



A Guide to Pension Transfers

Make your pension work harder so you don't have to



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Welcome to 'A Guide to Pension Transfers'. Understanding whether you will benefit from a pension transfer can be very complex and you should always receive professional advice. Everybody's circumstances are different, so you won't necessarily benefit from a pension transfer just because other people you know are transferring their pensions to new schemes. But there are situations where it does make financial sense to transfer your pension to a different plan. The information provided in our guide is based on the current legislation and rules.

Pension transfers require careful analysis and specialist knowledge. This level of care is essential when determining if a pension transfer is beneficial and secondly how to go about transferring the funds. We can help you analyse the benefits and associated risks of executing a pension transfer and ensure you make a fully informed decision. If you would like to discuss the options available, we would be happy to provide you with the professional guidance required.

These are some of the most commonly asked questions we receive from clients.

Q: What is a pension transfer?

A: A pension transfer is the process of transferring or switching the value of your contributions that are in one pension scheme to another pension scheme. Understanding whether you will benefit from a pension transfer can be complicated and you should always take professional expert advice before arranging a pension transfer.

Q: Why would I want to consider transferring my existing pension/s?

A: Pension charging structures have changed dramatically over recent years, particularly since the introduction of stakeholder pensions, as the charges applied to new stakeholder benchmarked plans are far lower than in the past. Many individuals now find themselves with outdated, overpriced pension contracts. It may be possible to transfer to a cheaper plan with the same provider. Also, investment returns on many pension plans have fallen well short of what has been achieved in the open market. However some of these plans may contain valuable features, such as guaranteed annuity rates or guaranteed minimum pensions that will be lost if you move the benefits to a new plan. Therefore a full review and comparison should always be undertaken.

Q: What happens to my pension when I leave my employer?

A: If you leave your employer, you cease to be an active member of the occupational pension scheme. Typically, if you have been in an occupational scheme for more than two years you will

be left with a 'preserved' or 'deferred' pension.

If you have preserved benefits under a defined benefit scheme, these will normally be revalued, between the date you left and your retirement (this is known as the deferred or preserved period).

If, however, you have preserved benefits under a defined contribution scheme, the rights will continue to remain invested and any growth on the invested fund will be tax-free (apart from the non-reclaimable 10 per cent tax on UK dividends) in the same way as it would be under a personal pension.

Q: What type of situations may arise that could make it appropriate to consider transferring my pension/s to a new or different scheme?

A: These are a few of the common scenarios to consider:

- when your existing occupational pension scheme is being wound up
- you have a personal pension that charges high fees and you would like to transfer it to a lower-fee stakeholder personal pension
- when you have a number of small pensions, perhaps from a variety of employers, periods of self-employment and various Additional Voluntary Contributions plans and you would like to amalgamate them all perhaps in a stakeholder pension, personal pension or SIPP (Self-Invested Personal Pension)
- you would like to add your existing personal pension to an occupational or employers pension scheme to benefit from lower fees/ employer contributions

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Q: Can I transfer my old pension into any new pension scheme?

A: Not necessarily. Pension schemes aren't required to accept inward transfers and some do not. Before you start a pension transfer, you should always receive professional financial advice about your choice of pension scheme and make sure your new pension will definitely accept your transfer.

Q: My existing employer's final salary occupational pension scheme is in deficit. Should I transfer out of it?

A: There is no one correct answer to this question. You should always obtain professional financial advice that will enable you fully to assess your options. You need to consider why the company scheme is in deficit. Is it just a short-term situation or is the company in trouble? Also, if you transfer out at this point, you will be likely to receive a reduced transfer value, in proportion to the scheme's deficits. If you stay in and the fund gets back in the black again, you may get your full pension entitlement back too. In April 2005, the government introduced a new scheme to protect people whose company pension schemes go bust. Transferring out could mean you lose your entitlement to this protection.

Q: My employer has offered me a cash lump sum to switch from the company's final salary pension scheme to a personal pension. Is this a good idea?

A: Final salary schemes are increasingly expensive for companies to run, and many companies are closing them as fast as they can. It's perfectly legal for your employer to make you an offer like this but remember that they are only doing it to save money, not to help you. If you are offered a cash incentive, also consider that you will have to pay income tax on this money, which could reduce its value.

Q: Will I incur fees for transferring my pension?

A: You may be charged fees when transferring a pension. Even if your new pension offers better benefits, you need to know if they will outweigh the fees you will pay. Fees are usually deducted from your transfer value at the time of the pension transfer.

Q: I have some pensions that I've lost track of over the years. Can I find these and transfer them into my current scheme?

A: You will need to take professional advice over whether to transfer your lost pensions, but you can find them using the government's Pension Tracing Service.

Q: I'm considering moving abroad. Can I transfer my UK pension so that I benefit from this overseas?

A: If you intend to move abroad, or for existing expats, you could transfer your UK pensions to a Qualifying Recognised Overseas Pension Plan (QROPS). This can give you considerable tax savings and greatly increase your retirement flexibility. However the precise benefits will depend on the taxation and pension rules of the country you are resident in at the time. Also you must not have been a UK resident for a minimum of 5 whole tax years before you can receive the benefits in a format which would not need to be authorised under UK legislation.

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