Pensions

Globaleye eGuide Series

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Pensions

How many of us ever make a conscious effort to spend time considering and planning our retirement? When it's often deemed an issue that will affect us only in the distant future, it is easy to relegate the topic to the 'back burner' and spend our energies coping with our all-too-often frenetic working conditions, our families and fitting both into busy social lives.

Yet, providing for retirement is a major consideration and one we all need to take a long honest look at, because it affects not only ourselves, but our families too. Deciding when we can afford to retire, yet maintain a particular lifestyle, requires careful planning.

It is essential that we begin saving for our retirement even if we are just starting out at work. Regular contributions now will mean more opportunities to secure the continuation or even improvement of our lifestyle when we start to 'draw down'. The longer we contribute, the easier it will be.

Very few of us actually know the capital amount we will need at retirement. We may already know what we would like to do when we retire or even have a vague 'bucket' list: our homes are paid for; we may want to travel widely; take care of our children and grandchildren; concentrate on the hobbies we haven't had time for while working… How much will all this cost? How much will we need coming in each month, each year?

This, of course, is where professional financial planning comes in. We need help to ascertain our personal pension situation as it stands now, what the shortfall is and what we need to save in order to achieve our 'game plan'.

Hard facts from the UK

- At 65 the average man can currently expect to live another 18 years in retirement, according to the Office for National Statistics
- At 65 the average women can expect to live another 21 years in retirement
- By 2021 there will be more people over 80 than there are children under five
- Those between the ages of 25 and 44 are currently saving only about one-third of the amount they need to be in order to support their current lifestyles into retirement
- There are a variety of perceived barriers to saving for retirement, including a strong sense of wanting to ‘live for today’, competing demands on income and a poor understanding of the available pension options. This is especially true of the young. (source: Department of Work & Pensions research report)
- Around 50% of working women do not have a company pension plan
- Only 20% of women will receive an adequate pension when they retire

If you already have a UK pension, do you know where your money is invested and how it is performing? Will it be enough for your retirement?

A Globaleye pensions’ specialist will be able to answer these questions for you and help you work towards peace of mind for the future.

Pension Transfers For British Ex-Pats

SIPP (Self-Invested Personal Pension)

A SIPP is a personal pension plan that works in the same way as other personal or stakeholder pensions in terms of tax benefits, contribution limits and retirement options, but with a better choice of investments. A SIPP is also a way of amalgamating old pensions into one pot.

With a SIPP plan, you can:

- Benefit from a broad spectrum of investment options creating greater flexibility
- Benefit from a phased retirement
- Move your SIPP to another jurisdiction using a QROPS plan if you retire abroad never returning to the UK
- Prior to taking a lump sum, taking an income or buying an annuity, the fund is free of Inheritance Tax (IHT) to beneficiaries

SIPPS fall under UK regulations.

QROPS (Qualifying Overseas Recognised Pension Schemes)

QROPS are available for those who wish to transfer UK pensions into another country's jurisdiction for retirement abroad - with no plans to ever to return to the UK.

QROPS can offer greater benefits than leaving your pension in the UK. It allows immediate access to funds from age 55, as it still has to follow the UK pension rules with regards to the age that income can be taken and, sometimes, a more tax-efficient income.

In the UK, all pensions have income tax deducted at the basic rate before they are paid out to the pensioner, whereas QROP income will be taxed at the rate applicable to the country that the QROP is based in. Due to Double Taxation Agreements (DTAs) this can sometimes be 0%. A tax-free lump sum of up to 30% (again, a HMRC requirement) can be drawn down, leaving 70% that can provide a regular income – another requirement of the HMRC.

A QROPS enables greater flexibility over where you invest. Funds can also be left to beneficiaries, tax-free (subject to the fund having been off-shore for more than five complete UK tax years) and there is no UK Inheritance Tax upon death at any time after the five years has elapsed.

There are several jurisdictions where the QROPS can be placed and, of course, each country's tax laws will have a bearing on that choice. Speaking to our advisers and independent trustees of QROP schemes will enable you to make the right choice under current understanding of this complex and changing area.

Tax Implications

Tax penalties do apply if you return to the UK within five years and, the Trustees of the QROPS must continue to report to HMRC for ten full tax years after the transfer.

However, if you leave your pension in the UK in a SIPP for example, you will pay your highest marginal income tax rate on the income taken – wherever you are in the world. Once you have drawn the fund down or even if you only take the tax-free lump sum then, if you were to die after this period but before you have purchased an annuity, HMRC will tax the balance of the fund by 55%, if your next of kin wants to receive the whole fund back as a lump sum.

Your next of kin does have other options, including purchasing an annuity themselves, but it would always be wise for them to seek financial advice before making any decision as the best way forward for their circumstances.

QNUPS (Qualifying Non-UK Pension Schemes)

A QNUPS allows retired British expats (as well as UK residents who have fully funded their UK pension schemes) to invest funds in a pension structure that will improve both their IHT position and that of their beneficiaries. It also allows the continuation of investment into the scheme even after a lump sum has been taken, as opposed to the QROPS, which pays an income directly after the lump sum has been deducted.

There is no maximum age at which you are able to invest into a QNUPS and funds or assets in the QNUPS are free of Inheritance Tax of up to 40%. There is no maximum limit to the amount that can be invested and, in some countries, or jurisdictions, local wealth taxes can also be avoided. Assets can also be invested and any benefits can be taken in a currency of your choice, avoiding currency risk.

Assets will grow tax-free under a QNUPS and there is no maximum limit to what you can invest into the scheme.

Trustees of a QNUPS have no reporting obligations to the HMRC unless the scheme also holds assets transferred from an authorised UK pension scheme.

There will be the same restrictions, however, on taking a lump sum out (30%) and leaving the balance of the fund paying an income – subject to the same rules of the country/ jurisdiction that the fund is based.

A QNUPS allows the following additional opportunities:

- You may request a loan from the trustees – it must be given at a commercial rate and paid back before the lump sum is drawn. The loan maximum is 30%
- The income from a QNUPS can be made from funds in the plan based on actuarial rates
- On death, the balance of the plan can be paid to your beneficiaries of the trust without the deduction of any UK Inheritance Tax
- A QNUP receives Inheritance Tax relief immediately – there is no waiting the seven years that a Potential Exempt Transfer (PET) needs

International Private Pensions

We have talked predominantly about British ex-pat pensions so far, but Globaleye also works with clients from across the world, offering a suite of international private pension solutions to complement the client's home country's government contributions.

Government pensions worldwide invariably fall short of even current income levels, let alone provide for retirement, leaving most people unable to stop working at all.

YOUR NEXT MOVE...

Globaleye consistently delivers unbiased and professionally tailored pension solutions, continuously providing clients with the best advice at all levels. Contact us for a bespoke service with one of our highly qualified international pensions' specialists and find the way to significantly grow your pension pot.

Globaleye has the tools, expertise and advice to ensure you are heading towards a well-funded and happy retirement. Just pick up the phone or email us now.

The advice we provide in this guide is free and without obligation

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