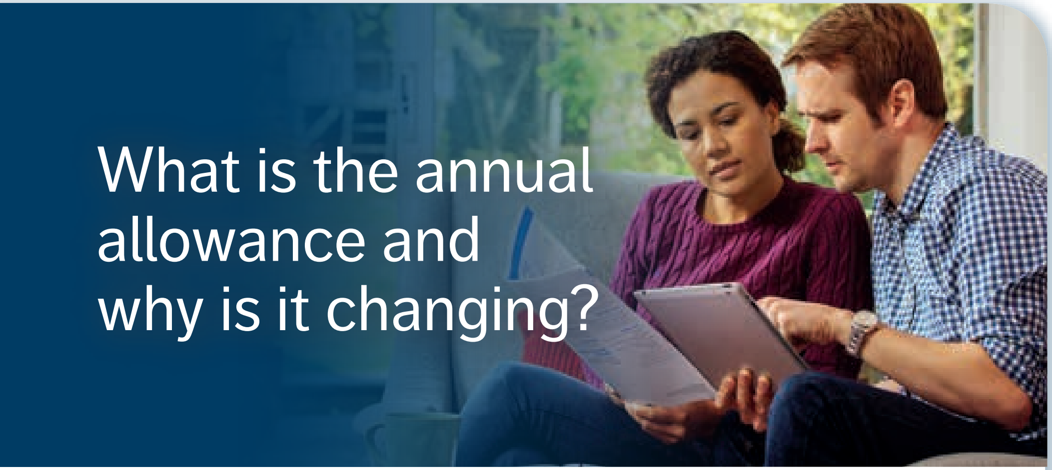

What is the annual allowance and why is it changing?

It's the maximum amount that can be paid into an individual's pension arrangements each year without triggering a tax charge. From 6 April 2014 it has been £40,000 subject to special transitional arrangements for the 2015/16 tax year. From 6 April 2016, anyone with adjusted income (see below) of £150,000 or over will get a reduced annual allowance. It's all part of Chancellor George Osborne's intention to reduce the amount that the government allocates in tax relief to pensions like yours.

Those whose taxable income (excluding any employer's or employee's pension contributions) is under £110,000 won't be affected by these changes.

What does 'adjusted income' actually consist of?

This figure includes your taxable salary plus any employer's pension contributions plus any personal pension contributions to occupational pension schemes. So people with salaries below £150,000 could be affected. Please be aware that the calculation of adjusted income is subject to complex tax rules.

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What about those earning more than £150,000 a year?

For those with an 'adjusted income' of £150,000 and above, the annual allowance tapers downwards. People lose £1 of allowance for every £2 of income. So someone earning a total adjusted income of £210,000 or more will have their annual allowance reduced to £10,000.

Can you give me more information on the taper?

This table shows how it works in practice:

Your 'adjusted income'	Your annual allowance from 6 April 2016
£150,000 and below	£40,000
£160,000	£35,000
£170,000	£30,000
£180,000	£25,000
£190,000	£20,000
£200,000	£15,000
£210,000 +	£10,000

Can I still benefit from any carry forward annual allowance?

The good news is that you can make contributions to cover any annual allowance you didn't use from the previous three tax years, (as long as you were a member of a registered pension scheme during those three years). It's known as the 'three year carry forward rule'. The total amount of your unused annual allowance can be added to the current tax year's annual allowance. This gives you the opportunity to make a larger pension contribution that still attracts tax relief.

What if I have flexibly accessed my pension savings?

Flexibly accessing usually means taking your benefits in a way other than buying an annuity. If you flexibly access your benefits your annual allowance in respect of money purchase pension arrangements reduces to £10,000 for that tax year and any subsequent tax years. The provider of the arrangement you have accessed will notify you if the money purchase annual allowance (MPAA) applies to you.

There are no carry forward provisions for MPAA. A tax charge will apply if you exceed the MPAA and this will also impact the amount of pension savings you can make to other types of pension arrangements.

You can find out more about the annual allowance on the HMRC website at www.gov.uk/tax-on-your-private-pension If you think you might be affected then we strongly recommend that you receive individual tax advice. For more information about tax please refer to a financial adviser.

Take advantage now

If you haven't already done so, why not consider your options and make the most of your unused annual allowance you may have.

The value of your investment is not guaranteed and can go down as well as up. You could get back less than you've paid in.

A few important points

Tax benefits and legislation are subject to change, interpretation and individual circumstances. The content of this guide is provided for information purposes only. It does not constitute any legal, financial or tax advice. Friends Life makes no representation, express or implied, as to the accuracy of this guide, and accepts no liability whatsoever for any use of this information or any reliance placed on it.

You may also like to speak to a qualified financial adviser to help you assess the options and make sure that you make the right decisions. If you do not have a financial adviser you can find one in your area using **www.unbiased.co.uk**.

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