QROPS Advice
Legislation introduced in April 2006 introduced the ability for a UK pension to be transferred to an overseas pension, providing the overseas pension met certain qualifying rules. These qualifying rules ensure the overseas pension broadly follows the UK legislation. QROPS or Qualifying Recognised Overseas Pension schemes offer a number benefits to the individual expatriate. Some of these are highlighted below.

Consider QROPS carefully
This is a highly specialist type of financial planning and should not be entered into lightly. Advice from a suitably qualified adviser is essential.

The 5 Year rule
For the first 5 years of the member's non UK residence the trustees of any overseas pension scheme have to report once a year to the UK Inland Revenue to confirm continuing qualification with the rules. They also have to report any withdrawals made from the scheme. After 5 years of the member's non UK residence the reporting requirement falls away. Please note; You do not have to have left the UK for 5 years to take advantage of a transfer under the QROPS provisions.

What is an annuity?
You no longer need to buy an Annuity with your UK pension fund or within a QROPS. An annuity means that you give your capital, the amount that you have built up in your pension less any pension commencement lump sum you are allowed to take, to an annuity provider who will guarantee you a lifetime income (your pension); no matter how long you live. There are advantages and disadvantages to buying an annuity. The advantage is that you know how much income you are going to receive and you know you will get this for life. Annuity rates vary depending on a number of circumstances, but in particular the level of interest rates. The current low levels of interest rates have meant many people have had smaller pension income than they might have hoped for. Unfortunately, when you buy an annuity your capital is gone forever. This is the trade-off for getting a lifetime income.

Investment Choices and Options
A good investment for one part of the economic cycle may not be such a good one at other times during the cycle. It is vital that you have sufficient flexibility to choose from investments that are going to be right for you and most importantly, in the relevant currency. For example, as you approach retirement you may wish to move your investments to a lower risk environment. In retirement, you will want to concentrate on getting income from your investment (your pension). A good QROPS product should give you access to over 11,000 funds, generally considered to be enough for most people.

On-going Service
In addition to the change of economic circumstances mentioned above, what happens if your circumstances change? Say you move countries. Perhaps you may one day return to the UK. What do you need to do to start taking your pension? In all these circumstances, and many more, you will need on-going advice. Check this will be available to you and how it will be provided.

Retirement
When you retire you will be given a number of options. These will include choosing the amount of your fund you wish to take as a Pension Commencement Lump Sum. This can be as much as 30% with Isle of Man or Guernsey QROPS (it is set at 25% in the UK). You will be given the option to take withdrawals from your investments in your QROPS ranging from zero to 120% of a figure provided by the Government Actuary Department (GAD). This maximum figure is calculated using interest rates at the time of retirement and your age amongst other factors. A good QROPS will also allow you to vary your income in the future. New UK rules have reduced the amount of income you are able to take from 120% to 100% of GAD. These are the first of a number of changes that are expected in the future. Many people want to transfer under the QROPS provisions now before their pension is affected by any further changes in the UK tax rules.

Succession
With many conventional final salary schemes the widows/widowers pension is only half the main pension, sometimes less. You should also be aware of tax consequences if the surviving spouse wishes to take the remaining UK pension fund as a lump sum, in the majority of cases there would be a tax charge of 55%. Make sure that the QROPS you choose has the option to pass on the pension fund to your spouse, children and/or grandchildren as a pension or a lump sum. Isle of Man and Guernsey QROPS allow this type of transfer free of any tax.

Free Pension Analysis
If you have a pension or number of pensions in the UK and want to know what your options are then please do not hesitate to contact me on steven.grover@spectrum-ifa.com for a free no obligation analysis of all your pensions.