

# Banking & Finance Clients Pensions

Information Booklet



**BLACKTOWER**  
FINANCIAL MANAGEMENT GROUP

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# Blacktower - Who we are

The Blacktower Group was formed in 1986 to provide independent wealth management advice and a bespoke service for both individual and corporate clients.

Having celebrated over 30 years in business, our independent financial advisers continually keep pace with the changing needs of our customers, regulations and legislation. They are led by our Group Managing Director, John Westwood, one of the founders of the firm.

The world of investment and financial planning services is complex, even if you are financially aware, and finding the right products is time consuming. That's why we are here. With our knowledge and expertise we can save you time, money and bring you peace of mind.

We guarantee, whatever financial planning services you require, you'll get the same high level of professionalism and attention. We also have Consultants throughout our offices in Europe who as well as speaking English, also speak Spanish, Swedish, Danish, Norwegian, French and Italian.

We are proud to hold both MiFID and IDD permissions.

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# Banking & Finance Client Division

The Blacktower Group's Banking & Finance Client Division has been created to support the needs of our professional clients who have dedicated experience in the field.

This means that the advice that every client receives is not only tailored specifically to their requirements, but the adviser handling their finances is well versed in the nuances of banking pensions.

The advisers servicing this division are primarily ex-banking and finance individuals, with both international and local expertise spanning from some of the world's leading banks, including Merrill Lynch, Deutsche Bank, SEB, Danske Bank and Dresdner.



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# How it works

## Introduction

Our initial meeting is a no charge, no obligation appointment where your adviser will give you more information about who Blacktower is, and discuss in more detail how our products and services can benefit you.

## Understanding our clients

Before giving any advice, it is imperative that we have a clear understanding of the client's current financial situation, future goals and attitude to risk. This helps us give the bespoke advice that we are known for, and structure a portfolio curated around the individual.

## 6i

Before you receive any form of official counsel from Blacktower, we implement our mandatory 6i methodology.

Simply, six eyes will thoroughly vet the proposed advice before it is sent to you. The first check will come from the paraplanner writing the recommendations. Secondly, this is surveyed by the Head of Department, before being sent to our diligent Compliance team for a final review.

## Our investment approach

At BFMI, we believe in long-term investing through a top down approach, with emphasis on costs. The majority of portfolios that we manage will have a large exposure to developed markets through Exchange-Traded Funds (ETFs), with satellite investments into commodities and emerging markets.

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# Pensions

Understanding how pensions work can be a challenge, but we segment pensions into two parts:

## **International Pension Plans (IPPs)**

International Pension Plans are pensions that were created for non-domiciled individuals residing in the UK.

These schemes can be split into various different types of trusts for pre & post A-day, EBT and RBT schemes, and can be held in various jurisdictions such as Jersey, Guernsey and Isle of Man.

## **UK Defined Benefit Schemes/UK Defined Contribution Schemes**

- Defined Benefit pension schemes are pensions that guarantee the members an annual pension in retirement, based on their salary and number of years they spent working at a company.
- Defined Contribution pension schemes are pensions that are invested in markets, typically through mutual funds and the client's pension will depend on market performance and drawdown type they choose.

Whether you had a Defined Benefit, Defined Contribution or hybrid pension in the UK, a company scheme was not created to meet your specific international needs, but created as an umbrella approach for its current employees based in the UK.

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# Why you should seek advice

## **Taxation**

Blacktower works closely with both international and local tax advisors to help individuals understand the withdrawal implications in each country. Blacktower has helped clients save up to 45% tax on their pension withdrawals.

## **Lifetime allowance**

In the UK, there is a cap on the size of a pension, depending on the protection levels you have. This means that individuals above this cap must pay taxation on the excess of 25%/55% in addition to their income tax on withdrawal.

The structures we use can exempt future growth from this taxation.

## **Investments**

Most pension schemes only allow investments from an approved list although pension rules actually allow a large variety of investments including Stocks, Shares, ETFs, ETCs, Hedge Funds & Mutual Funds.

## **Currency**

Flexibility to hold and invest the pensions in the currency where you will retire.

## **Death tax**

UK pensions attract a taxation on death after age 75. The structure we use can exempt the pensions from taxation up to 45% on death.

*BFMI advisers do not give tax advice. Clients will receive independent tax advice from an external tax professional or seek their own advice.*

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# Jurisdiction – Where to hold your pension

From 5th April 2006, the new pension reforms for UK personal and work pensions came into effect, allowing citizens living abroad to transfer their UK pensions to a jurisdiction outside the UK.

A ROPS (Overseas pension) must apply to the HMRC for qualified status. Only if it meets the HMRC's standards will it then be allotted a number.

The pension's scheme must then meet the requirements laid down by Sections 150(7) and 150(8), plus certain criteria within Section 169 of the Finance Act 2004 to be considered suitable.

## UK

The UK is one of the most regulated jurisdictions for financial services in the world.

The UK is a self-governing state, bolstered by membership of the British Commonwealth and the European Union. As an EU country and one of the Eurozone states, the UK has a stable economy and automatically complies with EU financial directives. Every pension scheme must be independently regulated by the UK Financial Conduct Authority (FCA), giving elevated levels of security. The UK is also on the OECD, Organization for Economic Cooperation and Development (OECD), 'White List' for global standards in tax co-operation and information exchange.

**Advantages:** large number of double taxation treaties globally, typically lower in cost than a ROPs, high levels of compliance.

**Disadvantages:** tax on death after age 75, lifetime allowance tax charge on pensions, pre A-Day IPPs should not be moved to a UK scheme.

## Malta

Malta is a jurisdiction that complies with and helps develop international best practice, and is actively involved with the OECD (The Organisation for Economic Co-operation and Development), the EU and the Commonwealth in modelling global regulatory policy. The MFSA (Malta Financial Services Authority) is a member of the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). The Authority is also a member of the International Organisation of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors.

**Advantages:** no withholding tax on pension distributions where double taxation agreement is held, within the European Union, no local taxes on death.

**Disadvantages:** for non-EEA residents, there is a 25% taxation upon transfers, limited number of pension administrators.

## Gibraltar

Gibraltar is a British overseas dependent territory and one of the first territories to implement the Anti-Money Laundering directive on an all-crime basis. A 2012 report by the Financial Action Task Force (FATF) highlighted Gibraltar as having "A robust arsenal of legislation, regulations and administrative practices to counter money laundering".

Gibraltar has been classified as a co-operative tax jurisdiction by the Organisation for Economic Co-operation Development (OECD) and its regulator has been ranked as "A well-developed supervisor" by the International Monetary Fund (IMF).

More recently, the Gibraltar Association of Pension Fund Administration (GAPFA) introduced a Code of Practice which is compulsory for its members and designed to uphold the reputation as a high quality International Financial Centre.

**Advantages:** low withholding tax for countries with no double taxation agreements.

**Disadvantages:** withholding tax of 2.5%, lower number of pension administrators compared to the UK, non-EEA residents there is a 25% taxation upon transfer, limited number of pension administrators.

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# Pension Trustees – Choosing your administrator

With every company in the UK having its own pension scheme, there is a large number of pension administrators to choose from. When choosing your administrator, Blacktower seeks those that are multi-jurisdictional firms, with both longevity and a prominent reputation.

The two main administrators that we use are:

## **Sovereign Group**

Sovereign opened its first office in Gibraltar in 1987 and has since grown into one of the largest independent corporate and trust service providers in the world. Currently managing over 20,000 clients that include companies, entrepreneurs, private investors or high net worth individuals and their families, Sovereign has assets under administration in excess of US\$10 billion.

Jurisdictions: Malta, UK & Gibraltar

## **Trireme Pension Services**

Trireme Pension Services is an independent cross-border specialist pension service provider that blends technical expertise and operational know-how to provide professional services to a variety of personal and occupational pension solutions. Comprising of Trireme Pension Services (Malta) Limited and Trireme Pension Services (Guernsey) Limited, Trireme draws on its multi-jurisdictional knowledge to help design and establish a wide range of bespoke pension plans for individual and corporate clients.

Jurisdictions: Malta & Guernsey

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# How to invest

## **Saxo Bank**

In 1998 Saxo Group launched one of the first online trading platforms, making professional-grade tools and multi-asset market access available to everyone. Saxo are a fully regulated industry leader, who adheres to strict regulatory requirements in 15 financial centres around the world, including the UK, Singapore, Hong Kong and Denmark. When you open a Saxo account, you are joining a financially stable partner, who serves clients in over 120 countries, holds USD 16 billion assets under management and processes more than one million client transactions every day.

Investments: ETFs, ETCs, Stocks, limited Mutual Funds, bonds

## **Old Mutual International**

Old Mutual International is part of Quilter plc, a leading provider of advice, investments and wealth management both in the UK and internationally, managing £109.3 billion of investments on behalf of over 900,000 customers (as at 31 December 2018). Quilter plc is our group holding company and it listed on the London and Johannesburg stock exchanges on 25 June 2018.

Investments: ETFs, ETCs, Stocks, Mutual Funds, Hedge Funds, bonds

## **Prudential International**

Based out of Dublin, Prudential International is part of the Prudential Group, which has over 25 million clients globally, along with £505bn of assets under management and 170 years of experience.

Investments: Mutual Funds

## Direct Investment

For individuals looking to invest into one or two funds then it is feasible to hold these directly with the pension administrator.

Investments: Mutual Funds, ETFs



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# Professional Clients

When wanting to self-manage investment selections, clients will need to be deemed as 'professional clients'. This broadly means that the client both understands the investment risks and has the capital to make such a risk.

To be a self-elected professional client, individuals must satisfy at least two of the following criteria:

1. The client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
2. The size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
3. The client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged

Within the Banking and Finance Client Division, a large number of clients will be self-elected professional clients. Your adviser will be able to guide you through the election process and help you understand both if you qualify, and the risks involved with the professional client status.



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# Get in touch with Blacktower

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**Head Office**

Suites 21 & 22 Victoria House  
26 Main Street, PO Box 1354  
Gibraltar, GX11 1AA

+ 350 200 42353

[www.blacktowerfm.com](http://www.blacktowerfm.com)

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