

GUIDE

UK Pension Transfer

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Hoxton Capital Management provides **unparalleled personal financial advice** to expatriate clients living globally.



INTRODUCTION

In April 2006 the E.U ushered in an agreement allowing the freedom of movement of labour and capital within the EEA. This created a golden opportunity for UK pension holders, both for UK citizens now living abroad, and people who have previously worked in the UK and subsequently moved abroad again.

To date, over £21 billion has been transferred out of DB (final salary) schemes alone. The surge in members wishing to transfer out has been driven by two key motivators:

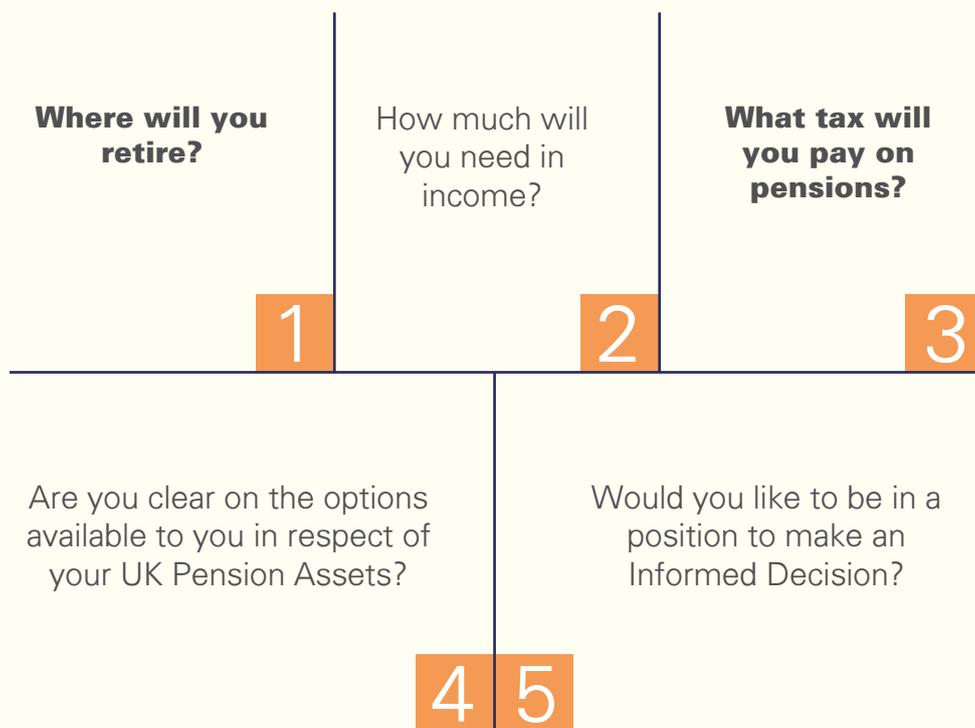


First being that many can benefit from far more favourable tax conditions.



Second being the exceptionally high transfer values that members have been offered.

This guide will highlight some of the main considerations highlighted below when deciding if transferring your pension benefits is right for you:



* Please note that the UK state pension can not be transferred

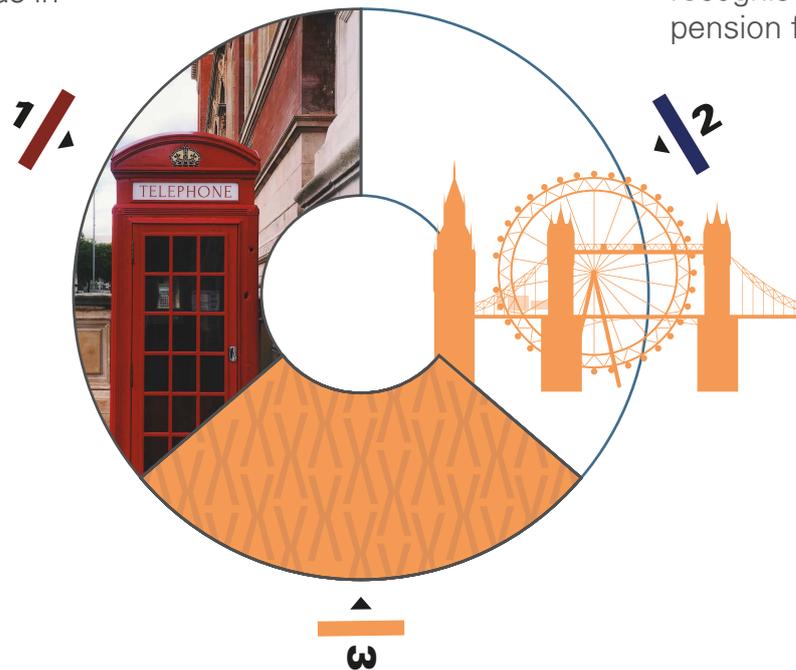
LEAVING YOUR PENSION IN THE UK

Now that you have left the UK, you should be considering the **options available** to you in respect of your pension assets left behind in the UK.

You have three options:

Do nothing. Leave the pension funds in the UK

Transfer to a HMRC recognised overseas pension fund (QROPS)



Transfer to an International or UK based SIPP (Self Invested Personal Pension)

The following may apply to you and your pension IF you leave the funds in the UK:

- Income Tax up to **45%**
- Your Beneficiaries may not be able to receive the full value of your fund after your death
- Subject to **Lifetime Allowance (LTA)*** assessment any savings in excess of the LTA limit will face an Additional Tax of between 25% and 55%
- Subject to ongoing and **fast paced changes** in UK Pension legislation, and tax rules
- Funds are generally held in GBP creating a **potential future currency risk**
- 84% of UK Defined Benefit (Final Salary) schemes are underfunded leading to a number of high-profile closures
- **No/Limited control of investments**
- **Restricted** growth options, typically only inflation linked

KEY REASONS PEOPLE TRANSFER THEIR UK PENSIONS



Mitigate UK income tax your pension funds if left in the **UK could be taxed up to 45%** when you begin to receive benefits, even if you are living abroad.



84% of UK final salary schemes are underfunded meaning these schemes do not have enough to pay the members the benefits they have promised.



100% of your pension fund value can be passed to your beneficiaries.



Early access to your pension at 55 years of age if needed, with no penalty on benefits.



If you are transferring into a QROPS, a crystallisation event takes place at the point of transfer, meaning that the lifetime allowance rules will not apply thereafter.



Increased tax free lump sum availability up to 30%.



Control of investment and growth potential.



Flexibility of Income. Once transferred to a private pension, you can take as much or as little as you need as an income.



Generous transfer values, often 30 times the annual benefits promised.



Eliminate Exchange Rate Risk. If you live abroad receiving your pension in GBP may mean the value of it fluctuates month to month in relation to the currency you are spending in.

WHAT IS A SIPP?

Self Invested Personal Pension (SIPP)

A (SIPP) is a pension 'wrapper' that holds investments until you retire and start to draw a retirement income; it works in a similar way to a standard personal pension. The main difference is that with a SIPP, **you have more flexibility with the investments** you can choose. With standard personal pension schemes, your investments are managed for you within the pooled fund you have chosen. SIPPs give you the freedom to choose and manage your own investments, although it is common to have an authorised investment manager to make the decisions for you.

If you are living abroad, the International version may provide more scope in respect of currency flexibility and investment options. Both remain under UK regulations.

Your SIPP can receive transfers from UK registered schemes and Recognised Overseas Pension Schemes. Please note that UK State Pension benefits cannot be transferred.

Your SIPP will remain in the UK and as such will fall under UK regulations and the potential implications of any future tax and pension law changes.

Your SIPP can convert to a QROPS at any point if your circumstances change.

Who are SIPPS good for?

A SIPP is available even if you are a non UK resident (however tax relief will not be provided at source when you are non UK resident).



WHAT IS A QROPS?

A QROPS is a **Qualified Recognised Overseas Pension Scheme** and may be relevant to you if you are a resident in the EEA (defined as the EU plus Norway, Liechtenstein and Iceland) and intend to remain resident in the EEA for 5 full years after your pension transfer.

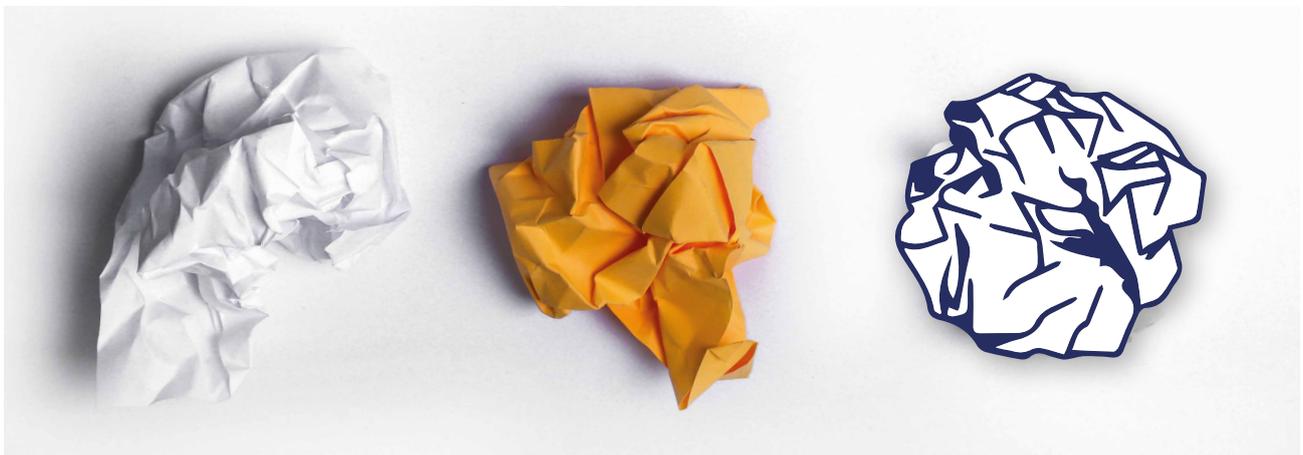
A Qualified Recognised Overseas Pension Scheme is a pension plan that qualifies and is recognised under UK HMRC rules to accept transfers from UK Pension Schemes.

To be recognised as a **QROPS**, the scheme must be:

Recognised for tax purposes (so benefits that are paid to you from the scheme must be subject to taxation).

Regulated as a pension scheme in the country where it is established.

The pension benefits you have built up are your assets for financial security, they belong to you. If you move abroad, or are thinking of moving abroad, you have the option to transfer them to another pension scheme, which could be based abroad.



Who are QROPS for?

Anyone with a UK personal and/or occupational pension scheme with at least £100,000+ invested and who has either left or, is planning to leave the UK in the next 12 months and living in the EEA and will continue to do so for the next 5 years.

If you fall into the above category you have the **opportunity to maximise the growth and income potential of your pension**, rather than be limited to the restrictions of a UK pension scheme and the lifetime allowance.

WHAT'S RIGHT FOR YOU?

Whether the solution for you is a QROPS or an International SIPP, this will be determined by your individual circumstances and country of residence. **Knowing what your options are, and what the potential benefits could be for you, is absolutely key.**

Now that you live abroad, you will need to understand your tax position:

Are you worried about how much of your retirement funds will be passed to your beneficiaries?



Do you simply need to understand the current position regarding your pension assets?

Now that you have taken the crucial first step of contacting us, these will be some of the possible questions that we can provide and help you understand the answers to.

What happens next?

Initial discussion to assess your circumstances and objectives with an HCM Adviser.

We send a letter of authority (LOA) to your pension provider/s. This is an information request and does not permit us to make any changes to your current pension/s.

Your pension provider will provide us with the details of your current benefits and the terms & conditions of your scheme. They will also provide a transfer value. This states the amount they would pay you to exit the scheme.

If you decide that a transfer is right for you, Hoxton Capital will arrange all the required paperwork to facilitate the transfer and set up the pension you wish to transfer into. Once the transfer is complete, we will then provide advice on how to best manage your assets within the new pension, in line with your preferred strategy, and help you meet your goals.

Hoxton Capital will prepare a comprehensive report for you that details your current schemes benefits and shows a comparison with your alternative options.

WHO ARE HOXTON CAPITAL?

Founded by UK qualified financial advisers, Hoxton Capital Management is a borderless, independent financial advisory consultancy, unrelenting in its commitment to safe guarding our client's financial futures. Through a fresh approach and a dynamic energy, we set ourselves apart from our competitors in the offshore marketplace, providing unparalleled personal financial advice to expatriate clients living globally.

At Hoxton we pride ourselves on our personalised, honest and deeply committed approach. We offer tailored solutions and relevant advice that can only come from a deep understanding of our clients and their personal requirements. We work with them to understand their financial goals and offer the right strategies to help their investments develop and move forward so they can live out their financial dreams.

04

Global Hubs

300+

Employees

3000+

Clients Globally

Our expert advisers will help you
achieve your financial goals efficiently

HOXTON

CAPITAL MANAGEMENT

For world-class advice and expertise, contact us today. Our British trained advisers can help you on your path to financial freedom.



+44 333 800 3161
Global Enquiry Line



enquiries@hoxtoncapital.com



www.hoxtoncapital.com



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