Our Guide to Defined Benefit Pension Transfers

SUCCESSION WEALTH

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Welcome to Succession Wealth

Our Wealth Planners are here to help you take control of your finances and provide you with the confidence you need to go after the things that matter to you.

Succession Wealth Management Limited is a large national UK financial advice firm. Our teams of Wealth Planners deliver high quality independent advice to thousands of clients across the UK, and we're committed to helping people achieve more with their money.

Our clients are at the heart of everything we do and looking after their wealth journey is a privilege to us. The relationships we build last longer than a lifetime, and we are proud to provide advice across generations. When you choose to work with us, we promise to provide an exceptional personal service tailored to your unique financial aspirations.

Important information about Pension Transfer Advice

The Financial Conduct Authority issued finalised guidance on Defined Benefit pension transfer advice in March 2021 and continues to monitor firms' advice closely. In particular, the FCA requires advisers to start from the position that **a transfer will be unsuitable in most cases.**

Advisers may only recommend a transfer after a full investigation of your personal and financial circumstances so that they understand your retirement aims and objectives as well as your expected income and expenditure needs in retirement. Only then can we advise you on whether a transfer is clearly in your best interest.

What is a Defined Benefit pension scheme?

Defined Benefit (DB) pension schemes, sometimes referred to as final salary schemes or career average schemes, give you a guaranteed lifetime income and this income usually increases each year to help protect you against inflation.

A DB scheme may offer an option to transfer out of the scheme and into a Defined Contribution (DC) arrangement, sometimes referred to as a money purchase pension.

A DC pension is a pot of money which is invested and does not give you a guaranteed retirement income. This means that the decision about whether to transfer out of a DB scheme into a DC arrangement is one of the biggest financial decisions you will ever make, as you will be giving up valuable benefits.

Because of this, it is vital to understand the advantages and disadvantages of transferring out of a DB pension, and to seek professional advice if you are considering such a transfer.

This guide will help answer some of the questions you might have. You will find useful information about:

- Is a transfer right for me – things to consider before taking advice.
- An overview of situations where a transfer may or may not be appropriate.
- Preparing for your advice meeting.
- What to expect from us.
- Our pension advice – understanding your personal circumstances.
- Our advice fees and charges.

If you require help with your pension planning, our experienced team here at Succession Wealth can provide support.

Email us at hello@successionwealth.co.uk or call us on 0800 051 4659 and ask to speak to someone in our specialist DB team and we will arrange for someone to contact you.

Is a transfer right for me?

Things to consider before taking advice

Before you decide to take advice, it's important that you consider the advantages and disadvantages of a Defined Benefit pension:

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Advantages of Defined Benefit Pensions

- Guaranteed pension income, every month, for the rest of your life.
- Financial security, so it's easy to budget and plan.
- Income payments usually go up with inflation, so your buying power stays the same.
- Guaranteed income to your spouse after your death.
- You don't have to worry about how it's invested or make any investment decisions – it's all managed for you.
- Unlike Defined Contribution (DC) pension schemes, members do not need to pay product, fund or financial planning charges.
- It is backed by the Pension Protection Fund if the scheme fails. If you transfer your benefits, you will no longer be protected, although you may potentially be covered by the Financial Services Compensation Scheme (FSCS) should the pension provider become insolvent.

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Disadvantages of Defined Benefit Pensions

- Income is set by the scheme and can't be changed.
- Tax-free lump sum can be lower.
- Spouse's income on your death is fixed in the scheme's rules and usually 50% or 66% of the original pension.
- If you have no dependents when you die, the pension may stop completely, although the scheme may voluntarily offer payment to your chosen beneficiaries.
- The Pension Protection Fund will not always provide the same benefits.

To help you understand more about these considerations before you decide on whether to take advice, we provide access to Money Alive, an online video set which contains a wealth of information including risk, tax, dependents, flexibility, and death benefits, as well as the different options people have at retirement. You will be asked to view these before deciding to proceed to advice.

Situations where we will not be able to assist you

Please be aware that there are some situations where we will not normally be able to advise you. This includes the following situations:

- You are under 54 years of age (unless you have shortened life expectancy).
- You do not want to provide full details of your financial and personal circumstances.
- You are still an active member of the scheme (unless you have notified your employer of your imminent retirement, or it is documented that your intended retirement is within the next 12 months).
- You have already started taking an income from the scheme pension.

Where we conclude that a transfer is not in your best interests we will not facilitate a transfer.

Here is an overview of typical situations when a transfer may or may not be appropriate. It is important to bear in mind that any recommendations that we provide are specific to individual circumstances.

A transfer is probably not for you if:

- This is your main or only pension.
- You are under 55 years old.
- You are an active member of the DB scheme.
- Your DB pension meets your needs.
- You are uncomfortable taking investment risk with your pension assets.
- You have dependents for whom some of the DB pension features, such as a guaranteed income would be more appropriate.

You may be less suited to a transfer if:

- You cannot accept a lower income.
- There are alternative options available, for example:
    - If you want your family to inherit any remaining pension savings on your death, it is important to consider that, by the time you die, you may have spent a lot of the money. Most people near retirement today will live well into their 80s, with many surviving into their 90s. If you want to protect your family financially or leave a legacy you could consider buying life insurance instead.
    - If you think the employer who runs your DB scheme might become insolvent, you should check the protection available from the Pension Protection Fund (PPF) for eligible schemes. Visit the PPF website for more information.

You may be more suited to a transfer if:

- You do not need to rely on the DB pension to meet your income needs in retirement as you have other sources of retirement income.
- You have significant overall assets and there are tax planning considerations.
- The shape of the DB pension does not match your personal circumstances e.g. the scheme will pay a spouses pension and you are not married and have no expectation of being so in the future.
- If you have a limited life expectancy and you are seeking to provide your family with financial security in the future.

Preparing for your advice meeting

If you are considering transferring away from your Defined Benefit Pension scheme you can ask your scheme provider to issue a statement of entitlement telling you your pension's "Cash Equivalent Transfer Value" (CETV). This is the lump sum the pension scheme will offer you in exchange for you giving up any future right to your DB pension. To calculate it, the scheme provider will consider factors like inflation, investment, and longevity forecasts as well as other assumptions.

Once the CETV has been issued, you generally have three months in which to accept it and to give notice to the scheme trustees of your intention to transfer. If the deadline is missed the scheme administrator may charge you for issuing a new CETV within 12 months. It is important to note that in this situation the new CETV could be a different value, it could be higher or lower than the previous CETV.

We strongly encourage that you do not ask for your CETV straight away but wait until we instruct you to do so. However it will be helpful if you ask for an immediate retirement quote from the scheme. The reasons for this are;

- CETVs are normally only guaranteed for 3 months.
- The advice process may take over 6 months to fully complete.
- The scheme administrators may not provide all the information needed for us to be sure we are analysing the scheme benefits correctly in the first instance and it can take some time for them to respond to our queries.
- Once the scheme administrator has received all the paperwork they require to pay the transfer to the new provider it is likely that they will need you to speak with MoneyHelper (a government backed information and guidance service). This is a requirement of their regulator, to make sure you understand the implications of transferring and ensure that you are not being scammed. You cannot call MoneyHelper to arrange this call until you are requested to do so because the administrator will provide you with a special reference. There may be a delay in arranging this call depending on the availability of the MoneyHelper team.
- The scheme will not arrange the payment of the transfer until this is completed and it can then take some time for the money to be disinvested and paid to the new pension provider.
- It will take the new pension provider some time to set up your new plan, and then make the first payments to you. On average this may take a further 3 to 6 weeks. We will of course keep in touch with you during this time.

What to expect from us

Abridged Advice

For most people, a transfer will not be the right answer. For this reason, we will normally start by providing you with abridged advice. This is a short process to identify if the specifics of your situation suggest that a transfer is either unlikely to be suitable or it is unclear as to whether a transfer would be in your best interest. You will receive a short report explaining the findings and the next steps.

Full Advice

If the abridged advice is that it is unclear whether a transfer is right for you then you may wish to receive full advice. We will then provide you with a Financial Plan and Recommendation Report that explains whether we believe you should remain in your existing scheme or transfer your benefits. If it's the latter, we will provide recommendations on investment solutions. Our advice will be unique to you and fully supported by detailed research and analysis. This will include a full review of your existing scheme, transfer value comparisons and cashflow planning.

If our recommendation is that you transfer your DB pension to a DC pension, we will provide you with all the paperwork required to do this and oversee the transfer on your behalf. This process can take some time depending on which scheme you are transferring away from, but we will provide you with regular updates of progress.

Our Pension Advice

We have a team of specially trained and formally accredited Wealth Planners who are Pension Transfer Specialists and can assist clients with Defined Benefit pension transfer advice. If, having reviewed all the information, you are still interested in receiving advice then we will arrange for a specialist Wealth Planner to contact you.

No one-size-fits-all as everyone's circumstances are different. Our specialist Wealth Planner will seek to fully understand your financial position today, and your goals and aspirations for the future. Ultimately your own personal circumstances will determine whether it is a good idea or not for you to transfer your benefits out of a DB scheme. Some of the areas to be explored will include:

- Your plans for retirement.
- How much you will realistically need to live on in retirement.
- Your attitude and approach to taking risk.
- Your ability to cope with financial loss without it impacting your standard of living.
- Your experience of investing.
- Your personal circumstances, including:
  - Your health.
  - Your age.
  - Your marital status.
  - Whether you have children or other dependents.
  - Ongoing financial commitments.
  - Other sources of income.
  - Other pension provision.
  - Other investments and assets.
- If you are married or have a partner, we will also need to understand their circumstances and financial arrangements because they may affect the advice we give you. If you have shared household expenditure then usually you will both need to consider your retirement plans.

Your specialist Wealth Planner will compare the potential outcomes of remaining in your existing scheme with transferring the benefits elsewhere. Working closely with dedicated Paraplanning and Risk and Compliance teams, the Wealth Planner will review the following key areas:

Your Scheme Benefits

- A full evaluation of your current scheme and the options available to you, including any tax-free element, early retirement penalties, spouse's pension, and revaluation/escalation of the payments.
- Our team will compare your CETV with the cost of receiving the same level of income from a pension provider.

Taxation Issues

- We will consider how you can take an income in a tax efficient way. We will look at your estate and consider any Inheritance Tax implications. We will also look at the value of your accumulated pensions if you were to retain your benefits and if you were to transfer them.

Cashflow Analysis

- A range of cashflow planning scenarios that illustrate how you can support your desired level of income in retirement.

We will present our findings in a Recommendation Report which includes detailed explanations of the research and analysis undertaken. If we advise you to transfer, we will also include our recommendation for the investment of the transfer proceeds.

Ongoing Advice

We recommend that any funds transferred to a Defined Contribution Pension are reviewed regularly to ensure that you remain on track to meet your goals. Through our ongoing advice service, we can provide regular reviews of your holdings and advice to help you continue to meet your financial objectives.

Financial freedom in retirement

Retirement should be one of the most enjoyable and fulfilling stages of your life. It should offer exciting new opportunities and the financial freedom to fulfil your dreams – if you have planned well enough in advance.

For more information, or to discuss how we can help you to achieve your goals and take financial control, please email us at hello@successionwealth.co.uk and we will put you in touch with a Wealth Planner in your area. Alternatively, you can call us on 0800 051 4659 and ask to speak to the specialist DB team.

Our advice fees and charges

1. Understanding the key considerations	
So that you are well informed about the pros and cons of a pension transfer before you decide to take advice, we will speak with you to explain what the advice process is and what you can expect, and go through any points you need more information about. We will also share with you some videos to view. You will need to watch these videos before we are able to provide advice.	Free
2. Getting to know you	
Your specialist Wealth Planner will talk to you about your current circumstances and what you would like to achieve in future. This information helps us build up a complete picture of your overall position and ensures any advice we provide to you is suitable.	Included in the cost for Abridged and Full Advice
3. Abridged Advice	
Having established what your personal and financial circumstances are, this is a short process to identify that either, it is not appropriate for you to transfer, or it is unclear as to whether a transfer would be in your best interest. You will receive a report explaining our findings.	£1,500 + VAT
4. Full Advice	
If having received abridged advice, you decide to proceed to full advice then we will undertake research into the options available to you, and complete analysis taking into account the information you have shared with us. We can then provide you with a Financial Plan and Recommendation Report that explains whether we believe you should remain in your existing scheme or transfer your benefits and, if the latter, we will provide recommendations on investment solutions.	£6,500 - £9,000* + VAT
In some rare circumstances it may be possible to go straight to full advice. Your Wealth Planner will explain this to you.	£8,000 -£10,500* + VAT
5. Review	
We recommend that any funds transferred to a Defined Contribution Pension are reviewed regularly to ensure that you remain on track to meet your goals. Ongoing advice services are optional and can be cancelled at any time.	1% per annum *For example: where the fund value is £250,000 the annual fee will be £2,500*

*Your Wealth Planner will advise on the applicable fee for your case and confirm in writing to you prior to starting work on your behalf. For more complex cases, the fee for full advice can rise to £9,000 + VAT where abridged advice is provided first, or £10,500 + VAT in any case where only full advice is provided.

Examples of complex cases maybe where more than one DB scheme is being advised on, where a scheme offers the option of a partial transfer or if your personal taxation circumstances mean there are significant tax calculations required.

If you have any questions, or are seeking more information, please don't hesitate to get in touch with us.

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