UK Pension Reviews for Expats in Europe

How to get the most from your pension if you live in Europe

www.alexanderpeter.com

Introduction

Now that you no longer live in the UK there are a wide range of benefits and opportunities available to take advantage of so you can start to make the most of your pension

This guide is aimed at:

1. Expats who are already living abroad.
2. Non-UK citizens who have worked in the UK and built up a UK pension, but are no longer resident in the UK.

When it comes to your pension there are three main options:

1. Leave it invested in the UK.
2. Transfer it to an International SIPP (Self Invested Personal Pension).
3. Transfer it to a HMRC approved QROPS (Qualifying Recognised Overseas Pension Scheme).

This guide shows the main features and benefits of each option.

This guide is intended to give generic information on how to maximise your UK pension

UK pensions

If you leave your pension in the UK:

- Pay UK income tax up to 45% if you have a large fund, depending on the government's income tax rates at the time.
- Funds will be paid in sterling so your monthly payments will have a different purchasing power due to currency fluctuations, over the last 10 years this has varied by as much as 47%.
- Be able to take up to 25% of the fund as tax free cash.
- Due to the New Pension Freedom legislation introduced in April 2015 you are able to take the balance of the fund in cash (subject to the type of scheme you have) but you will have to pay income tax on it at your highest marginal rate.

People with a small fund of £30,000 could pay 40% of it in tax which would leave them just £18,000. So £12,000 would go back to HMRC.

- Subject to the Lifetime Allowance (LTA) if your fund grows to be in excess of £1.m you will be taxed at 55% on the surplus.

Previously the Lifetime Allowance was £1.25m and £1.8m in 2010 but the government has steadily reduced this and it's likely they will continue to do so, thus catching more people with this punitive tax.

- If you die after age 75 then your beneficiaries will be taxed at their marginal rate of income tax, which could be at 40%.
- If you die before age 75 then the proceeds go to your beneficiary's tax free.
- Benefits can be taken from age 55 – unless the member suffers from ill health.

In this instance the trustees may be able to grant earlier payment of benefit, but it's subject to their discretion.

- If you are in a defined Benefit scheme (often called Final Salary Schemes) then your company guarantees your pension as they take all of the investment risk.

The Financial Times recently stated that last year funding shortfalls in many defined benefit pension schemes have worsened despite £44bn of extra contributions by employers – in other words the gap between the funds they need to meet their liabilities and the funds they actually hold have worsened

International SIPPs

SIPPs, which stands for Self-Invested Personal Pension plans, is a UK Personal Pension Plan which offers a number of benefits:

- A wider range of Investment choices, including commercial property.
- Benefits can be held and paid in the main currencies of Sterling, US Dollar, Canadian Dollar, Australian Dollar and the Euro.
- Providing that a Double Taxation Agreement exists between your country of residence and the UK, then any benefits you take from your SIPP could be paid gross of UK tax and are only taxable in your country of residence.

QROPS

Every QROPS is recognised by HM Revenue and Customs (previously the Inland Revenue) who have a list of all schemes you can see online at www.hmrc/pensionschemes/qrops.pdf

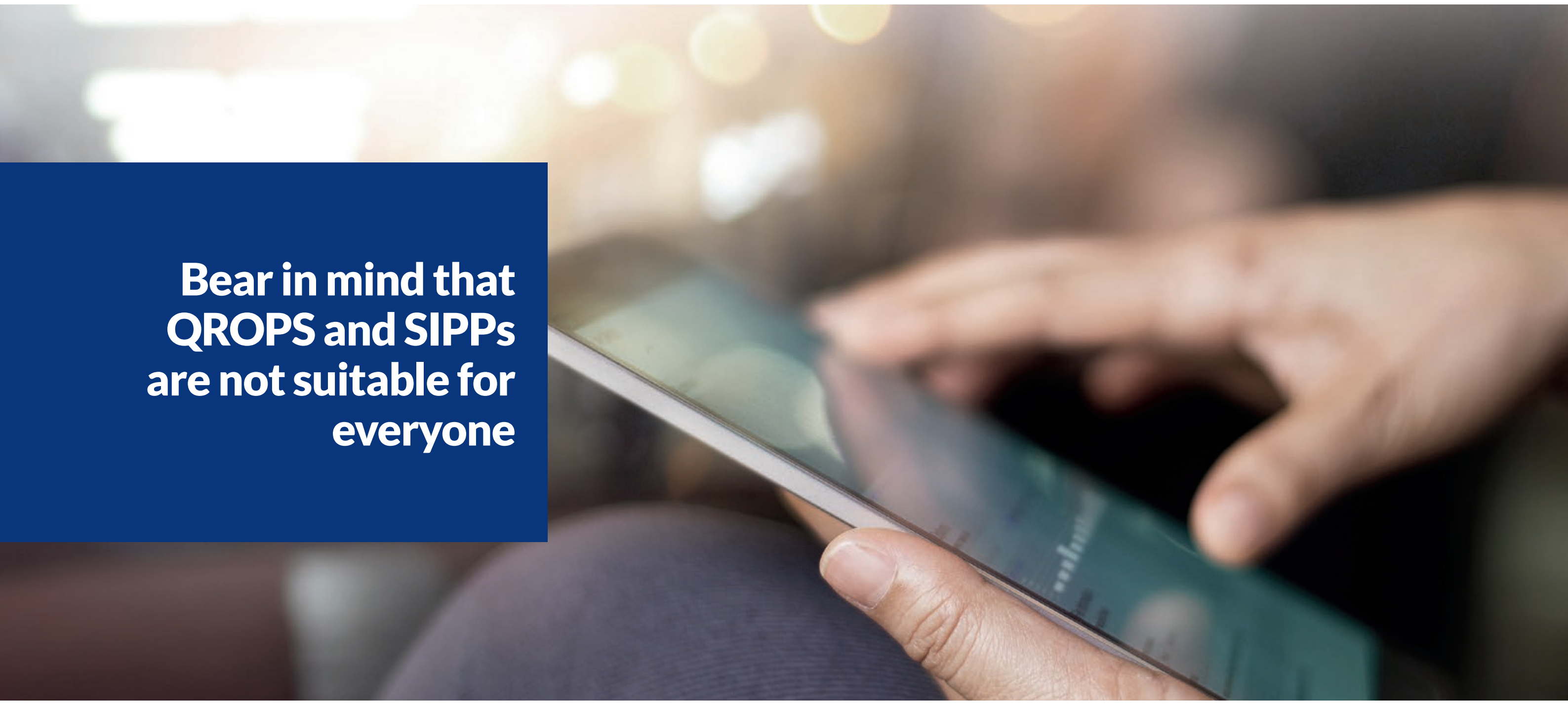
In 2006 the government launched QROPS (Qualifying Recognised Overseas Pension Schemes) which were designed to offer expats a wide range of potential benefits.

In March 2017, the chancellor introduced a 25% tax on transfer if the QROPS is not based in your country of residence or the EU.

The potential benefits of transferring to a QROPS are:

- Take up to 30% of the fund as the Pension Commencement Lump Sum Tax. This was formerly known as Tax Free Cash and is a maximum of 25% in the UK.
- Pay less income tax on benefits. Some countries have 0% income tax, whereas it is a maximum of 45% in the UK.
- No Lifetime Allowance Tax so there is no maximum amount that can be held in the pension funds whereas any excess over the £1m in the UK is taxed at 55% or 25% if taken as income, from which you would already have paid the relevant amount of income tax.
- A wider range of investment opportunities.
- Leading providers offer a cost free transfer to a QROPS if you change your country of residence to one which makes a QROPS more beneficial.
- All of your fund passes to your beneficiaries on death tax free, whereas in the UK they will be taxed at their marginal rate. It's likely this will be at least 40% and could be as high as 45% on death after age 75.
- The funds can be paid in the currency of your country of residence rather than paid in sterling, thus decreasing your risk due to currency fluctuations which could be as much as 47%.
- Potential protection of the fund from any creditors or in the event of a divorce.
- All of your fund passes to your beneficiaries on death tax free whereas in the UK they will be taxed at their marginal rate.
- It's likely this will be at least 40% and could be as high as 45% on death after age 75.

Option comparison



Bear in mind that QROPS and SIPPs are not suitable for everyone

Which option is best for me?

It may be that the benefits in your Final Salary Scheme are more important to you than the benefits of transferring to another pension arrangement.

Therefore it is extremely important that you receive all of the information on both the advantages and disadvantages of each option so that you can decide which one is the best for you.

Your pension is probably the second most valuable asset you will have aside from your property so we're here to help you make sure that you have the best option for you.

The advice process

Our process:

1 At no cost or obligation to you, our advisers will collate all of the information on your pension arrangements. They do this by asking you to sign a Letter of Authority.

This allows them to get full technical details of your pension arrangements. It does not allow them to alter your pension in any way. See our FAQs pages for more information on this.

2 The adviser will investigate your pension arrangements, taking into account your personal circumstances and objectives for retirement.

3 They will then be able to inform you of what benefits you will receive at retirement and what you could expect to receive if you retire early.

4 It will also be important for you to know what benefits would be available to your estate should you die before taking any benefits, as there could be a substantial difference.

5 The adviser will compare both the advantages and the disadvantages of each of the options.

6 If you are unable to locate any of your pensions the adviser will trace them on your behalf.

7 Another benefit of our service is that if you are within a few years of state retirement age your adviser are able to provide you with an estimate of what your state pension will be.

8 Once this information has been compiled, your adviser will discuss it with you and make a recommendation stating the most suitable option.

You should bear in mind that whilst it is unusual, it could mean that your best option is to leave the pension in the UK.

9 You will then be supplied with this information in a pension report.

The advice process

What will it cost me?

The service to you is carried out at no cost or obligation.

If it is recommended that you leave your pension in the UK, then it will not have cost you anything to establish that this is your best option.

However, if you are advised that a transfer to either an International SIPP or a QROPS is your best option, then your adviser will recommend the most suitable company for you to transfer your pension to.

The adviser will also recommend suitable funds to invest into your pension that meet your attitude to investment risk. Whether that is very cautious through to adventurous. We will arrange the transfer on your behalf.

If you want to take some or all of the benefits now, your adviser will arrange for them to be paid directly into your bank.

The fees for this service are paid by the pension companies or pension trustees, so you will not have to make a personal payment.

The fees will be explained to you before you make your decision.

Your adviser will:

1. Gather all the necessary information on your pension arrangements whilst gaining an understanding of what your plans are for retirement.
2. Compare all the advantages and disadvantages of transferring yourpension to a QROPS or an International SIPP. If we think it is best that you leave your pension in the UK, there is no cost at all for our service.
3. If they recommend that you transfer your pension to an International SIPP or a QROPS we will confirm that in a report written in plain English. If you choose to transfer your pension they will arrange it for you.

Advisers

Our financial advisers pride themselves on offering customers the highest quality service

We always recommend to anyone considering a UK pension transfer that they seek independent financial advice before making a final decision.

Your pension may be the most valuable asset you own so make sure you protect it by doing as much research into the advantages and disadvantages of a pension transfer as possible before signing on the dotted line.

Your adviser will be available to answer any further questions you may have about pension transfers after reading this guide.

Simply call us on

+34 951 121 880
+44 203 958 5440

or email

enquiries@alexanderpeter.com

One of our pensions advisers will contact you to discuss your options

Pension review questions

I have a Final Salary Scheme, should I consider transferring?

Yes. Although, you should bear in mind that Final Salary Schemes offer a very high level of guaranteed benefits and are considered to be the Rolls Royce of pension schemes as they are usually index linked and provide death benefits to widows and widowers.

These are valuable benefits to be given up which is why it is very important to get a detailed analysis of your final salary scheme to ensure that the benefits of a QROPS or International SIPP outweigh the benefits you would be giving up.

A highly detailed knowledge of pensions, with the required qualifications, is essential to giving advice on final salary schemes.

Can I transfer my State Pension Scheme?

No, This service is not suitable for State Pensions. The service is for private or company pension arrangements only.

I have bought an annuity with an insurance company, can I still transfer?

No, you must transfer before you buy an annuity.

Can I take 100% of my fund as a cash lump sum?

Since April 2015 you are allowed to take all of your fund as cash. However, you will need to pay the tax at the appropriate rate of where you are resident. Most schemes that your adviser will recommend are at a minimal rate of tax.

In what circumstances shouldn't I transfer?

In the majority of cases, QROPS and International SIPPs are suitable for non-UK residents. However, if you have guaranteed annuity rates on your personal pension plan, then this may not make a transfer suitable. This service is not for UK residents.

Can I organise a transfer myself?

No, the trustees will only accept a transfer through appointed qualified intermediaries. The UK Government require that FCA regulated advice is given on all pensions that have guaranteed benefits.

Alexander Peter
Wealth Management

Europe Office

Avenida Pablo Ruiz Picasso No 32,
Edificio Alizar, Planta Bajo,
San Pedro De Alcántara, 29670

Tel EU: +34 951 121 880

Global Marketing Office

The Chislehurst Business Centre
1 Bromley Lane, Chislehurst,
Kent, BR7 6LH, UK

Tel UK: +44 203 958 5440

enquiries@alexanderpeter.com

www.alexanderpeter.com

AP-UKPEEU-190905