Your complete guide to....

‘Understanding your Pension options as an Expatriate’

CONTENTS

WELCOME TO
RP FINANCIAL GROUP

This guide has been created to offer generic information surrounding UK Pension transfers and the benefits of the options available to you as an expatriate.

For those who....

- Have already relocated from the UK and have an expat status
- Are due to relocate in the foreseeable future
- Know someone that this may benefit

Once you have decided to leave the UK, there are a range of benefits and opportunities that you can consider to ensure your UK Pension is best positioned for retirement.

Simply put, there are 3 options:

- Do nothing, leave your UK Pension where it is.
- Transfer it to an International SIPP (Self Invested Personal Pension)
- Transfer it to a HMRC approved QROPS (Qualified Recognised Overseas Pension Scheme)

YOUR **UK PENSION**

If you choose to leave your UK Pension domiciled in the UK, you will:

- Pay UK Income tax of up to 45% depending on the size of your Pension. This is dependent on the UK Governments income rates at the time of drawdown.
- Be eligible to take 25% of the fund tax free known as a PCLS (Pension Commencement Lump Sum)
- Drawdown your Pension in GBP.
- Due to New Pension Freedom legislation which was introduced in April 2015, you have the flexibility to take the full pension in cash. This will be subject to income tax at your Highest Marginal Rate
- Have less control of how your Pension is invested. Most Final Salary pensions are linked to Inflation and have capped growth.
- Be subject to the Lifetime allowance (LTA) which is currently £1,073,100. If your funds surpass this value, you will face an additional tax of between 25% and 55%.

  The government has gradually reduced this from £1.8m in 2011/12.
- Subject to ongoing and forever changing UK Pension legislation and Tax rules.

KEY REASON PEOPLE TRANSFER THEIR UK PENSIONS

1. **UK Income tax mitigation**

   If your Pension remains domiciled in the UK, you could be taxed up to 45% despite living overseas.

2. **Death Tax Benefits**

   100% of your fund can be passed onto your beneficiary.

3. **Flexibility of Income**

   Once you have transferred to a Personal pension you will have the flexibility to choose how much you would like to take as a yearly income.

4. **Full control of Investments**

   This would result in higher growth potential.

5. **Eliminate Currency risk**

   If you live abroad, the income received would be converted from GBP meaning the value will fluctuate in line with exchange rates.

6. **Early access to your Pension at 55 years of age** with no penalty on benefits.

7. **High Transfer valuations**

   Due to the fall in UK Gilts, we have seen multiples of over 30 times the annual pension offered.

WHAT ARE
MY OPTIONS

What is a SIPP

A self-invested personal pension (SIPP) is a tax-efficient retirement savings account available in the U.K. SIPPs give individuals the freedom to allocate their assets in a wide range of investments approved by Her Majesty's Revenue and Customs (HMRC), a non-ministerial department of the U.K. government responsible for tax collection and the payment of some forms of state support.

SIPPs, like other pensions, are one of the most tax-efficient ways to save for retirement. Most traditional pensions don't give you the flexibility to invest where you want to, and it's not always easy to see or understand where you're invested.

A SIPP lets you do more with your money. It gives you control over your investments. And with a wider range of investment options, it opens the doors to more opportunities.

Benefits include:

- A wide range of investments available including stocks, bonds, mutual funds, and exchange-traded funds (ETFs).
- Your SIPP can be easily converted to a QROPS (Qualifying Recognised Overseas Pension Scheme) when you decide upon your chosen jurisdiction for retirement.
- If there is a Double Taxation agreement in place between your country of residence and the UK, then the benefits could be paid gross of UK tax and local tax will apply.
- Benefits can be held/paid in the main currencies of GBP, USD, CAD, AUD and EUR.

WHAT IS A **QROPS**

One of the many UK pension options for British expatriates today is transferring to a Qualifying Recognised Overseas Pension Scheme (QROPS). Despite being widely seen as the answer for expatriate retirees, QROPS are by no means a one-size-fits-all solution.

QROPS is a label for foreign pension schemes that meet HM Revenue & Customs (HMRC) rules to receive transfers from UK-registered pension funds. Introduced in 2006, this enables British expatriates to simplify their affairs by taking their pensions with them. Schemes only make the HMRC list if they meet similar conditions to UK pensions, such as not being generally accessible before age 55.

There are many advantages of transferring a UK pension into a QROPS, in particular when the individual is living outside the UK and intending on remaining a non-UK resident in retirement, such as:

Reduced Tax Liability
Because QROPS are based in offshore jurisdictions they benefit from zero taxation at source. While in your country of residency you may be liable for taxation on your income, you will avoid capital gains tax on asset growth, as well as potentially avoiding inheritance tax.

Increased Flexibility
You will have the option to select an asset management strategy that best reflects your risk level and growth/income requirements. You will not have to purchase an annuity as most offshore pension plans are fully flexible, allowing you to retain ownership of the asset.

Income Tax benefits
The income from QROPS will be paid to you gross if you have moved to a jurisdiction which permits this. You may be liable to tax in the country in which you are tax resident. In certain countries, income from QROPS can be structured so that you pay less tax (or in some cases, none) compared to conventional UK pension income.

Death Tax Benefits
You can leave ALL unused pension funds to your beneficiaries free of UK death tax.

Additional Benefits
You can take a larger tax free lump sum of up to 30%. You will be able to access your funds earlier. You can with draw your pension income and other benefits in the currency of your choice. Once you've transferred your UK pension it will be free from future UK legislation changes.

COMPARE **YOUR OPTIONS**

What should I do?

The right choices will depend on your needs and circumstances, there is no one-size-fits-all-rule for UK Pension transfers. This will all depend on a number of factors and intentions at retirement.

Below is a breakdown of the process used to help you make an informed decision:

STEP 1

Introductory discussion – Speak with an RP Financial adviser to assess your options and answer any questions you may have surrounding Pension Transfers.

STEP 2

Letter of Authority – This allows us to request full technical details of your Pension arrangements. (Please see FAQ's for more information on this)

STEP 3

Technical Analysis of the information received by your UK Scheme providers – Once we have gathered all the required information on your pension arrangements, RP Financial will a compose a bespoke UK Suitability report outlining your existing plan arrangements, along with detailed comparative options, risk assessment, fee's and recommendations.

STEP 4

Decision – If you decide a transfer is the best option for you, RP Financial will compile the documentation required to set up your new Pension. We will keep you updated with every step of the way.

Once the transfer process is complete – we will continue to manage your portfolio in line with your preferred strategy with quarterly reviews to ensure you are kept up to date with any market movements to help you meet your financial goals.

How much does this cost?

The advice process is **completely free** whether you choose to transfer or not transfer.

If we decide to advise you that a transfer to either a SIPP or QROPS is the best suited option, we will provide fee structures from the Pension companies involved.

We are remunerated from the new arrangement, which, being cheaper than the existing arrangement, leaves a substantial net saving on fees.

FAQS

What is a Letter of Authority (LOA)?
This is simply a request for information allowing us permission to liaise with your UK Pension providers and request detailed scheme information along with an up to date valuation.

This is used to calculate the Cash Equivalant Transfer Valuation (CETV) as well as your benefits payable at Normal Retirement Date and provide you with a comparative report outlining your options.

This Letter only authorizes RP Financial to request information on your UK schemes and does not constitute an authority to make any changes, nor does it constitute an application to move the members pension to another provider or scheme.

Can I transfer Civil Service Pensions?
Because the benefits you have built up are in a public sector defined benefit pension (DB) scheme, unfortunately Government rules don't allow you to transfer out to a SIPP (or any other type of pension for that matter)

Can I transfer my State Pension?
No, you cannot transfer your state pension, you can only transfer private pensions.

Who can apply for a SIPP or QROPS?
You can apply for a SIPP or QROPS if you are between the ages of 18 and 75 years old.

Am I eligible for a SIPP?
Anyone may become a member of a UK-registered pension scheme, regardless of where they are resident. However, tax relief on contributions into the pension scheme may or may not be available depending on a member's personal circumstances and residence status.

Can more than one pension be transferred to a SIPP/QROPS?
Yes, it is possible to consolidate multiple pensions within a SIPP.

Can I transfer my SIPP to a QROPS?

Yes, if you're planning to retire abroad, you can transfer a regular SIPP to a QROPS. That said, not all SIPP platforms support this – and before transferring out, you may need to switch SIPP providers to one which will.

It goes without saying – before making such a transfer, you'll want to explore your options to make sure that a QROPS (as opposed to a SIPP) is right for you.

Can I transfer a QROPS to a SIPP?

Yes, and it's not uncommon amongst expats who've made the decision to return and reside in the UK.

That said, the specifics will depend on the QROPS in question. In many instances, you can hold onto your QROPS, where it will, for all intents and purposes be treated as a SIPP.

Alternatively, you might be able to transfer it to an alternative scheme, such as a Qualifying Non-UK Pension Scheme (QNUPS). This might be a better option, but very much depends upon your needs and circumstances.

At what age can I access my Pension?

The earliest age at which SIPP/QROPS benefits may be accessed is 55.

Can I take 100% of my SIPP/QROPS as a lump sum?

As of April 2015, New Pension Freedom legislation allows you to take all of your fund as Cash, however you will have to pay income tax at the appropriate rate of where you are tax resident.

GLOSSARY

Annuity - An annuity is a type of retirement income product that you buy with some or all of your pension pot. It pays a regular retirement income either for life or for a set period.

Cash Equivalent Transfer Valuation - A cash equivalent transfer value (CETV) is the cash value placed on your pension benefits. This is the amount that is available to transfer to an alternative plan in exchange for giving up your rights under the scheme.

Drawdown - Income drawdown, or pension drawdown, is a way of taking money out of your pension to live on in retirement.

Final Salary (also known as Defined Benefit) - A final salary pension is a pension where your post-retirement benefit is based on your salary at retirement. A career average pension is a pension where the post-retirement benefit is based on the average of your salary across your career with that employer.

Letter of Authority – This is a document required to request information surrounding your current UK Pension arrangements.

Life Time Allowance (LTA)- The Lifetime Allowance is a limit on the amount of pension benefit that can be drawn from pension schemes – whether lump sums or retirement income – and can be paid without triggering an extra tax charge. The lifetime allowance for the tax year 2021/22 is £1,073,100.

Money Purchase (also known as Defined Contribution) - Money purchase schemes provide benefits on retirement based on the amount of money that has been paid in to the scheme, how long this money has been invested, and the level of charges and investment returns over this period.

Pension Sharing Order - A pension sharing order is a court order used to separate two people's pension assets. They are primarily used in the context of divorce, but also when a civil partnership is dissolved.

Pension Commencement Lump Sum - PCLS, which is often known as 'tax free cash' or a 'tax free lump sum', is a tax-free payment which most people can receive when they start accessing their pension benefits.

State Pension - The State Pension is a regular payment from the government most people can claim when they reach State Pension age.

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