true potential investor

Read only

Pension transfer information sheet

Read the following information before deciding whether to transfer your pension to True Potential Investor.

General information

The information contained within this document is not advice, it is provided to help you make your own investment decisions. A pension transfer may not be suitable for all investors. If you are unsure of the suitability of transferring your pension, you should seek financial advice. With investing, your capital is at risk and investments can fluctuate in value so you may get back less than you invest. We therefore believe you should only invest for the long term (5+ years). Any yields will vary over time so income is variable and not guaranteed. Cancellation rights may not be available. The investments featured do not provide capital guarantees like a deposit account and are not readily accessible. Exchange rate fluctuations may have an adverse effect on the value of non-UK shares.

Tax rules referred to are those that currently apply, they can change over time and any benefits to you will depend on your circumstances. Within a Pension, all gains will be free of Capital Gains Tax and a tax credit will be reclaimed on interest from fixed interest investments. In addition to any initial charge quoted, there may be a bid/offer spread or dilution levy.

Non-investment grade bonds are contained in some funds, which carry a risk that the capital value of the fund will be affected because they have an increased risk of default on repayment by the issuing companies compared to investment grade bonds. Some investments (e.g. some AIM stocks) are less readily realisable than others and it may therefore be difficult to deal in or obtain reliable information about their value.

Before you decide to transfer your pension, please ensure you understand how the transfer will be made. Most groups will allow you to transfer as stock but not all stock can be held in your workplace pension.

Pension contribution checklist

This section is particularly important if you have made, or plan to make, large pension contributions. Most UK residents under 75 can contribute to a personal pension and benefit from tax relief. However, there are restrictions of which you need to be aware:

- **Relevant UK earnings:** Total personal and employee contributions each tax year cannot exceed total earnings from employment and self-employment for that year, or £3,600 if higher.

- **Annual allowance:** Total pension contributions (including from an employer) made from 6 April 2019 to 5 April 2020 are subject to a £40,000 allowance. Payments cannot be refunded on the sole grounds that they are above the annual allowance and may incur a tax charge. Retirement benefits built up in a defined benefit pension are given a value which also counts towards the annual allowance. You should ask your provider what that value is.

- **Tapered annual allowance:** A 'reduced' Annual Allowance applies to members with an adjusted income of over £150,000 and who have a threshold income in excess of £110,000. Where a member is subject to the tapered annual allowance, the annual allowance will be reduced by £1 for every £2 by which their income exceeds £150,000, subject to a maximum reduction of £30,000. Therefore, any member receiving an income of £210,000 or more would have a reduced annual allowance of £10,000. In addition to the new tapered annual allowance, members receiving an income under the flexible pension options are subject to the Money Purchase Annual Allowance and both of these rules could apply to certain members. In some circumstances this could reduce the Annual Allowance to nil.

- **Money purchase annual allowance:** Currently £4,000. Could affect you if you have taken flexible pension benefits after 5 April 2015 or held flexible drawdown before 6 April 2015. The pension provider through which you took these benefits may have told you if this applies. This allowance is calculated in a similar way to the annual allowance, but only includes money purchase contributions and you cannot use carry forward. If this limit ever applies to you, you must let us know.

Carry forward: You may be able to pay in more than the annual allowance by carrying forward unused annual allowance from previous tax years. Please get in touch if you'd like to discuss this option.

Lifetime allowance: This is the total you can accumulate in pensions and is £1,055,000 in 2019/20. It is measured when retirement benefits are taken and at age 75. It takes into account all private and work pensions, including those from which you already take an income. There may be a significant tax charge on any excess. This could affect those with a defined benefit pension income of over £40,000 a year.

Enhanced or fixed protection: If you have applied to HMRC for enhanced or fixed protection against the lifetime allowance, further contributions will invalidate the protection.

Recycling: If you significantly increase pension contributions in the year of taking tax-free cash from a pension or in the two years before or after, this may be deemed as recycling of tax-free cash and subject to a punitive tax charge.

Pension transfer checklist

Depending on the pension you are considering transferring, you may lose certain benefits if you choose to transfer to True Potential Investor. These benefits may be more valuable if you are approaching retirement.

The following factors commonly apply:

- Some pension providers apply 'Market Value Adjustments or Reductions', 'Transfer Penalties' or 'Exit Fees'. These could reduce your pension fund if you transfer.
- You could lose valuable guarantees on annuity rates, growth, bonuses, minimum retirement incomes, discretionary bonus rates or a potential decumulation bonus.
- Your pension will be transferred as cash. While your pension is in cash you will not make investment loses or gains. This may not work in your favour.
- Defined Benefit, e.g. final salary, pension schemes generally prevent transfers to money purchase pensions, unless you have received personal advice from a financial adviser who holds the appropriate pension transfer qualifications. This can include money purchase pension schemes with guarantees, such as enhanced or guaranteed annuity rates. Some government pension schemes may not permit any such transfers. It is rarely a good idea to transfer 'Deferred Annuities' as they promise to pay a hard-to-beat retirement income. An Additional Voluntary Contribution (AVC) linked to a defined benefit scheme could give a higher pension and/or tax-free cash entitlement if not transferred, we normally insist you take advice to confirm it is in your interests to transfer such pensions.

In some cases, you could also lose:

- Employer contributions or other benefits if transferring a work pension.
- A tax-free cash rate higher than the usual 25%, if transferring some occupational pensions, or pensions that have received a transfer from them.
- The ability to retire before age 55.
- Enhanced or fixed protection against the lifetime allowance (this is rare).
- Gender-specific annuity rates which could benefit males.
- While your pension is in cash you will not make investment losses or gains. This may not work in your favour.
- Life insurance or waiver of premium insurance. We do not check what benefits you would lose or penalties you would incur. It is your responsibility to ensure a transfer is right for you.

If you are at all unsure a transfer is right for you, please contact a financial adviser before proceeding.

true potential investor

Head Office: Gateway West, Newburn Riverside, Newcastle upon Tyne, NE15 8NX
T: 0800 046 8007 E: support@tpinvestor.com W: tpinvestor.com

August 2019