



The Spectrum IFA Group

Independent Financial Advisers

QROPS

With Care, You Prosper

QROPS - Qualifying Recognised Overseas

Legislation introduced in April 2006 provided 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 10 Year rule

For the first ten 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 ten years of the member's non UK residence the reporting requirement falls away. If a payment is made within 5 tax years of the member becoming non-resident in the UK, it is subject to the member payment provisions. This is generally a 55% tax penalty on any excess payment made during this period. Please note; you do not have to have left the UK for five 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.

Pension schemes

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.

options. These will include choosing the amount of your fund you wish to take as a Pension Commencement Lump Sum. You will be given the option to take withdrawals from your investments in your QROPS according to a figure provided by the Government Actuary Department (GAD). The maximum figure is calculated using Gilt 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. 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

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 us for a free no obligation analysis of all your pensions.

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

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. Maltese and other QROPS allow this type of transfer free of any tax.

QROPS - Frequently Asked Questions

UK Pension Transfer or 'QROPS' – what does it mean?

A Qualifying Recognised Overseas Pension Scheme (QROPS) is a pension scheme transferred or opened outside the UK that meets requirements set by HMRC in the United Kingdom

If I eventually plan to return to the UK, what would this mean for my Transferred Pension?

If you intend to return to the UK permanently or to work, your Transferred Pension will become subject to the same regulations and tax treatments as a UK domiciled pension. It may then make sense to move it back to the UK as a 'Self-Invested Pension Plan' (SIPP) for efficiency.

However, if it is your intention to move back to the UK in the future then it is usually inappropriate to transfer your UK pension to a QROPS.

I might want to change location, will this affect my Transferred Pension?

If you live or work in another country, for example you move from Spain to Switzerland, your overseas pension will stay in the jurisdiction it was set up in. You can continue to make contributions regardless of what country you are living (remember though that if you move back to the UK, your pension will be bound by UK pension regulations). You can receive income and contribute to your Transferred Pension in any currency; so even if you move to several different locations, you can still use your Transferred Pension (QROPS).

If you are taking income and then move to another country, the amount of income tax you pay would vary from country to country.

What currencies can I have my UK Pension in once it is transferred?

Your plan can be denominated in Sterling, Euros, US Dollars, and many other currencies on request. Should it be beneficial to you, the currency can be changed at any stage cost effectively.

I have a UK state pension scheme, is it possible to transfer this also?

It is not possible to transfer a UK state pension overseas – UK transfer applies to your corporate and private pension schemes only.

If I have already taken an annuity, can I still transfer my UK pension overseas?

No, it is no longer possible to transfer your UK pension if you have already taken an annuity.

Do I still need to purchase an annuity once my UK pension has been transferred overseas?

No, you do not need to purchase an annuity once you have transferred your pension overseas.

When can I access my UK pension?

The retirement date for a transferred pension can usually be any time between the member's 55th and 75th birthday. Different QROPS jurisdictions may have slightly different age limits, ie Malta's top age limit is age 70.

How much does it cost to transfer my UK pension and set up a Qualified Recognised Overseas Pension?

QROPS costs differ depending on the scheme, location and the service level that you require. The main costs you will be looking at are the initial set-up fee and an annual management fee. They are generally slightly more expensive than a UK pension for the first 5 years and then on a par.

Can I manage the assets within my Transferred Pension myself?

It depends on the provider you decide on – some allow you to manage your own assets, while others insist on managing them for you. We suggest you use a financial adviser for guidance, even if you wish to manage your pension assets yourself. Contact us for more information.

What assets can be transferred to a QROPS?

Most UK pension schemes, and the underlying assets, other than the UK State pension can be transferred overseas (as a QROPS). We recommend an independent evaluation of your schemes to find out which are eligible. Contact us for more information.

Can I transfer more than one UK pension overseas into a QROPS?

There is no limit on how many pension transfers a QROPS may receive provided that each scheme relates to the same member. Overseas pensions are a good way of consolidating and managing several schemes in to one.

Is there a minimum transfer value to transfer my UK pensions?

We generally suggest that the combined value of pensions transferred into an overseas pension (QROPS) should exceed £50,000 as an absolute minimum for the scheme to be beneficial to the member. However in the majority of cases it is more appropriate for the final transfer value to exceed £75,000.

Can I keep the same pension funds in my UK pension?

Potentially yes, it is possible to transfer your funds ‘In Specie’ meaning you keep the existing funds and investments from your UK pension.

Can I still contribute to my transferred pension?

You can receive income and contribute to your Transferred Pension in any currency; so even if you move to several different locations, you can still use your Transferred Pension (QROPS).

How much of the fund can I take as a lump sum?

At the member’s nominated retirement date it is usually possible to take up to 30% of the value of the fund as a lump sum. The lump sum must precede the pension and is a one off payment. For members who have been non-UK resident for less than five full, consecutive tax years the maximum will be 25% of the fund transferred from the UK.

How is my pension calculated?

The basis for the pension withdrawal is calculated using the limits defined by the UK Government

Actuaries Department (GAD) tables. . The GAD rates are dependent on your age and the 15 year Gilt rates. Then the maximum income allowable is 120% of this GAD rate. This is in line with the UK drawdown rules. In all cases, the maximum pension level will be reviewed at least every three years and after the maximum age of 70 or 75, depending on jurisdiction, it will usually be reviewed yearly.

How will my pension be taxed once outside the UK?

As long as there is a Double Taxation Agreement the income is paid Gross and then you are taxed in the country that you are resident in via your tax declaration, again each QROPS jurisdictions rules will vary slightly. In essence you should be no worse off than if you were receiving the pension in the UK or maybe even better off.

What if I die?

Depending on where your next of kin resides then the QROPS can either be paid out in its entirety or be structured so it rolls into a trust for the benefit of your next of kin.

Who will receive my pension when I die?

Your designate as beneficiaries, or, according to your Last Will and Testament.

Can I transfer my UK pension into a QROPS myself?

No. Only appointed intermediaries are allowed to do a QROPS Pension Transfer. This is because you need to have expert advice on this as well as the paperwork being intensive.

I don't have all the details regarding my UK pensions, what can I do?

With some basic information we can trace most pensions.

How do I know if my UK Pension Transfer scheme is HMRC approved?

The current list of eligible QROPS Pension Transfer schemes can be found here: www.hmrc.gov.uk/PENSIONSCHEMES/qrops.pdf

How does a QROPS work?

In effect it is similar to a UK pension except it's held in a trust, which reports to the HMRC each year to confirm your pension is safe and adhering to the rules.

What UK pensions can be considered for a Pension Transfer?

- Personal Pensions
- Final Salary Pensions
- Money Purchase Section 32 and Section 226
- FURB/URB
- Civil Service & Armed Forces
- Protected Rights/GMP

When should I not transfer my 'frozen' pension?

Each instance varies and you will require the advice of a pension professional. Contact us.

What is the minimum age I can draw benefit and how much?

From age 55 year you can take up to 30% lump sum of your fund. 70% minimum, remaining funds need to provide 'income for life'.

Example when QROPS is a good idea

A Client is aged 65 and lives in France and has done for more than 5 full UK tax years. The client has no intention to return to the UK. The client wishes to take the maximum Pension Commencement Lump Sum (PCLS) and immediately draw an income from the remaining pension fund. The existing UK pension scheme is a Money Purchase Scheme and does not have any guarantees attached to it. The client is being charged 1% per annum plus annual fund management charges by his UK provider and the pension has a transfer value of £200,000.

In the event the client passes away he wishes his pension fund to pass as a lump sum to his wife. Were he to pass away after crystallising his pension, by taking the PCLS, the fund would be subject to a 55% UK tax charge before being passed on to his widow.

Following a detailed analysis of his UK scheme, including the cost and tax implications, the client decides to go ahead with a transfer under the QROPS provisions to a Malta registered and recognised provider.

The QROPS costs are £895 set up fee and £895 per annum (in some cases these fees can be less). The investments are administered for a cost of 1% per annum plus annual fund management charges.

The client receives 30% of his pension pot as a PCLS, which is taxed in France at a rate of 7.5%. Had the client left the pension in the UK, he would

be able to take only 25% PCLS and it would still be taxed in France.

He then draws an income of 120% of UK GAD rates, which is paid to him gross by the Maltese QROPS provider, as Malta has a Double Taxation Treaty in place with France. He declares this income on his French Tax return. The funds used in his portfolio are all purchased without initial charges or commissions. They are all daily traded and none are subject to any penalty charges if they are sold. The funds purchased to provide income are managed by some of the very top investment houses in the business; for example, BlackRock, JP Morgan Asset Management, Jupiter Asset Management, Kames Capital and Henderson Global Investors.

Cons:

- The additional costs are only the £895 set up fee and £895 annual charge.

Pros:

- The client has been able to withdraw an additional 5% of the fund as a PCLS.
 - On death the client's pension pot will pass in its entirety to his widow.
 - The client is able to mitigate potential currency risks.
 - Increased Flexibility (i.e. a normal Personal Pension Plan does not allow draw down)
 - Consolidation of pension plans making them easier to manage
-



The Spectrum IFA Group

Independent Financial Advisers

FRANCE

TSG Insurance Services S.A.R.L.
Siège Social: 34 Bd des Italiens, 75009 Paris
« Société de Courtage d'assurances »
R.C.S. Paris B 447 609 108 (2003B04384)
Numéro d'immatriculation 07 025 332 - www.orias.fr
« Conseiller en investissements financiers », référencé sous
le numéro E002440 par ANACOFI-CIF, association agréée
par l'Autorité des Marchés Financiers »

NETHERLANDS

TSG Insurance Services S.A.R.L. (Netherlands Branch)
Incorporation number 34295301
Strawinskylaan 3051, 1077 ZX, Amsterdam
TSG Insurance Services S.A.R.L.
Siège Social: 34 Bd des Italiens, 75009 Paris
« Société de Courtage d'assurances »
R.C.S. Paris B 447 609 108 (2003B04384)
Numéro d'immatriculation 07 025 332 - www.orias.fr
« Conseiller en investissements financiers », référencé sous
le numéro E002440 par ANACOFI-CIF, association agréée
par l'Autorité des Marchés Financiers »

LUXEMBOURG

TSG Insurance Services S.A.R.L. (Luxembourg Branch)
RCS Luxembourg: B 95136
11, avenue Guillaume, L-1651 Luxembourg.
TSG Insurance Services S.A.R.L.
Siège Social: 34 Bd des Italiens, 75009 Paris
« Société de Courtage d'assurances »
R.C.S. Paris B 447 609 108 (2003B04384)
Numéro d'immatriculation 07 025 332 - www.orias.fr
« Conseiller en investissements financiers », référencé sous
le numéro E002440 par ANACOFI-CIF, association agréée
par l'Autorité des Marchés Financiers »

SPAIN

Baskerville Advisers S.L. CIF B-63/137.020
Correduría de Seguros; No de registro RDGS J2306;
Paseo de Gracia 63, principal, 2a, 08008, Barcelona
Seguro responsabilidad civil AIG Europe No0131900503.1330
Registro Mercantil de Barcelona, Tomo 35489,
Folio 170, Seccion 8, Hoja B-269534

ITALY

TSG Insurance Services (Rome branch)
Via Livorno, 45, piano I, interno 3, Roma.
TSG Insurance Services S.A.R.L.
Siège Social: 34 Bd des Italiens, 75009 Paris
« Société de Courtage d'assurances »
R.C.S. Paris B 447 609 108 (2003B04384)
Numéro d'immatriculation 07 025 332 - www.orias.fr
« Conseiller en investissements financiers », référencé sous
le numéro E002440 par ANACOFI-CIF, association agréée
par l'Autorité des Marchés Financiers »

SWITZERLAND

TSG Insurance Services S.A.R.L. (Lausanne Branch)
No Ref: 2009/02231 No Fed: CH-550-1057049-3
Avenue d'Ouchy 14, 1006 Lausanne, Switzerland.
Regulated by FINMA. Licence Number: 25488
TSG Insurance Services S.A.R.L.
R.C.S. Paris B 447 609 108 (2003B04384)
Siège Social: 34 Bd des Italiens, 75009 Paris, France.
« Société de Courtage d'assurances »
Numéro d'immatriculation 07 025 332 - www.orias.fr
« Conseiller en investissements financiers », référencé sous
le numéro E002440 par ANACOFI-CIF, association agréée
par l'Autorité des Marchés Financiers »

For further information please visit www.spectrum-ifa.com
or email info@spectrum-ifa.com