



Lifetime Allowance

January 2023

Lifetime Allowance is the limit on how much you can earn or save across all your pensions during your working life before paying tax.

If you go over this, you usually have to pay tax on the excess.

What is Lifetime Allowance?

Currently you can earn or save up to £1,073,100 across all your pensions during your working life, before paying tax. This is your Lifetime Allowance.

How do I work out how much Lifetime Allowance I use?

It depends on what type of pension you have.

Although £1,073,100 sounds high, the way your pension is valued means you could reach this.

Defined benefit pensions

Here is how we value your defined benefit pension:

- we multiply your final pension by 20 and we add,
- any lump sum we will pay you

Contact us



pensions@churchofengland.org



020 7898 1802



PO Box 2026, Pershore, WR10 9BW

You will have a defined benefit pension with us if you are in one of these schemes:

- Clergy pension scheme
- Defined Benefit section of CWPF
- Pension Builder Classic
- Defined Benefit Section of CAPF

Defined contribution pensions

This is easier to work out. We take your final pot value and work this out as a percentage of your Lifetime Allowance. Again, ask us to work this out for you.

You will have a defined contribution pension with us if you are in one of these schemes:

- Pension Builder 2014
- Defined Contribution Section of CAPF

When do I trigger Lifetime Allowance?

There are up to 13 events where you might trigger the Lifetime Allowance.

These 13 events are called 'Benefit Crystallisation Events'. They are usually based around times when you might access your pension.

We will let you know if you trigger any of these events with us and send you how much Lifetime Allowance you have used. Your other pension provider will do the same.

Every time you use up some of your Lifetime Allowance, it is up to you to keep track of how much you have left.

Remember, if you go over your Allowance you might have to pay tax on the excess.

How do I get protection?

If you think you will go over your Lifetime Allowance, or you might get close to it you can apply for protection.

This can stop or limit your tax charge. Find out more at [gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

What is the tax charge and who pays it?

If you go over your Lifetime Allowance you only have to pay tax on the amount you exceed it by.

How much tax you pay depends on whether you take the excess as a pension or a lump sum. A lump sum is taxed at 55% and pension is taxed at 25%.

If you go over your Lifetime Allowance and need to pay a tax charge, your pension scheme should take this from your pension. You do not have to pay this yourself.

This leaflet reflects our understanding of current legislation and practice. You should always talk to a financial or legal adviser if you need specific guidance or advice.