Sanlam:

We're here to help

Over the past few years, Sanlam had enjoyed a growing working relationship with Lighthouse. What you may not be aware of is in July we celebrated our 100 years in business anniversary. During that time, Sanlam, which started in South Africa, has grown to a global player in the financial services industry, operating in 47 countries, with over 23,000 employees and over £45 billion of assets under management. Find out more about our history in the article featured in our Wealthsmiths magazine.

Why choose us?

As well as providing some award winning financial products and services, we understand that the support and service both you and your clients experience are vital for building working relationships. Which is why we offer you:

- local Regional Development Managers as a first port of call to provide information and support to you on all things Sanlam,
- dedicated Sales Support on hand to help you,
- centralised Client Services team to help with any other queries you may have,
- no automated systems, just personal, easy to access support,
- Technical online support.

The access to provider Technical resource for advisers has been in decline, but the need for it has increased due to changing legislative landscape. We are very proud that our technical team continue to offer this support to the financial adviser community and below is a couple of examples of some of their work.

Question:

The client is in the process of transferring his DB scheme to the Sanlam. The rationale for the transfer was to preserve the pension value for his children on death. The client used 150% of his Lifetime Allowance when he crystallised his main DB pension benefits.

Our advice was to transfer the pension and not access any benefits from it in his lifetime. His income already exceeds his needs and he has access to other assets. In the report we made him aware that he will face a Lifetime Allowance charge at age 75, but nothing would be payable immediately.

The client has now decided that he wants to take a lump sum from the transferred Sanlam pension – despite us highlighting the taxation consequences. Can I please confirm how the recovery charges will be applied?

Answer:

Where a lump sum payment (whether the whole pension or a smaller amount) is taken which is entirely over the LTA, with no protection in place, all of this will be taxed at 55% as a lifetime allowance excess lump sum charge. This is confirmed in the pension tax manual.

The other alternative would be to take smaller lump sums via income drawdown so the income would be subject to tax under the PAYE system. When setting up the drawdown account, we would deduct a charge of 25% first from the lump sum amount taken and then the remaining funds would be put into drawdown benefits.

See here for more detail. The client's marginal rate of income tax is important - if he is subject to more than 20% tax on his total income, then there will be no tax advantage (e.g. if he is an additional higher rate tax payer, then that would result in a 65% overall tax charge). Additionally, he would be subject to emergency tax on the first income payment and then HMRC will notify us of a tax code for the client and any tax will be adjusted in future income payments.

If the client decides to go ahead, we will need either drawdown forms or Lifetime Allowance Excess Lump Sum forms completed depending on the option chosen.

Question:

My client has a SIPP and he wants his children to be equal beneficiaries of the assets on his death. However, he doesn't trust one of then to make sound financial decisions and so would rather her share be put into trust with the trustees acting on her behalf.

1) Is this possible?
2) Who would construct the trust wording?
3) Could the trust continue to own the pension funds (in a pension wrapper) or would the funds need to be realised (with subsequent tax paid) for the capital to be available for distribution by the trustees?

Answer:

It will depend on the scheme rules of the SIPP and this should be established at the outset. More often than not, the scheme's rules will have discretionary provisions regarding how and what benefits are payable on death.

Assuming this is the case, usually the individual member will complete an expression of wish (or nomination) setting out how he/she would like the benefits to be paid following death. The scheme administrator when exercising discretion will take his/her wishes into account but is not bound by them. Note that where the scheme administrator of the pension scheme has discretion regarding to whom death benefits should be paid, the benefits are normally free from IHT. If this discretion is taken away, the benefits could be subject to IHT.

So, in this scenario, the client could nominate the children who the client believes can make sound financial decisions to receive their share of the death benefits. But, where more control is needed, a trust can be nominated. (The SIPP provider may have some draft trust template that may be suitable for this.)

To be inheritance tax efficient this will still rely on the scheme making the initial payment under the discretionary provisions. Once the funds are in the trust the trustees have full control. The price of this is that the funds move from the tax efficient pensions wrapper to one taxed under the discretionary trust regime and consideration should be given to the potential taxation of this fund during the term and on exit.

Find out more

Sanlam's Technical team are on hand to help assist with technical queries relating on a wide range of subjects including trusts, taxation, investments and pensions. If you want find out more about how Sanlam can help you, please contact your Regional Development Manager, details of whom can be found here. For queries of a technical nature you can email the team on Technical@sanlam.co.uk

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