

# HELPING YOUR CLIENTS MAKE THE MOST OF THEIR PENSION ALLOWANCES



GARETH DAVIES

Pension Specialist,  
Scottish Widows

January 2024



Talking to your clients about pension allowances should be an all year round conversation rather than just focused on Tax Year End. Here are some key considerations to help you make the most of these allowance conversations with your clients.

## Know your limits

The introduction of pension freedoms may have led to an increase in flexibility and choice, but it's also true that frequent rule changes have made pensions funding a minefield of complexity.

Clients need advice to ensure their pension planning is as tax efficient as possible, and to take maximum advantage of all relief that is available to them. That's why it's important to know what the main pension allowance limits are now and for previous years. Especially as £11.7 billion of individual contributions were made to personal pensions in 2020 to 2021, up from £10.6 billion in 2019 to 2020 and £2.0 billion of individual contributions were made by self-employed members in 2020 to 2021, up from £1.7 billion in 2019 to 2020. The value of individual contributions to personal pension schemes is the highest ever reported at £11.7 billion in 2020 to 2021.\*

\* Source: National Statistics – Commentary for Private Pension Statistics: September 2022.  
HM Revenue & Customs, updated 30<sup>th</sup> November 2022.

## An opportunity to engage

One of the main issues facing our industry is how to engage clients in a timely manner. Your existing client base is one of the most important assets for your business, but finding ways to engage with them can be challenging.

Do you know which of your clients have not utilised all of their allowances yet, and have historically been in a position to top up their pension? If so, this can be a great opportunity to contact them to highlight the potential tax saving opportunities that additional pension funding could offer, in order to demonstrate the value of your advice.

And it's not just about the current tax year. According to the latest figures, gross pension income tax and NICs relief in 2020 to 2021 is estimated to be £67.3 billion, up from £63.1 billion in 2019 to 2020. With the possibility of further reform to pensions tax relief legislation constantly on the political agenda, a possible general election in 2024 and increased scrutiny following the announcement of the removal of the LTA from the start of the 2024/25 tax year, it is more important than ever to talk to clients about how they can make maximum use of their available allowances and reliefs.



## Leave yourself enough time

There will always be an increased demand from clients for tax planning advice conversations at Tax Year End and also at the start of a new tax year.

However, highlighting the importance of these financial planning considerations all year round can help to manage and mitigate the effects of these annual increases in client demand for advice.

It's a good idea to contact providers as early as possible. Remember you can also use our online services to top up your clients' existing plans, saving you time and allowing you to focus on helping your clients.

## How Scottish Widows can help

- **Our Expert Series** includes topical webinars, vodcasts and podcasts to help you navigate the changing market, both now and in the future.
- **Read TechTalk**, our industry renowned publication, and its related article archive, which contains useful articles on the technical aspects of pensions and tax, including Carry Forward and tax planning.
- **Download our annual TaxFacts leaflet** to keep you up to date with all of the need to know tax figures and allowances.
- **Use our tools and calculators** to help with your pension funding conversations. Look out for our Carry Forward tool which helps calculate unused annual allowances, the effect of the Tapered Annual Allowance and the maximum a client can pay into their pension for the current tax year, without exceeding their annual allowance.
- Administer your business quickly and efficiently through our **online services**.



For further information and support visit our **Annual Allowances** page on our **Adviser website**.

This information is for UK financial adviser use only and should not be distributed to or relied upon by any other person.



Scottish Widows Limited. Registered in England and Wales No. 3196171. Registered office in the United Kingdom at 25 Gresham Street, London EC2V 7HN. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number 181655.