Transferring Your UK Pension

A guide for expatriates & international investors with private or company pensions in the UK.

Introduction

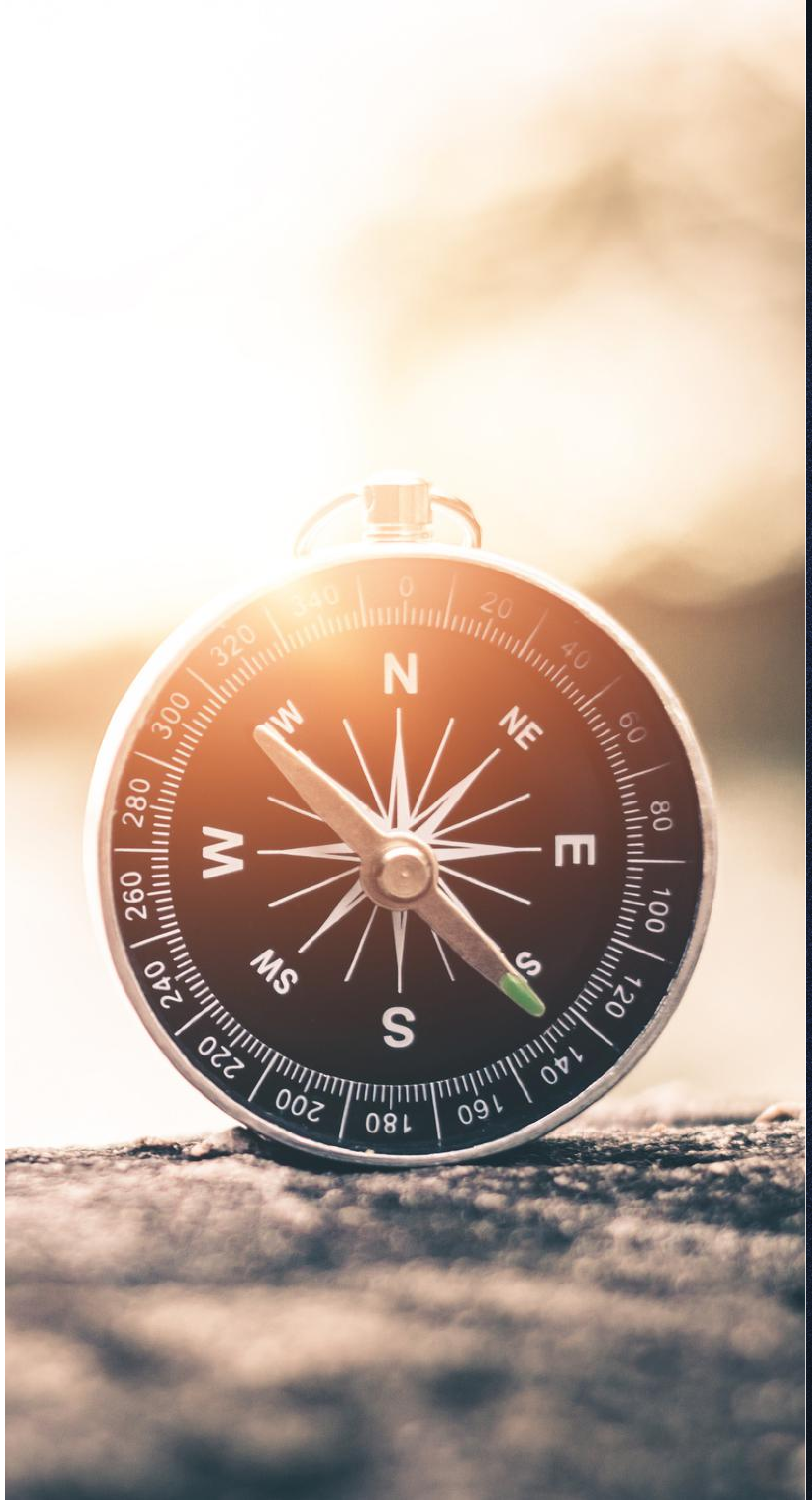
April 2006: The EU ushers in an agreement allowing the freedom of movement of labour and capital within the EEA, sparking a lucrative opportunity for UK citizens living abroad or for non-UK citizens who previously worked in the UK and have subsequently emigrated.

April 2020: To date, over £21 billion has been transferred out of Defined Benefit (DB) schemes alone.

This is a result of two driving factors:

1. Many can benefit from far more palatable tax conditions
2. The exceptionally high transfer values that members have been offered

This guide will highlight some of the main considerations when deciding if transferring your pension benefits is right for you.



Leaving Your Pension Behind

Having left Britain behind, you should be considering the options available to you in respect of your pension assets left behind in theUK.

There are three options:

1. Do nothing. Leave the pension fund behind in the UK
2. Transfer to an HMRC-recognised overseas pension fund (QROPS)
3. Transfer to an International or UK-based SIPP (Self Invested Personal Pension)

Leaving Your Pension Behind

If you do choose to leave your pension in the UK, the following may apply to you and your DB pension.

Changes to pension regulations occur frequently in the UK. Leaving your pension in the UK may mean that, post-Brexit, you could be subject to year on year pension reforms that you have no control over, such as:

Income Tax up to 45%

Subject to Lifetime Allowance (LTA*) assessment - any pension in excess of the LTA limit will be liable to an excess charge of 25% (or 55% if taken as cash)

Subject to ongoing and fast-paced changes in the UK

Pension legislation and tax rules

Funds are generally held in GBP, creating a potential future currency risk for those who retire abroad.
56% of UK Defined Benefit (Final Salary) schemes are underfunded, leading to a number of high profile closures.

No/limited control of investments

Restricted growth options

Why Do People Transfer Their UK Pensions?

To mitigate UK income tax – your pension funds, if left in the UK, could be taxed up to 45% when you begin to receive benefits, even if you are living abroad.

Early access to your pension at 55 years of age if needed, with no penalty on benefits.

If you are transferring into a QROPS, a once-only ‘crystallisation event’ takes place at the point of transfer, which means that the lifetime allowance rules will not apply thereafter.

56% of UK final salary schemes are underfunded, meaning these schemes do not have enough to pay the members the benefits they have promised.

Increased tax-free lump sum availability –up to 30% on transfer to a QROPS.

Flexibility of Income. Once transferred to a private pension, you can take as much or as little as you need as an income.

Eliminate exchange rate risk.
If you live abroad, receiving your pension in GBP may mean the value of it fluctuates month to month in relation to the currency you are spending in.

Control of investment and growth potential.

What is a SIPP?

Self-Invested Personal Pension (SIPP)–

A (SIPP) is a pension ‘wrapper’ that holds investments until you retire and start to draw a retirement income; it works in a similar way to a standard personal pension.

The main difference is that with a SIPP, you have more flexibility with the investments you can choose.

SIPPs give you the freedom to choose and manage your own investments, although it is common to have an authorised investment manager to make the decisions for you.

With standard personal pension schemes, your investments are managed for you within the pooled fund you have chosen.

If you are living abroad, the international version may provide more scope in respect of currency flexibility and investment options.
Both types remain subject to UK regulations.

Who are SIPPS for?

A SIPP can be a great option for retirement savers both at home and in the UK, and for those who are living as expatriates abroad - for example, in the EU, Australia or the US.

A SIPP effectively allows a saver to pool pensions into a single pot, either before or after retirement, so they can later draw income from it.

The greater levels of freedom and flexibility presented by SIPPS make them an ideal retirement saving vehicle for for people who like the idea of an actively managed fund which can be utilised to work effectively for them.

And, just as with any other pension, SIPP pensions holders are able to access their money from the age of 55, while up to 25% of the fund can be withdrawn as a cash lump sum which would be tax-free to a UK resident.

What is a QROPS?

A QROPS is a Qualifying Recognised Overseas Pension Scheme is an international pension scheme which is based in a jurisdiction other than the UK but is registered with Her Majesty's Revenue and Customs (HMRC)

A QROPS is one option available to expatriates as a way of transferring their UK pension benefits when they relocate to another country - when they retire for example.

When is the right time to consider a QROPS?

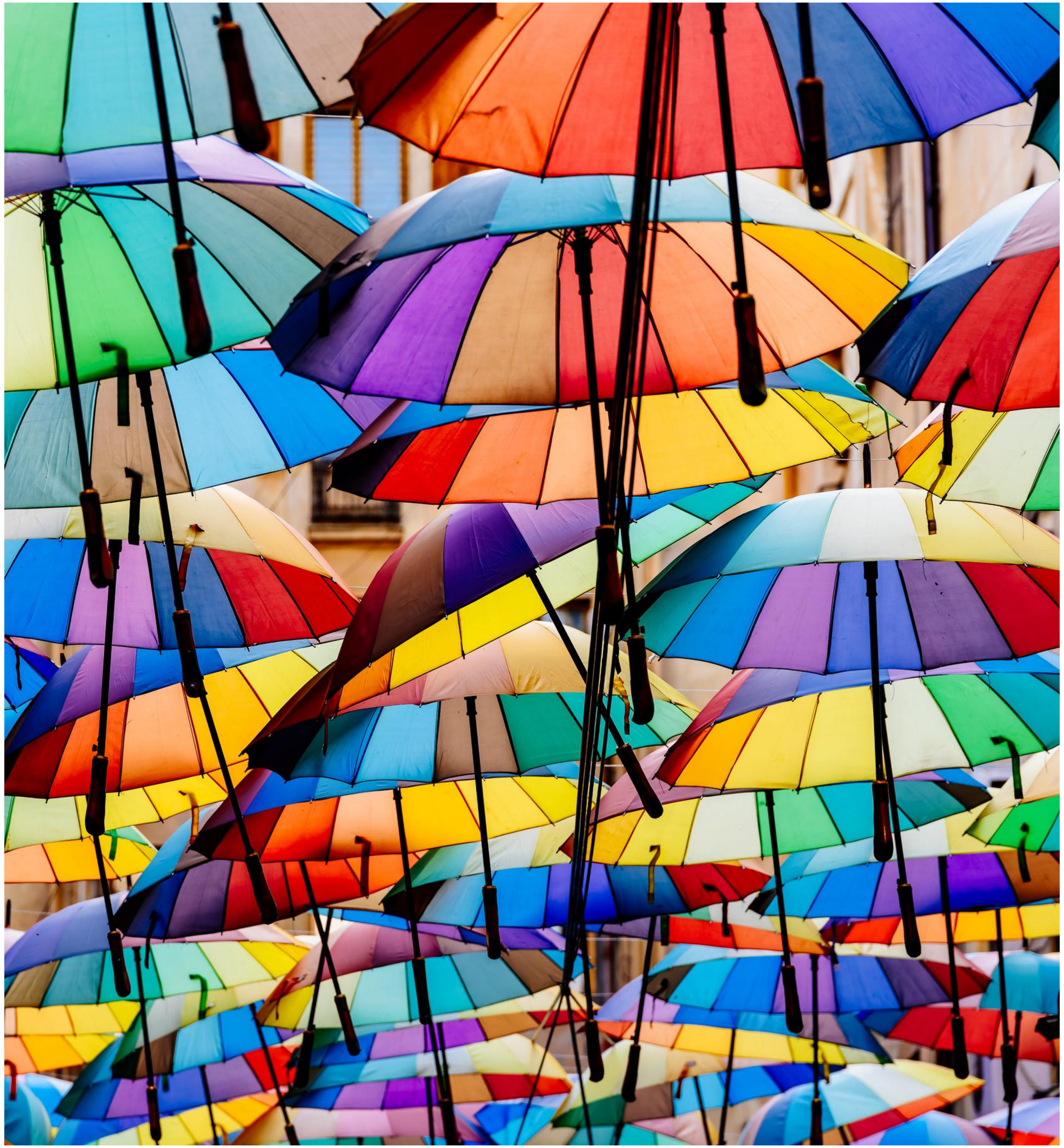
Much will depend on your country of residence and other personal or financial circumstances.

What is certain is that professional advice such as that provided by the Blacktower team can help you ensure that your planning takes full account of all your personal circumstances, objectives and importantly, the country where you are tax resident.

The advantages of a QROPS

QROPS can offer certain benefits to deferred scheme members who wish to transfer their pensions abroad.
Some of the major advantages of a QROPS are that you can:

- Control the timing and amount of any income and Pension Commencement Lump Sum (PCLS) that you can draw from your fund.
- Pass the value of your pension fund to your spouse and/or family on your death.
- Access up to 30% of the fund as a PCLS.
- Remove the effect of the UK Lifetime Allowance (LTA) which places a limit (currently £1.073m) on the total value of your pension fund.
- Protect your retirement income from currency fluctuations.



Weighing it up

It is important to point out that if you transfer from a Defined Benefit scheme, there are potential disadvantages.

You are:

Giving up guaranteed retirement and death benefits
Losing the protection afforded by the UK Pension Protection Fund
Taking on the running costs that are currently paid by your existing scheme
Exposed to investment risk that is currently borne by the existing scheme

Most types of pension scheme can be transferred to a QROPS with the exception of the following:

- Annuities
- Defined benefit schemes where pensions are already in payment
- Unfunded UK Government Pension Schemes
- State Pensions

f your pension is worth less than £100,000 it is unlikely that a transfer to a QROPS will make economic sense.

Who We Are

Since its inception over 35 years ago, Blacktower Financial Management Group has grown from strength to strength into one of the most recognised industry leaders in the market.

Established in London, 1986 by Group Chairman, John Westwood, Blacktower was created to bring independent wealth management advice and curated financial planning solutions to a global client base.

Advisor Focus

JAMES TUCKER-CHARTERED MSCI INTERNATIONAL FINANCIAL ADVISER

James is a Chartered member of the Chartered Institute of Securities and Investments, this allows him the designation “Chartered MCSI” for Wealth Management. He has worked with Expatriates in Hong Kong, Dubai and Europe, and manages a book of over 15 million USD. James’s clients are expatriates who are seeking investment returns whilst building tax credits for their eventual repatriation.

Areas of Expertise:

- Investment Trusts
- Pension Transfers (QROPS and SIPP)
- Non - Discretionary portfolio management
- Bespoke financial planning services

What Comes Next?

Let’s talk today about your options for transferring your UK pension:

Contact james.tucker@blacktowerfm.com

+971 502 201 570

www.blacktowerfm.com

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Our heritage protects your horizon