

If you have previously worked with an employer that offered a Defined Benefit scheme with guarantees, or “safeguarded” benefits, this INFORMATIVE brochure will help explain how we provide advice and our fees

# Final Salary and Safeguarded Benefit Advice

## Know the **FACTS!**

1. The FCA (regulator) take the view that most people should retain safeguarded benefits and should not transfer them.
2. You should never, in our opinion, take advice about the transfer from one party (who you may never have met) and then do a transfer and the ongoing investments with an unconnected party.
3. The FCA are concerned about firms “signing off” pension transfers at a client’s insistence, or from unregulated introducers due to poor client outcomes.

Remember: There is no reverse gear after a Defined Benefit transfer takes place.

## What’s new

### REMOVING CONFLICT OF INTEREST

From 1st October 2020, The Financial Conduct Authority (FCA) has banned Contingent Charging.

### WHAT IS CONTINGENT CHARGING?

Contingent charging applies when a financial adviser advises a client to transfer a pension and only applies fees if the transfer is implemented. This could cause a conflict of interest as the adviser is encouraged to recommend and implement a transfer in order to get paid.

The FCA wishes to remove this potential conflict of interest ensuring clients pay a fixed fee for advice irrespective of recommendation or implementation.

### WHAT DOES THIS MEAN IN PRACTICE?

From 1st October people will need to pay for the advice that they get. Initial advice, to a certain extent, can be provided by an abridged service (see page 3)

If you are seeking what's best for you, and are considering retirement, or wish to investigate your pension benefits and options, then read on

**QUESTION:** Are there genuine reasons for considering a pension transfer?

**ANSWER:** YES!



## **“WHAT WILL YOU REALLY LOSE BY NOT TRANSFERRING A SAFEGUARDED OR DB PENSION?”**

1. If you are not married or have a recognised civil partner, your death may lead to loss of any benefits to your beneficiaries.
2. Occasionally low risk investments can produce higher income and lumps sums than that available via a guaranteed scheme, so each case should be checked individually.
3. Some guarantees are insufficient to compensate low future benefits.
4. Retaining a safeguarded pension may be the wrong decision in some circumstances as they are inflexible.
5. In the event of your death the outcome is inflexible and, as a result, your beneficiaries may lose out substantially.

## **“WHAT WILL YOU REALLY LOSE BY TRANSFERRING A DB PENSION?”**

1. The cast-iron guarantee to you and your surviving spouse of an income in retirement for life.
2. The greatest government pension success story in recent times – the added security of the Pension Protection Fund – will be lost.
3. You lose that precious commodity – no risk to your income arriving in your bank account, and increasing each year for the rest of your life.
4. Reduced worry for you or your surviving spouse, with little cost or administrative burden.
5. The flexibility to reconsider a future transfer in light of future legislation (always available up to 12 months from stated retirement age).

**KEY POINT:** There are other wins and losses linked to your personal situation.....  
**which is why you MUST take advice!**

## TRIAGE

The FCA wishes to remove potential conflict of interest to ensure that the public receives suitable advice, so that fewer give up their defined benefit pensions when it is not in their interests to do so.

**Education before Advice** - we ask you to watch videos and complete a questionnaire. This helps you understand what you are potentially giving up. We call this "Triage" and it is free.

## ABRIDGED ADVICE

Abridged advice is short and low-cost. By law we must not assess the risks associated with a specific flexible arrangement, nor consider how to invest. We will only consider you staying in the scheme and the risks and detriment of transferring and losing your benefits.

This could either be the end of the process, or you could carry on and obtain Full Advice.

## FULL ADVICE

If the conclusion from Abridged Advice is that there is insufficient information to make a "do not transfer" recommendation we can provide a full advice report. The fee for Full Advice will be the same, whether the advice is to transfer or remain a member of the current scheme.

### KEY POINT:

If a transfer is recommended, and proceeds, the client can opt to have the fees paid from the transferred fund or pay by invoice. If not recommended, an invoice will be provided to the client.

### KEY POINT:

There are some exemptions to Non Contingent Charging granted by the FCA. Please contact us if you require further information.



# Step by Step Guide to the process and our fees

## Step One (Triage)

No obligation and no charge

You can choose to exit from advice here or continue to step two.

## Step Two (Abridged Advice)

Cost- £500 (VAT may apply)

Provide us with your latest transfer value and complete an online risk questionnaire and have a basic factfinding conversation. We cannot advise you to transfer at this stage but can advise if a transfer is unsuitable. This is short report that will provide one of the following conclusions-

1. Our recommendation is you retain your current pension scheme and do not transfer at this time.

NO FURTHER ACTION

2. We have concluded that there is insufficient information to make a recommendation.

You can decide to exit here or proceed to step three

## Step Three (Full Advice)

Personalised Fee (minimum fee applies)

A fee is agreed with you for a full recommendation (50% payable in advance)- this fee must be the same whether a transfer is recommended or the current scheme is retained.

2. We have recommended a transfer.  
You can decide to exit here or proceed to step four

## Step Four (Implementation)

No obligation and no charge

If recommended, we will implement the transfer for you to the platform we have recommended.

Whether you use our group or another investment firm there are separate costs for provision of ongoing investment management and recommendations. Our fees are available upon request.

**KEY POINT:** VAT will apply to all fees paid directly by clients.

**KEY POINT:** If you live abroad, as a result of Brexit and the ending of UK passporting services into the EU and for those in other jurisdictions, it is likely that you will have to appoint our overseas regulated firms to provide the investment and ongoing service in the future.

## WHEN SHOULD YOU CONSIDER TAKING SAFEGUARDED PENSION ADVICE?

1. You are sufficiently wealthy as to not need the guarantees of a safeguarded pension in retirement.
2. You have genuine poor health issues – impaired life annuities/death benefits\*.
3. You are able to accept the personal risk to try and obtain better returns (subject to 1).
4. You have no spouse, but other beneficiaries.
5. You want flexibility for genuine tax planning.
6. You really do wish to accept risk, take control of your investments, and ensure that the potential lump sum is invested professionally for the benefit of yourself and others.
7. You have sufficient income (ideally guaranteed) to cover expenses in retirement.

### Take advice in

#### 1....2.....3 Straightforward Steps

Your attitude to risk and asset value, as well as your personal views are so critical to successful outcomes. If you live overseas then Double Tax Treaties (and other tax agreements on pensions) are key to understanding where you should base your funds

1. If you are approached on a cold-call or a referral from a friend or colleague (even if they are trusted!) and you fail to heed our warnings then do not be surprised if you end up receiving bad advice, poor outcomes, and a worse retirement.
2. Make your own enquiries and take a second opinion especially if overseas. FCA rules cannot be enforced overseas. Overseas firms claiming they operate outside the UK under FCA rules are misleading!
3. Only take advice from a fee-based adviser that charges a fee for the advice, and is a UK regulated adviser CURRENTLY. Check whether the payment for the advice is CONTINGENT on you transferring your pension.

#### KEY POINT:

##### Investment fees and ongoing investment advice

The firm that provides this may be different to the firm that provided the pension transfer advice.

You should be aware that these will be additional to the fees charged by the pension transfer specialist firm and should be disclosed to you separately.

#### KEY POINT:

If your death occurs within 2 years of a transfer then, even as an expat, HMRC could TAX the pension at inheritance tax rates without careful planning.

\* Those of you in poor health should speak to your trustees about the options for enhanced pension / lump sum payments

## Talk to us!

We are SEC registered and FCA regulated and have advisers qualified to Certified and Chartered status, with the relevant specialist pension qualifications to review the advice given to help reduce the costs of your current arrangement. We can assist you in getting that much needed pension and investment advice.

[Click for more details](#)