

Press Release

26 March 2024

Employers must evaluate Excepted Group Life Assurance arrangements in the lead up to the abolition of the LTA, says Quantum

Quantum Advisory, the leading independent financial services consultancy today urged employers to re-evaluate Excepted Group Life Assurance arrangements in the lead up to the abolition of the Lifetime Allowance (LTA) on 6 April, voicing concern that many do not have a full understanding of the potential tax charges going forward.

Graham Yearsley, Principal Consultant at Quantum said: “Many employers have implemented Excepted Group Life Assurance arrangements for their employees, these group life schemes are trust based and provide for a lump sum to be payable in the event of death in service. As they are not registered pension schemes, they have become very popular with high earning employees as they are not tested against the current LTA.

“Whilst lump sum death in service benefits will no longer be tested against the LTA, members of a Registered pension scheme from 6th April 2024 **will** be tested against the **new** Lump sum & Death Benefits Allowance (LSDBA)*. As the LSDBA will be subject to the deduction of relevant benefit crystallisation events, of which an authorised lump sum death benefit is one such event, any excess death in service lump sum above the new LSDBA will be taxed at the recipient’s marginal tax rate which could reach 45%. This will make a big difference to both employer and employee.”

Yearsley added: “There is clearly still a need for Excepted Group Life Assurance and it’s very concerning that employers may not understand the potential tax charges associated before making a decision on who should continue to be insured in that arrangement. This could lead to significant issues going forward. Employers must evaluate all potential tax charges soon and decide if they are still fit for purpose as an option for their employees.”

– ENDS –

* LSDBA will be £1,073,100, the equivalent to the current lifetime allowance, unless a member has a form of protection in place, which will give them a higher LSDBA.

NOTES TO EDITORS

About Quantum Advisory

Quantum Advisory is an independent financial services consultancy that provides solution-based pension and employee benefit services to employers, scheme trustees and members and with a focus on tailored and practical advice and support from experienced professionals.

We have offices in Cardiff, London, Birmingham, Bristol, and Amersham servicing schemes and employers across DB, DC, hybrid schemes and a variety of employee benefits arrangements.

Our core services include investment consultancy, administration, actuarial consultancy, secretarial services, employee benefits consultancy, communications and health and wellbeing. Across all services we provide pro-active, solution-based thinking by investing in talented people and innovative systems.

For more information on Quantum Advisory visit www.quantumadvisory.co.uk

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