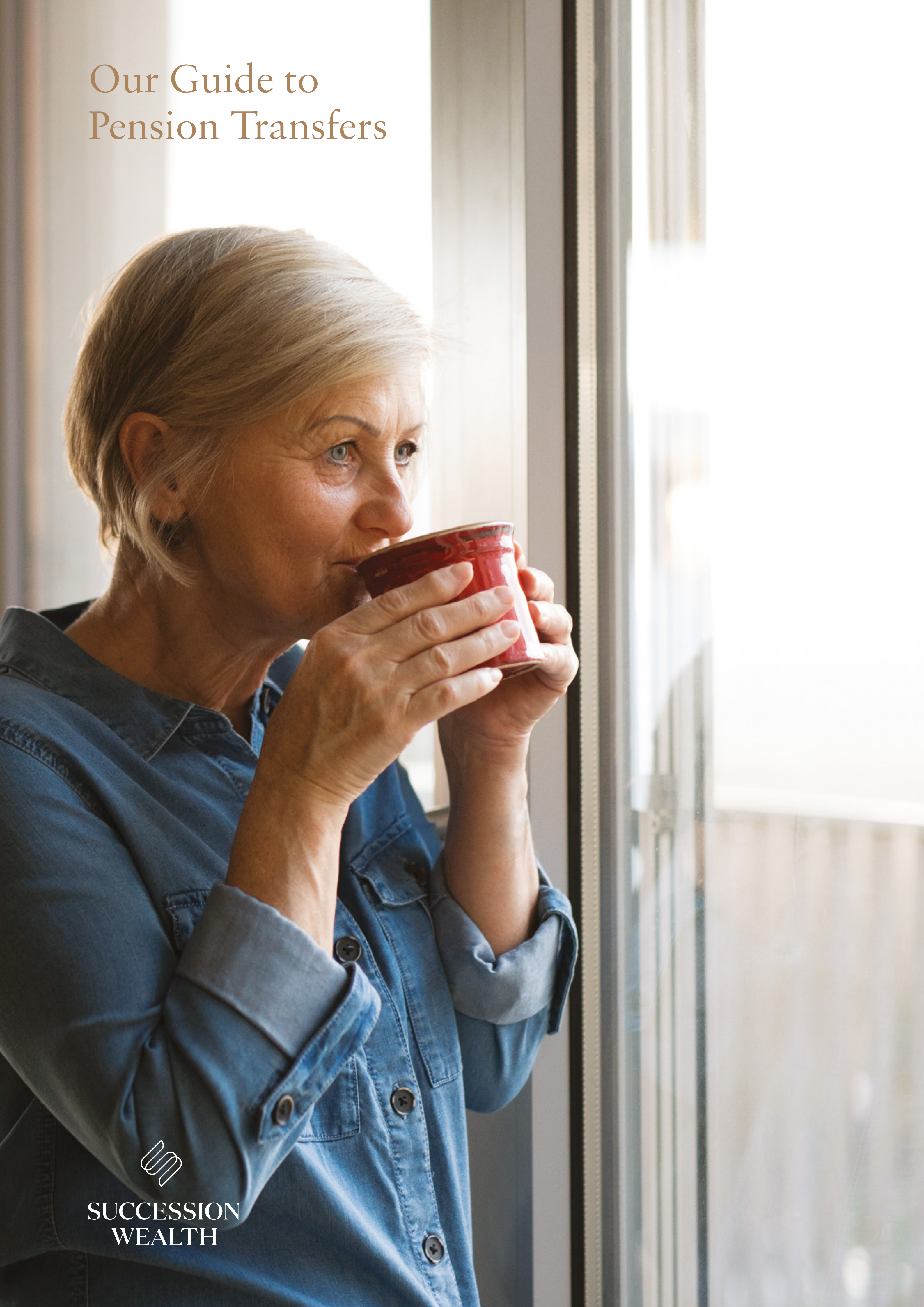
Our Guide to Pension Transfers



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Introduction

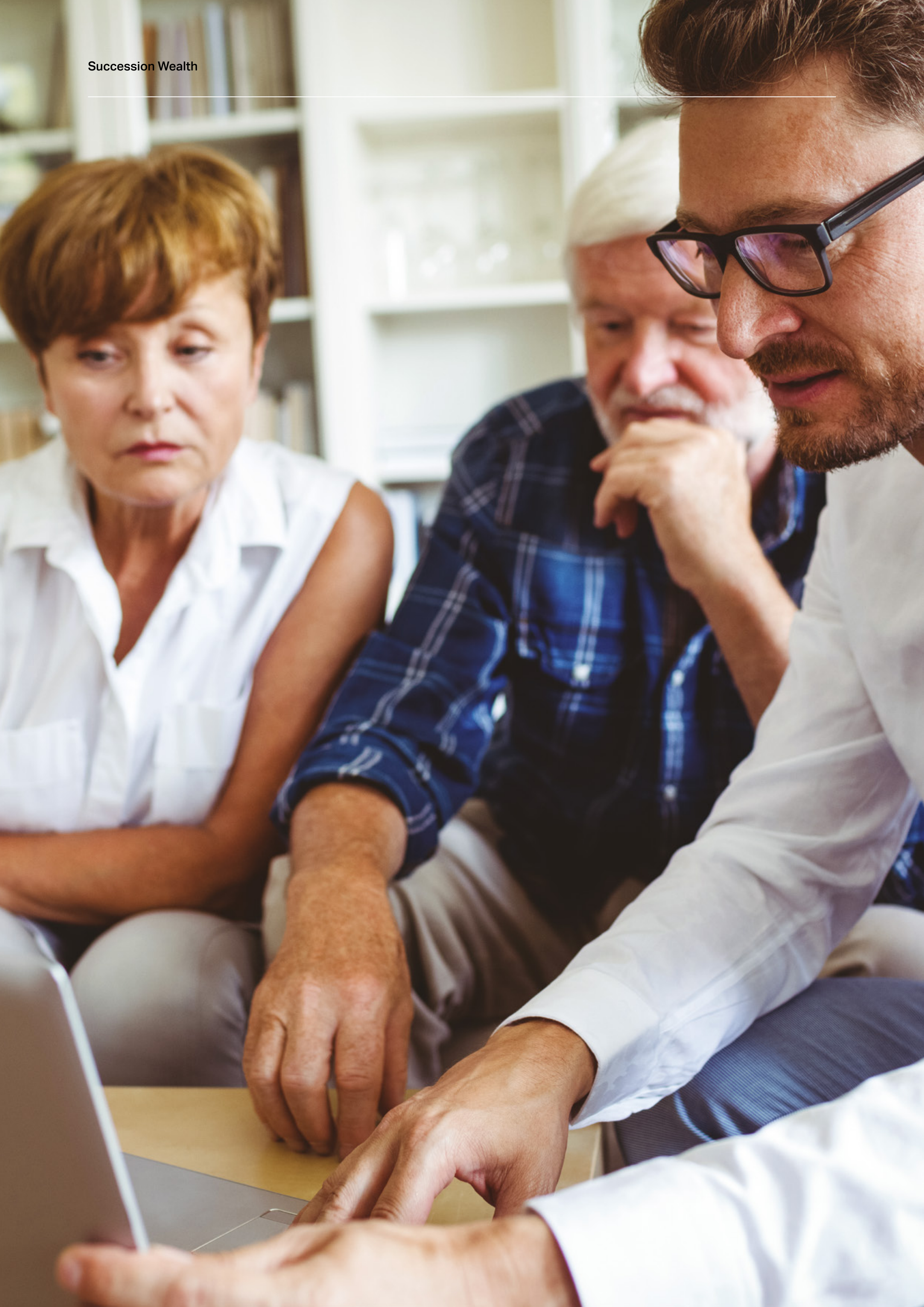
Defined Benefit Pension schemes, sometimes referred to as final salary schemes, give you a guaranteed lifetime income that usually increases each year to protect you against inflation. This means that the decision on whether to transfer out of such a scheme is one of the biggest financial decisions you will ever make as you will be giving up valuable benefits.

So, it's important to understand the advantages and disadvantages and to get good advice if you are considering a transfer. This guide sets out some of the things to consider and explains how we can help you.

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.



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 usually goes 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 personal pension schemes, scheme members do not need to pay product, fund or financial planning charges.
- It is backed up 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 usually 50% or 66% of the original pension.
- If you have no dependents when you die, the pension may stop completely, although your current scheme may voluntarily offer payment to your chosen beneficiaries.
- The Pension Protection Fund will not always provide the same benefits.

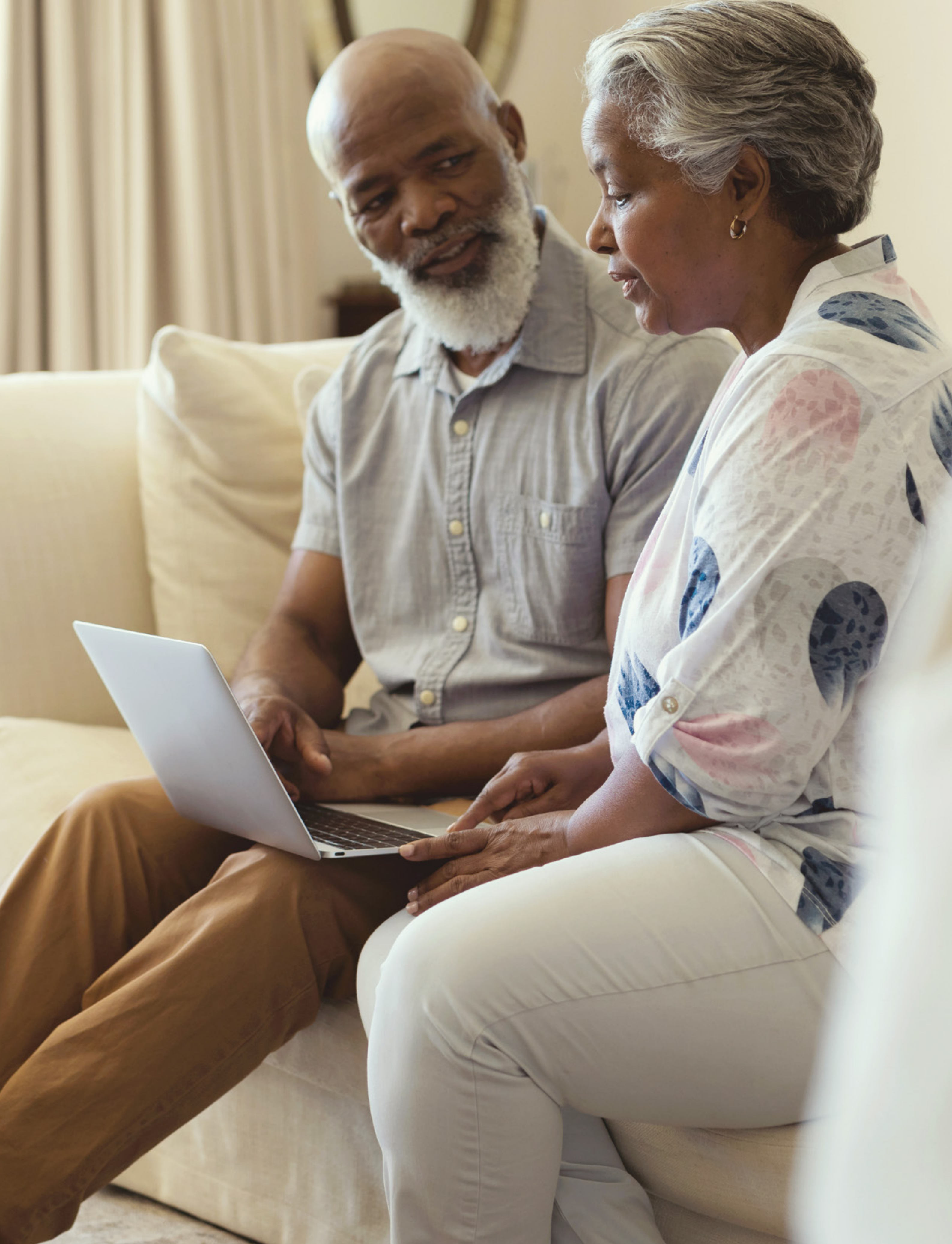
To help you understand more about these considerations before you decide on whether to take advice, we provide access to Money Alive, an online video box set which contains a wealth of generic information including risk, tax, dependents, flexibility, and death, as well as the different options people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

Situations where we will not be able to assist you

You should also 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 50 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).

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



Our Pensions Advice

Abridged Advice

As explained earlier, for most people, a transfer will not be the right answer. For this reason, we will normally start by providing you with abridged advice, an advice stage that was introduced by the FCA in 2020. This is a short process to identify if the specifics of your case 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 our recommendation.

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. As explained earlier, this will include a full review of your existing scheme, transfer value comparisons and cashflow planning.

If our recommendation is that you transfer your defined benefit to a Defined Contribution 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 Specialist Wealth Planners

We have a team of specially trained and formally accredited Wealth Planners who are pension transfer specialists and can assist clients with defined pension transfer advice. If, having reviewed all the information, you are still interested in receiving advice then your Wealth Planner will put you in contact with a specialist Wealth Planner.

Your circumstances, aims and objectives

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 aged 55 or younger.
- You will rely on income from this pension throughout your retirement.
- Your DB pension meets your needs, so you don't need to take investment risk.
- You are uncomfortable taking investment risk with your pension assets.
- You have dependents where 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 Defined Benefit Pension to meet your income needs in retirement as you have other sources of retirement income.
- You have significant pension assets overall and therefore there are Lifetime Allowance Tax Planning considerations.
- You wish to retire earlier than the scheme retirement age and there are penalties on the scheme for early retirement.
- If you have a limited life expectancy and you are seeking to provide your family with financial security in the future.

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 defined benefits scheme. Some of the areas to be explored will include:

- Your health
- Your age
- Your marital status
- Whether you have children or other dependents
- Ongoing financial commitments
- Other sources of income
- Another pension provision
- Other investments and assets
- Your experience of investing
- Your attitude to investment risk and capacity for loss
- Your plans for retirement
- How much you will realistically need to live on in retirement

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.
- Analysis of the potential growth rates required to match the benefits provided by your DB scheme.

Transfer Value Comparator (TVC)

- 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 Defined Benefit 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.
- Our team will compare your CETV with the cost of receiving the same level of income from a pension provider.

Taxation Issues

- Calculations to show the value of your accumulated pensions if you were to retain your benefits and if you were to transfer them.
- The effect this will have on the Lifetime Allowance and whether a tax charge might apply.

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.

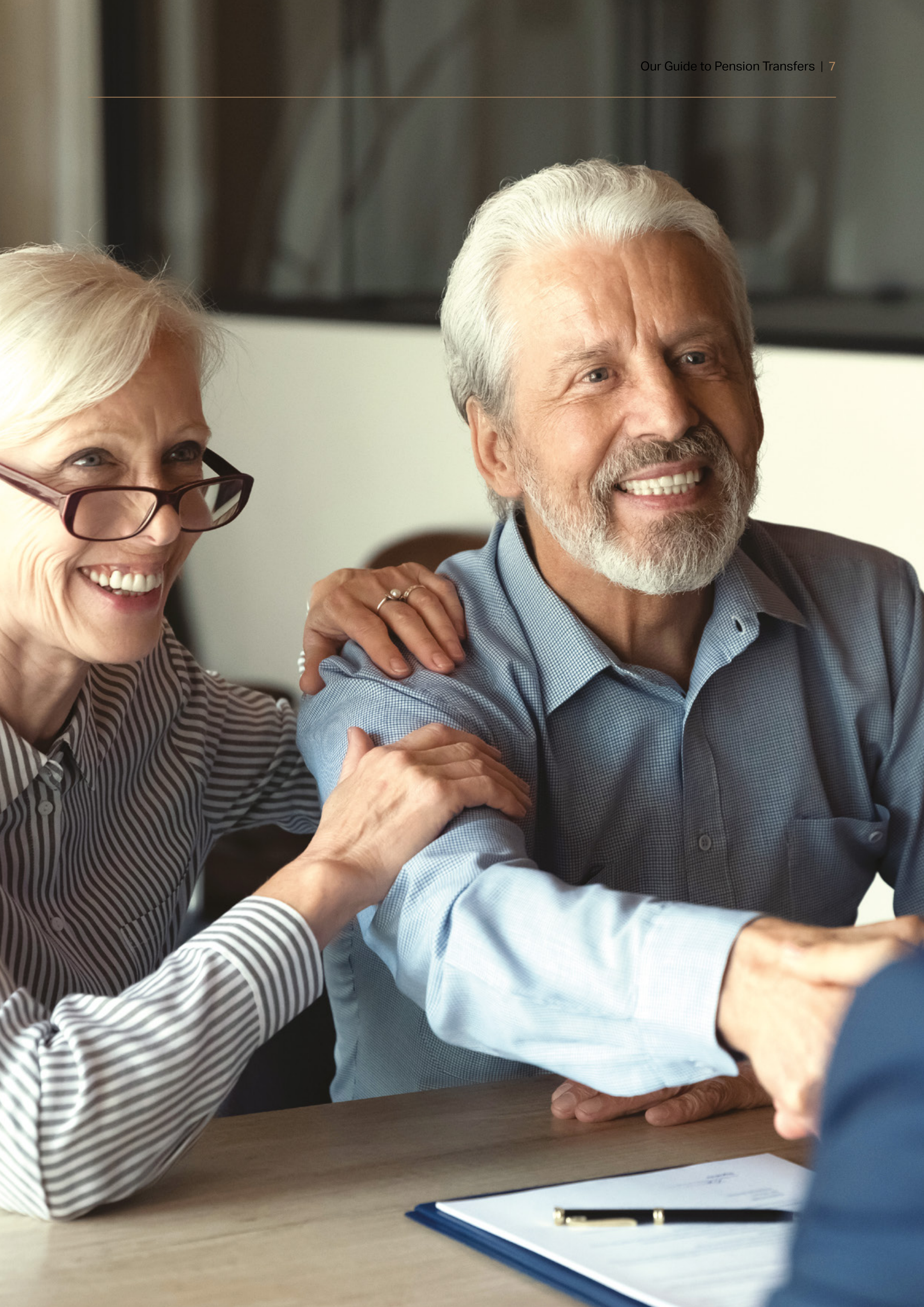
Ongoing Advice

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 01423 510000.



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 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 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.	Free
3. Abridged Advice	
This is a short process to identify if the specifics of your case 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 our recommendation.	£400 + VAT
4. Full Advice	
If having received abridged advice, you decide to proceed to full advice then we will 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.	£7,600 - £10,100* + 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 £10,100 + 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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