

### **Stories from The House – Sleepwalking into 55% tax...**

It suddenly dawned on me when I was talking to a client last week how easy it may be for many people to sleepwalk into a 55% tax charge on their pension fund.

The reasons for this are twofold:

- The pensions Lifetime Allowance (LTA) is reducing for most from £1.5m to £1.25m from next April, and
- The magic of compound interest.

One good, one bad!

A pension cannot be accessed until age 55. Any value over £1.25m will be taxed at 55% for those without 'protection'. Ouch!

There are a number of people who may be caught by this tax charge but the ones we think most vulnerable are younger people, say late 30's to early 40's with pension funds approaching £0.5m. Why? Because it's less obvious to such people that there is a problem.

The answer?

Get some great financial planning advice before April 2014.

All of The Red House clients will be reviewed as part of our comprehensive Annual Planning service. We strongly recommend anyone else who may be affected get advice, and quickly. If you don't have your own advisor and feel you, or someone you know, may need a wealth check please do feel free to contact us.

Now, back to writing those final Christmas cards...

Best wishes

Ruth

December 2013

### **Notes and risk warnings**

This is intended for informational purposes only and no action should be taken, or refrained from being taken, as a consequence of it without consulting a suitably qualified adviser. Please contact The Red House (TRH) if further information is required. Any opinions or estimates contained in this document represent the judgement of TRH at this time, and are subject to change without notice.

Chartered Financial Planners  
45 Bedford Row, London WC1R 4LN Telephone: 020 7269 7960; Fax: 020 7269 7969;