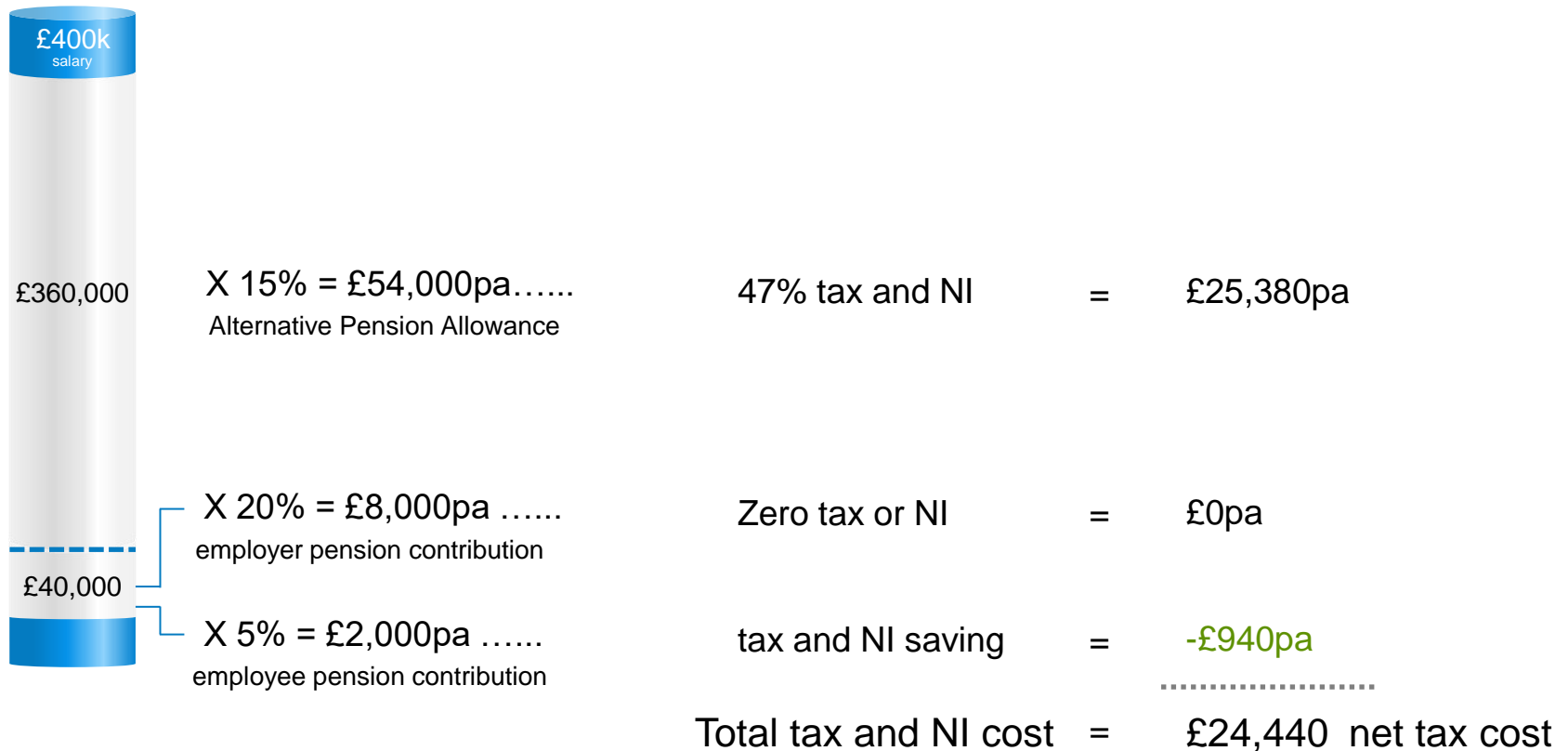
As a capped section member, you may be weighing up the tax costs of instead joining the regular pension plan and paying an AA charge.



- £400,000pa salary
- Pays income tax at 45% and National Insurance at 2%
- Has a tapered AA of £10,000

joining the capped section.

- 25% of the first £40,000 of salary is paid to pension
- An Alternative Pension Allowance is paid equal to 15% of the remaining salary



becoming a regular plan member.

The employee elects opt out of the capped section and instead builds up contributions of 25% of salary.

5% of £400,000 = £20,000 → -£9,400 income tax & NI saving
employee contribution

20% of £400,000 = £80,000 → No income tax or NI
employer contribution

Annual Allowance Charge

£10,000 annual allowance (AA)

£90,000 in excess of AA

£90,000 X 45% = £40,500 annual allowance charge

LESS £9,400 income tax and NI relief = £31,100 net tax cost

making a comparison.

Regular Plan Member

£100,000
paid into pension

LESS

£31,100
net tax cost



£68,900
subject to tax on receipt

Capped Section

£10,000
paid into pension

+

£54,000
alternative pension
allowance

+

£9,540
net salary saved by reduced
pension contributions

LESS

£24,440
net tax cost



£49,100
No further tax to pay

considerations.

Consideration when weighing up your options should include:

- You will need to calculate your expected tax position at retirement
- As a regular plan member you will build up more pension which will be subject to tax
- Depending on your total pension savings, you may exceed the maximum tax free cash limit
- Investments held in a pension are able to grow free of tax
- Your pensions value does not form part of your estate when you die
- Your beneficiaries may have to pay income tax on any pension they inherit from you

The right decision will be based on your personal circumstances

You should receive regulated financial advice if you are unsure

the tapered annual allowance.

Our example has assumed the lowest AA of £10,000. You may have a taper that results in an AA between £10,000 and £60,000.



Regular plan membership

Your AA taper will be based on core and matching contributions from Haleon that are applied to your full salary

Capped plan membership

- Your AA taper will be based on capped employer contributions from Haleon
- **Plus** an Alternative Pension Allowance

It is likely that the choice you make will adjust your AA taper and the annual allowance available to you.

fixed and individual protection.

The LTA charge was removed from 6 April 2023 and is expected to be abolished in 2024/25.

- Enhanced and Fixed Protection was previously lost in the event pension rights were built up after the protection was granted
- This rule no longer applies, provided the protection was applied before 15 March 2023
- These members will also benefit from a higher tax free cash limit

Visit:

www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm093400

calculating the AA taper.

the tapered annual allowance.

Calculate your
'Threshold
Income'

If it's more than
£200,000 proceed
to step 2

1

If it's £200,000 or
less your AA is likely
to be £60,000

Calculate your
'Adjusted
Income'

If it's more than
£260,000 proceed
to step 3

2

If it's £260,000 or
less your AA is likely
to be £60,000

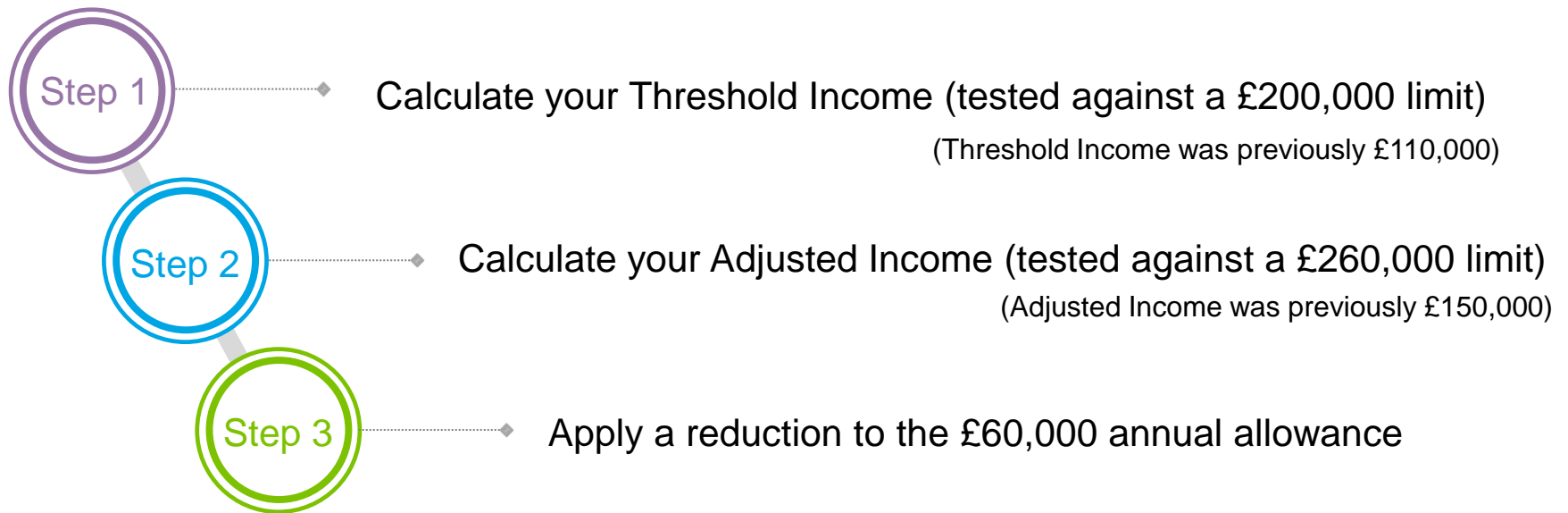
Calculate your
'Tapered
Annual
Allowance'

3

the tapered annual allowance.

You may have a reduced annual allowance if your total taxable income exceeds £200,000

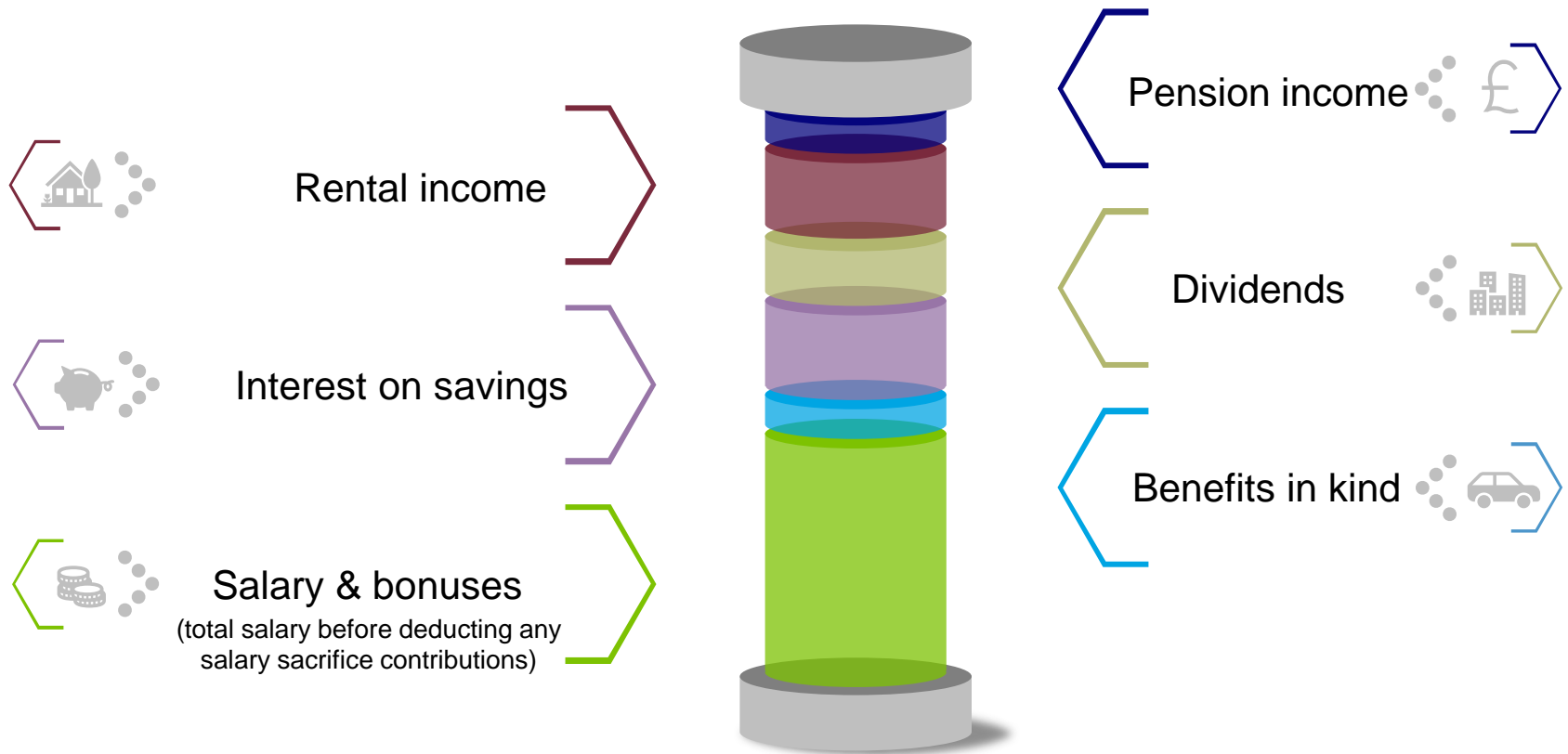
Calculating the tapered annual allowance is a 3-step process:



the tapered annual allowance.

Step 1 – calculating your 'Threshold Income'

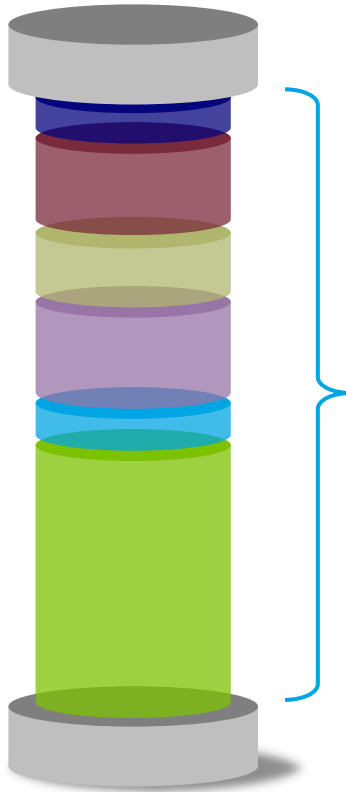
Begin by calculating your total taxable income...



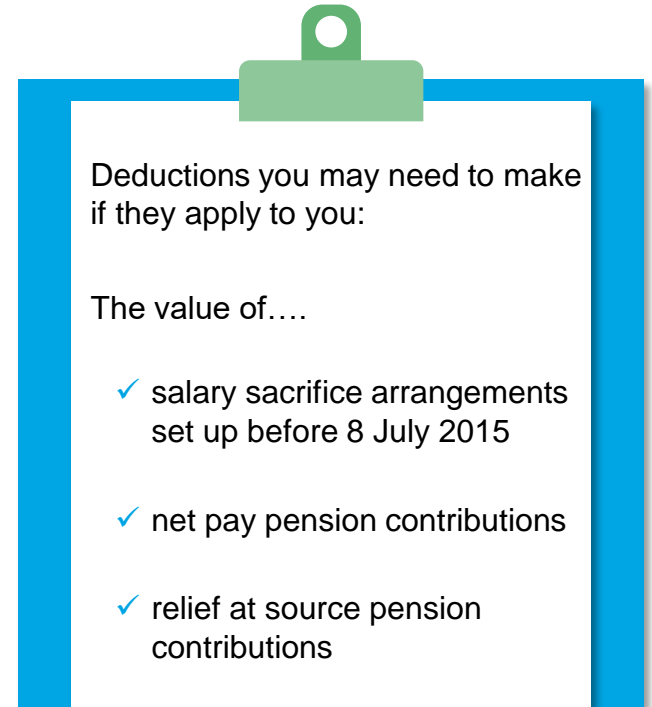
the tapered annual allowance.

Step 1 – calculating your 'Threshold Income'

Begin by calculating your total taxable income...



For some this will be the
'Threshold Income'



the tapered annual allowance.

Step 1 – calculating your 'Threshold Income'

Begin by calculating your total taxable income...



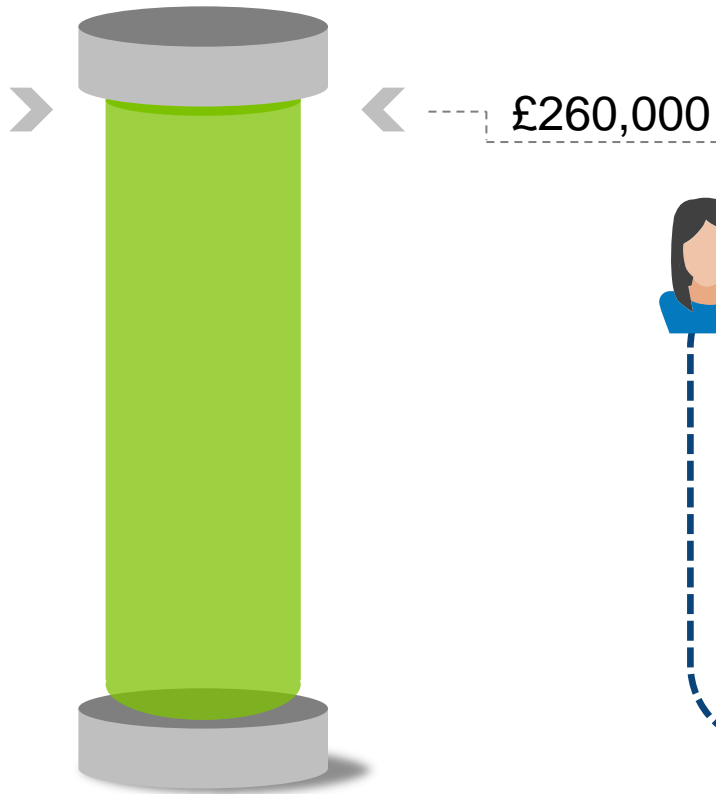
Pre 8 July 2015 salary sacrifice members ...

- Salary = £250,000
- Of which £12,500 (5% of £250k) is sacrificed into the Haleon Pension Plan
- No other income or deductions
- Threshold Income = £250,000 - £12,500
- As this exceeds £200,000 we move to

Step 2 

the tapered annual allowance.

Step 2 – calculating your 'Adjusted Income'

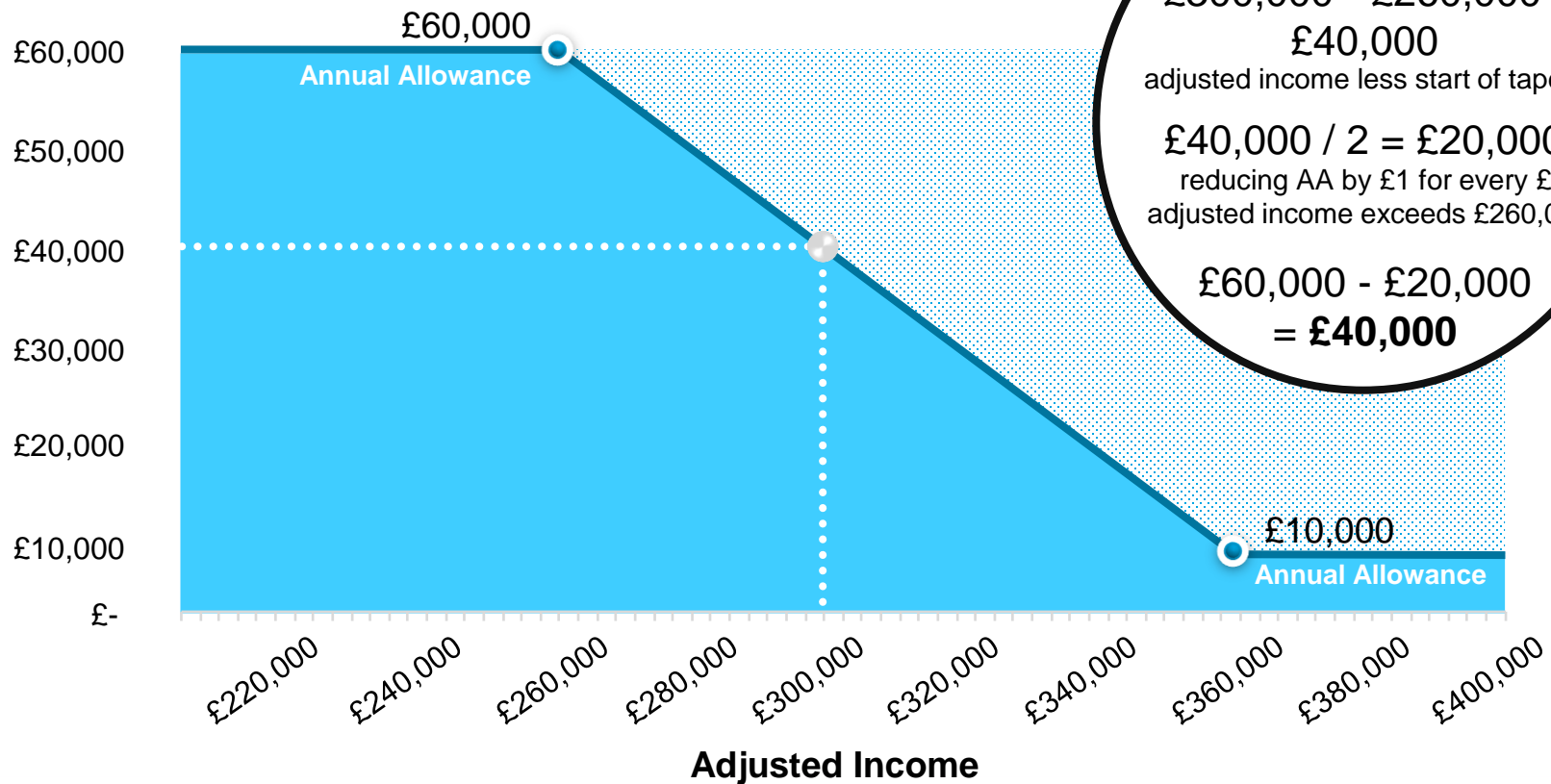


Example Continued...

- Add Haleon matching and core pension contributions
- 20% of £250,000 = £50,000
- £250,000 + £50,000 = £300,000

applying the taper.

Step 3 – calculating your 'Annual Allowance'



next steps.



further information.



HM Revenue
& Customs

Further information on the
annual allowance:

www.gov.uk/tax-on-your-private-pension/annual-allowance

The logo for Money Helper, with the word "Money" in blue and "Helper" in blue with a pink arrow pointing to the right.

For information and guidance on
financial matters:

www.moneyhelper.org.uk



HM Revenue
& Customs

Further information on the
lifetime allowance:

www.gov.uk/tax-on-your-private-pension/lifetime-allowance



To obtain a State Pension
statement:

www.gov.uk/state-pension-statement

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seeking advice.

An adviser will assess your circumstances, objectives and risk profile and provide you with a personal recommendation to meet your objectives.

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Financial Services Register link:

- <https://register.fca.org.uk>

contact us.

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It helps individuals to understand their personal financial situation especially when selecting their retirement income options.

- Telephone **0800 028 3200**

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