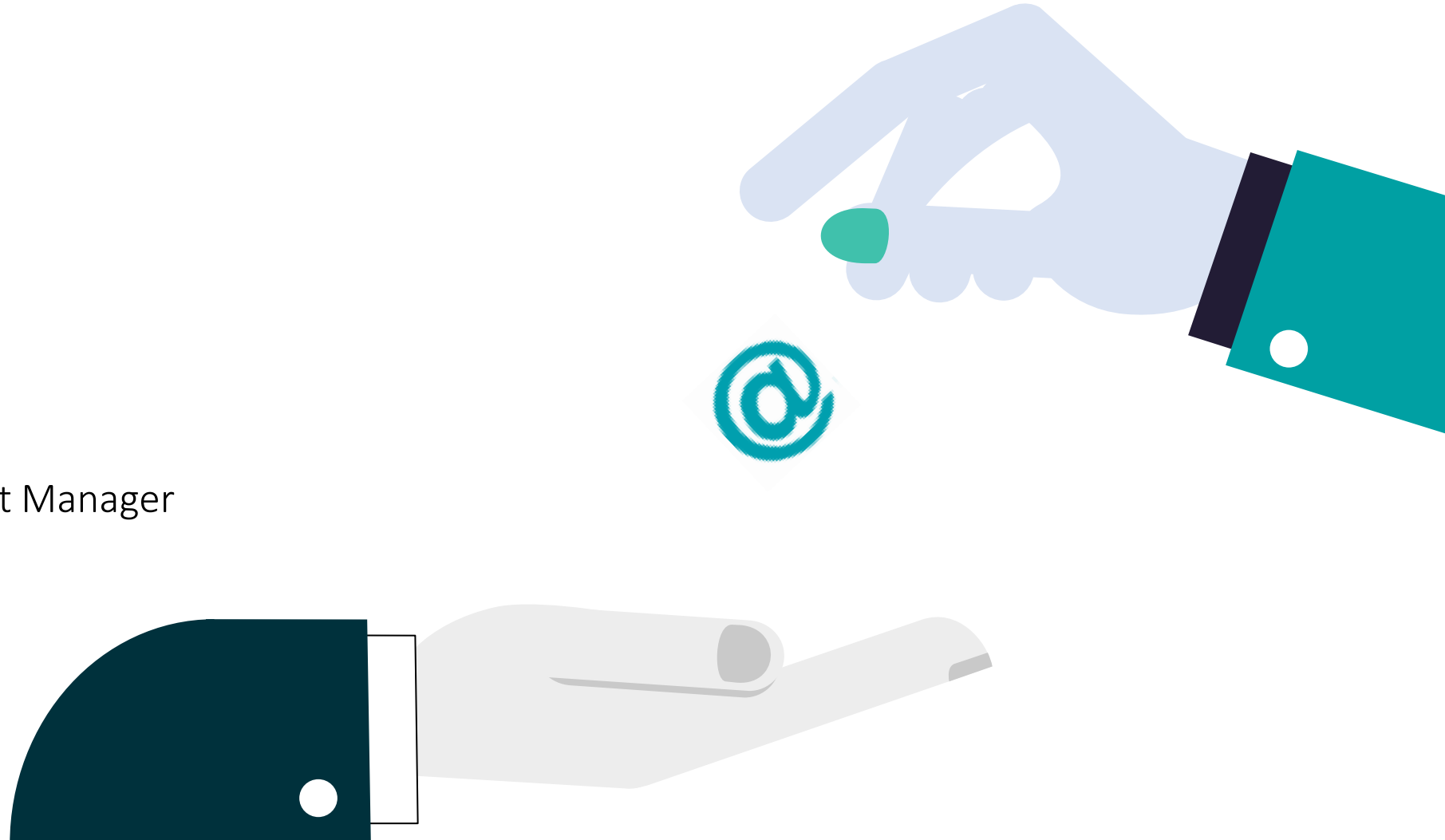


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Kerry Houghton  
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30 April 2024



## Learning Outcomes – To Understand:

- What is a Pension Sharing Order?
- To Which Pensions may it apply?
- Interaction with New Legislation
- Protection and Sharing Orders
- Common Problems.

# Pension Sharing Orders

Introduced in Dec 2000  
By the Welfare Reform and  
Pensions Act 1999

Different to  
Earmarking

Different to  
Offsetting



Must be issued by the  
Family Court in England  
and Wales.

Slightly Different rules in  
Scotland to the UK.

# Pensions Sharing Orders

In the UK they refer to a percentage

Can be internal

Can be external



Considered a clean break?

A Provider has four months to implement.

# Which Pensions can be Shared?

YES	NO
Occupational Pension Schemes (inc. AVC's and PPF)	Only benefits are equivalent pensions
Personal Pension Schemes	Basic State Pension
Stakeholder Pension Schemes	New State Pension
S 32 policies	Pensions received as spouse or dependant
Retirement Annuity Contracts	Pensions already subject to earmarking
Statutory Pension Schemes	Overseas Pensions
Free-standing AVC's	
EFRBS	
Contracted out/S2P/SERPS/protected state	
Pensions in payment from above	

How do sharing orders affect clients going forward?



Looking first at simple cases, those without protection.

# Pension Debit – Giving Up Pensions Rights

New Allowances Unaffected

Uncrystallised

Gives more headroom to make up for the debit.

Crystallised

No credit against limits for what has already been used. Those benefits already paid to the joint marital funds. LSA & LSDBA reduced accordingly.

# Pension Credit – Receiving Rights

Pre 5<sup>th</sup> April 2024 can affect Crystallised benefits and Historically could claim an enhancement to LSDBA

## Uncrystallised

Anything taken by way of benefits counts towards recipients' allowances.

Clients likely to reach own limits sooner.

## Crystallised

Pensions in payment = Disqualifying rights, cannot be used to increase your LSA.

No Enhancement factors in the new world as benefits won't have been tested.

Benefits Crystallised pre 06/04/2024 not tested against LSDBA

Remember only lump sums tested



## Protection - First a History Lesson



# Why?

## Simplified View

### Enhanced/Fixed

Generally allowed individuals to fix at a level in the future, on the basis they were likely to break the proposed limits, in return no further contributions **could** be made. Required no minimum value to apply

Useful to protect against future integral growth.

Can now contribute? Unless Protection applied for post 15/03/23.

Enhanced was open ended therefore has been capped for LSA 4/23 and LSDBA 4/24.

### Primary/individual

Had to have over the proposed new limit.

Could only protect to previous limit including Primary.

Could always contribute

Useful as allowed a top up, if funds fell in value.

Often used where individuals had continuing DB accrual.

## Enhanced/Fixed Protection

Previous protection limits apply.

### **Pension Debit**

As your fund reduces, you are now able to contribute to top back up to your protected amount. Previous benefits dealt with accordingly.

### **Pension Credit**

Will count towards your own limits (except disqualifying rights for LSA) so you are likely to break the limits earlier.



## **Primary/Individual Protection**

Previous protection limits apply.

### **Pension Debit**

Protection Limit needs to be recalculated and protection will be lost if recalculated value falls below protection threshold.

### **Pension Credit**

Will count towards your own limits (except disqualifying rights for LSA) so you are likely to break the limits earlier.

# Common Problems that Occur



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# *SIPP and SSAS*



## Common Problems

- Has an adviser been involved?
- 4 months timescale
- Dealing with a percentage
- Costs
- Internal/external transfers
- My husband is giving me his pension he ran off with the cleaner!
- Costs of valuations vs fund value
- Lack of understanding
- Taking benefits during the process

## @SIPP Key Statistics



**£1.95 billion**  
Assets under administration



**4,402**  
Clients



**569**  
Advisers  
using us



**1,260**  
Commercial properties  
under administration



Established in **2001**

**2** Specialist Centres  
(Glasgow and Essex)



## In summary



**Get Involved Early** – It is too late to head off problems once the sharing order has been issued. A client has one chance to get this right.



**Consider a specialist** – We can't all be experts in everything, and experience is key in this area. Consider a Resolution approved IFA. A PODE may also be required



**Are funds crystalised or not?** – Can affect the benefits that can be taken



**Are any Protections in place?** – Are the clients and professional aware of the affects?



**Get the paperwork ready** – Don't forget the Expression of Wishes.

## Learning Outcomes – To Understand:

- What is a Pension Sharing Order?
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Any case studies and illustrations used in this presentation are for illustrative purposes only and are believed to be accurate at the time of presentation.

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# Thank You

