Understanding the Pension Tapered Annual Allowance (TAA)

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What we will cover….

- Understanding Tapered Annual Allowance (TAA)
- How to calculate TAA
- Options available

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Understanding TAA & Pension Re-direction

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The Annual Allowance

Everyone can contribute and get tax relief...

- On 100% of relevant earnings
- Employee, Adobe & Bonus / Commission Exchange contributions
- Up to £40,000py (Annual Allowance)
- Plus any carry forward of any unused allowance from the past 3 tax years

Until……

- Your threshold income is above £200k and your adjusted income is over £240k in the tax year, your allowance starts to reduce / tapper
- Reached the Life time allowance of total contributions of £1,073,100 frozen till 2026

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Calculating the different incomes

Threshold (£200,000)pa

+ Salary
+ Bonuses/commission
+ Adobe RSUs
+ Interest (investments, savings, dividends…)
+ Additional income

= Sub-total

- Your own pension contributions
- Lump sum death benefits paid to you

= TOTAL (Threshold)

If the total is less than £200,000 py then your pension allowance will be £40,000 py

Adjusted (£240,000)pa

+ Threshold Total
+ Adobe Pension contributions

= Sub-total

- Lump sum death benefits paid to you

= TOTAL (Adjusted)

If the total is more than £240,000 py then your pension allowance will be impacted

Important Note: From 6th April 2016 to 2020, those with Threshold incomes in excess of £110,000 and Adjusted incomes in excess of £150,000 would have been subject to a Tapered Annual Allowance

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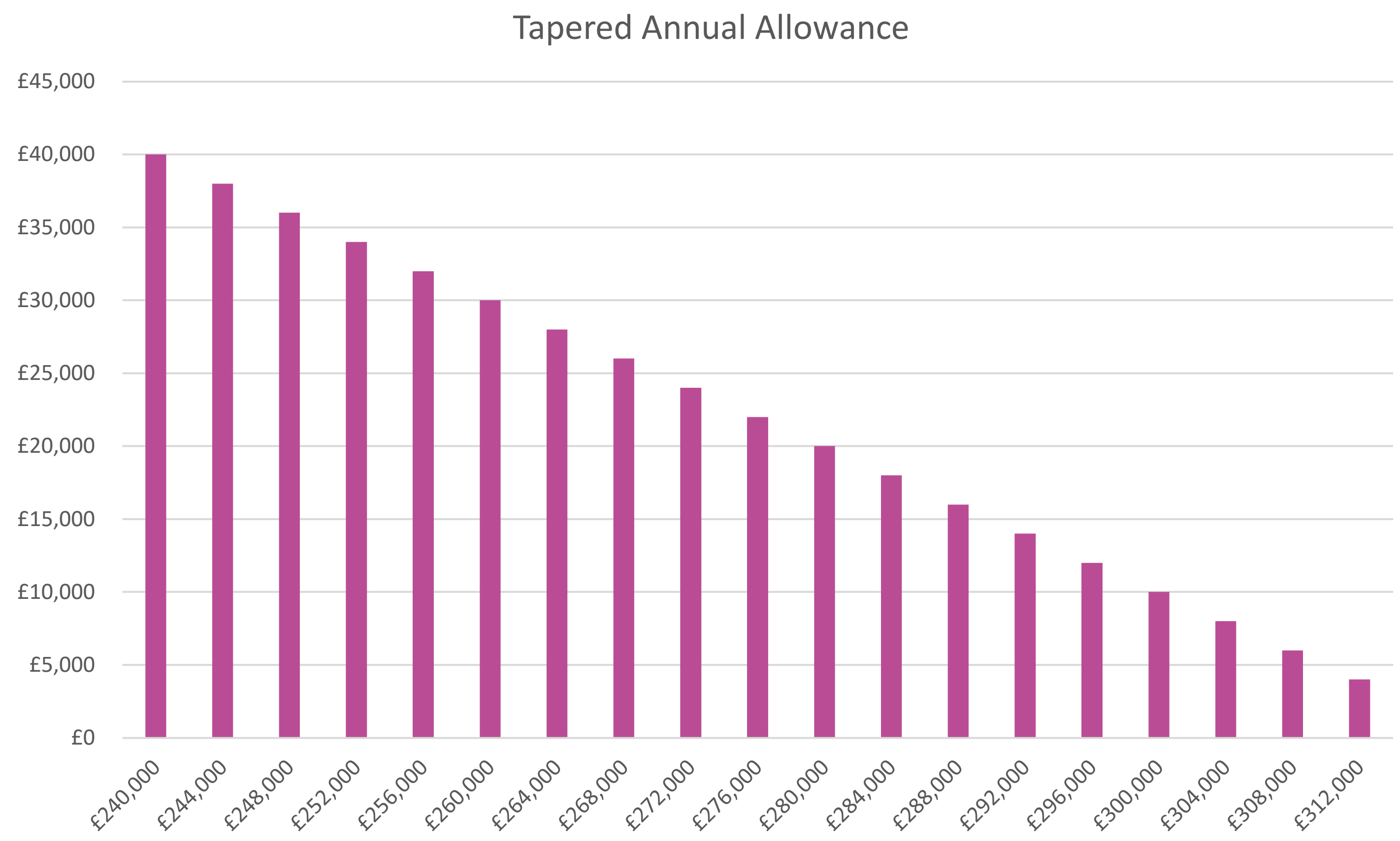
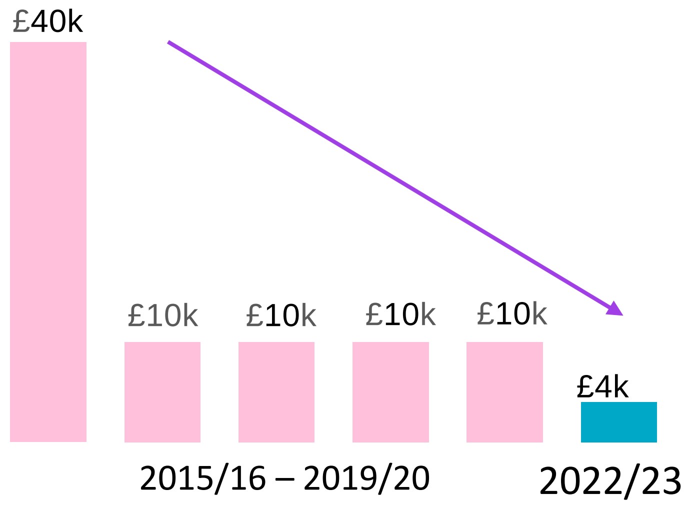
Adjusted income over £240k?



For every £2 your adjusted income goes over £240,000, your annual allowance for the current tax year reduces by £1.

The minimum reduced annual allowance you can have in the current tax year is £4,000.



What are my options?

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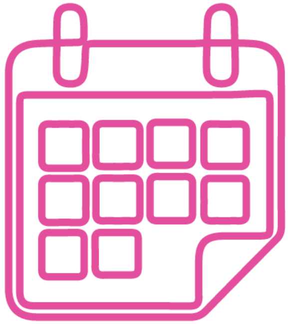
What are your options at Adobe?

Stay in the pension

Contributions continue and you can access at retirement.

Come out the pension

Opt out completely and receive no contributions.



Redirect the excess

Redirecting contributions to an ISA, which also has associated tax benefits.

Only applicable for current tax year.

Why redirect into an ISA?

- 100% tax free when you withdraw
- Defaults you to continue saving that money for later in life
- Can now dip into it if you need and ahead of retirement age
- Easily lump sum unused allowance back into the pension
- Range of investment options
- If you max the ISA allowance, contributions are automatically held in a General Investment Account (GIA) so you're always compliant

How redirect works at Adobe

Enrolling

- You will receive an email alert from My Adobe Benefits
- Option to opt into contributions redirection
- Available to make decision at any point in the year once option is available.

Opted in

- Begins following month of selection
- Pension contributions will go to Cushon not Aviva
- Cushon will email you a link to set up an account
- Full amount will be put in your ISA/GIA. Net payments made via salary so your net take home pay will reduce

Ongoing

- Opt back into pension anytime in the current tax year.
- You must re-enroll each year as in April each year you will revert back into pension

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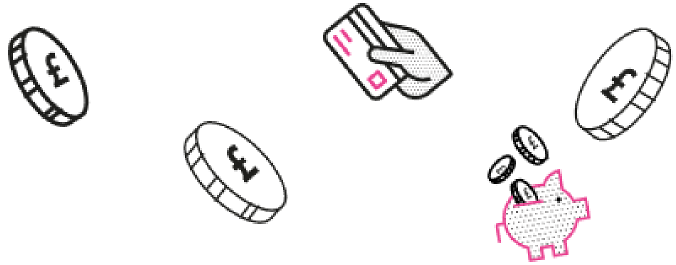
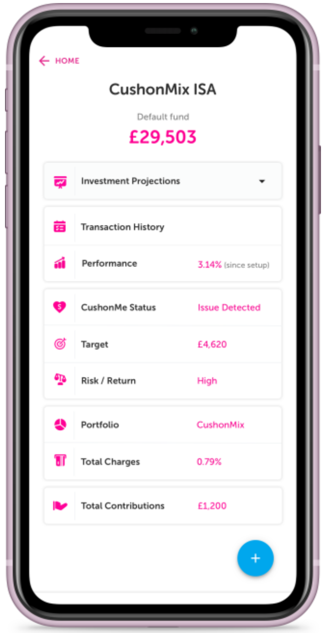
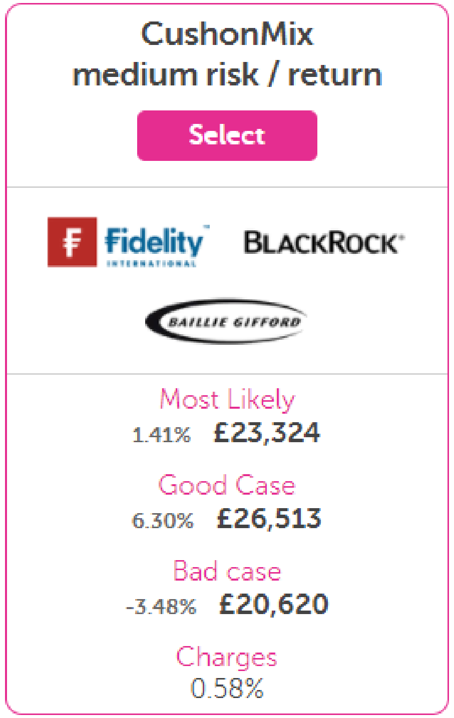
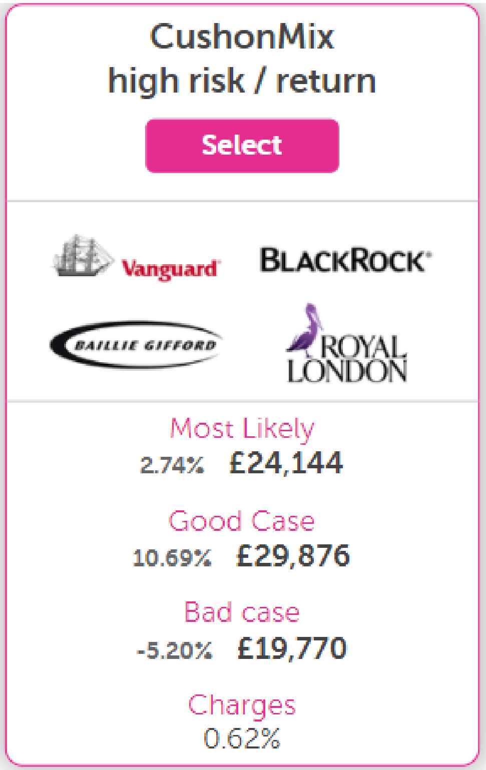
Cushon's platform

- An automatic process
- Flexible ISA
- Cash and investment options in one ISA
- Over 1000+ **funds**
- Ready-made investment portfolios – **CushonMixes** - making it easy for you invest
- **CushonMe** monitors your investments
- Use the fully transactional **Cushon App**
- **£1.7B AUM across 440,000 customers**









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What to know

- Adobe will not **redirect contributions into any another ISA provider**
- **If you already use Cushon**, we can link the redirect up to a new pot or existing pot
- If you have a Stocks & Shares ISA elsewhere, can either:
  - **Transfer this into Cushon**
  - Use General Investment Account

- Cushon's ISA is flexible (if you take money out, can put it back in in same tax year without allowance being hit)
- No lock in period with money unless choosing Lifetime or Junior ISA
- Can do additional payroll contributions if desired to maximize the ISA allowance

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Key Actions to take

- Check your Threshold & Adjusted Income levels
- Check your Pension Contributions on My Aviva or My Adobe Benefits
- Speak with a Financial, Tax or Pension Advisor
- Check out all the resources on Inside Adobe
- Watch the TAA Video for more detail
- Ask the following questions

ASK YOURSELF THE FOLLOWING QUESTIONS:

- What is my current level of contributions? Am I putting in more than the min 2.5%?
- What is my AnnualAllowance?
- What is my calculated threshold income?
- What is my calculated adjusted income?
- Do I have any Carry forward options if I'm impacted by TAA?
- Are you likely to face an Annual Allowance Charge?
  - If 'yes', then you will need to act

Key Points

✓ Did you know that UK legislation states that once you earn over £100,000 pa in income you need to complete a Self Assessment tax return?

✓ You may also begin to lose your tax-free Personal Allowance (£12,500 pa). You lose £1 of allowance for every £2 you earn in excess of £100k. This means you effectively pay 60% tax on income between £100,000 and £125,000.

✓ Aviva offer to help pay the tax charge from the pension scheme. Requests to be made before 30th October 2022

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Helpful resources

More about the pension

Inside Adobe

HMRC
HM Revenue & Customs

HMRC's Pension Tax Manual

Want to speak with someone

THE PENSIONS ADVISORY SERVICE

or call 0800 011 3797

www.vouchedfor.co.uk/
www.unbiased.co.uk/

Other resources

Work out your Tapered Annual Allowance

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Speak to a Cushon Consultant

Cushon can talk you through:

- their platform functionality
- any products (Stocks and Shares ISA, Lifetime ISA, Junior ISA and General Investment Account)
- investment options

Through a free 15-minute 121 Microsoft Teams chat. Book in anytime.

Cushon do not give any financial advice.

SCAN ME

HMRC Reporting

- Details should be included in your current year end tax return
- Pension Savings Tax Charges' section on page Ai 4 of the additional information pages. The Annual Allowance Charge is levied at your highest marginal rate of income tax
- Box 10 - Amount saved towards your pension, in the period covered by the tax return, in excess of the annual allowance
- Box 11 - The amount of your annual allowance charge that has or will be paid by your pension scheme (Aviva)

What if you have paid to much?

- If your contributions exceed your Tapered Annual Allowance, and you do not have 'carry forward' to cover the excess, the excess will be subject to an Annual Allowance Charge
- You do not need to declare use of 'carry forward'. You only need to take extra action where an Annual Allowance Charge is due
- The Annual Allowance Charge is levied at your highest marginal rate of income tax (40% or 45% for most)
- Aviva will now consider settling the tax charge directly from your pension assets using 'Scheme Pays'