

FINAL SALARY PENSIONS (FSP)

Verifying Transfer Values

Summary

Some of the most common questions I get asked are - What is a good transfer value? How do I know? What if mine is not good? What can I do? How are they calculated? Just like the River Mole, what at first glance, seems obvious...reveals itself to be the dark and hidden, swirling depths of today's globally complex economy, the markets, inflation, tax changes, budget changes, legislation.

What is a Transfer Value?

- A cash sum in exchange for the full pension benefits offered by the final salary pension scheme. The cash sum must be transferred into a private pension.
- This is pretty clear to most people.

How do you know you can get a Transfer Value, and can I transfer it?

When you leave or have left the Scheme, the leaving statement would have given you three options:

- 1 A pension at normal retirement date (greater than 2 years' service only)
- 2 A transfer value
- 3 Refund of contributions less tax (for those with less than 2 years' service only).

How do I get a Transfer Value?

- You must write to the Trustees or Administrators of the Scheme. Once you have received the transfer value you have 90 days to make a decision. The decision will be to either take the transfer value offered or leave it where it is. This will come with a pack of other information.
- If you decide to take the transfer value on offer, you then must decide where to transfer it to. Will they accept the transfer? Is it right for you?
- Unless the transfer value is below £30,000 it must be signed off by an authorised IFA.

How do I know if it is a good one or a bad one?

- We have found that most people don't know how to assess what would be a good offer.
- Generally, anything under 20 times the re-valued pension to date is poor. The re-valued pension to date is a re-calculated pension from the date of leaving to date. The pension usually includes a spouse's pension of half of the member's pension or two thirds of the members pension.



Trentham
Invest Ltd

01306 881999

enquiries@trenthaminvest.co.uk

www.trenthaminvest.co.uk

Trentham Invest Ltd specialises in providing relationship-based independent financial advice. Nicola Downs is the Director and Independent Financial Adviser. She has built the company on the philosophy of openness and honesty that is so important to her. Nicola has spent most of her working life in Financial Services and has acquired invaluable experience and knowledge working in the City prior to setting up her business in the Mole Valley. Nicola has specialist qualifications in Corporate and Personal Pensions, Taxation and Trusts, as well as Investment Portfolio Planning. These Industry-recognised accreditations mean Nicola is highly qualified and experienced IFA in the UK.



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If it is a bad Transfer Value, what are my options?

You can leave it where it is and then ask for another transfer value in a year's time. You can continue to ask for a transfer value each year until (ideally) you get a good one.

What is a good Transfer Value?

One of the criteria to consider is between 30 times and 40 times the re-valued pension to date. The pension at date of leaving needs to be re-calculated to the date of the transfer value on offer.

What can I do with a Transfer Value that I can't do with it in the scheme?

- Effectively you can release bits of tax-free cash when you need it from age 55.
- You can stop and start the income when you need it.
- You can pass 100% of the pot on to your family or loved ones if you don't use or spend the money.
- You can also exchange the cash funds to buy a commercial property that is owned by the pot, and then remains in the pension wrapper.

Conclusion

Trentham Invest have created a series of stepping stones. A means whereby you can be guided – step by careful step - to make an informed decision that is right for you. Just like an Enigma message, every pension is different, even if it's from the same provider. You cannot apply the same set of rules from one pension the next. Understanding this principle means we will treat you as an individual.