

Pensions



YOUR GUIDE TO QROPS

HOW TO GET THE MOST OUT
OF YOUR UK PENSION FUNDS
WHILST LIVING ABROAD

YOUR E-BOOK
from United Advisers

INCLUDING
Budget 2017 Update

IMPORTANT NOTICE

BUDGET 2017



The image shows a close-up of a hand in a dark suit jacket holding the handle of a red, textured briefcase. The briefcase has a gold-colored crown emblem and the text 'CHANCELLOR OF THE EXCHEQUER' embossed on it. Overlaid on the image in large, white, semi-transparent letters is the text 'QROPS CHANGES BUDGET 2017'.

QROPS CHANGES

BUDGET 2017

The 2017 Budget, on 8th March 2017, brought significant changes to QROPS and pension options available to expats. The changes fall into three groups. Changes that;

1. take effect from 9th March 2017, the day following the Budget announcement.
2. become effective from 6th April 2017, and;
3. affect all QROPS schemes.

These changes do not affect SIPP (Self Invested Personal Pension).

We have summarised the changes on the facing page.

IMPORTANT NOTICE

BUDGET 2017

Changes from 9th March 2017

The changes apply where the transferring scheme receives a request to transfer the proceeds of a UK pension scheme to a QROPS scheme on or after 9th March 2017.

An up-front 25% tax – an “Overseas Transfer Charge”, will be due when the pension is transferred unless one of the following applies.

- a) The QROPS is located, and the member is tax-resident, in the European Economic Area (EEA).
- b) The member is tax-resident in the same jurisdiction as the QROPS. (e.g. member and QROPS both in New Zealand).

If, however, within the five tax years following a transfer, the member’s circumstances change, removing either exemption, the tax is then due.

Regardless of member or scheme location, if the transfer goes to a QROPS designated (by HMRC regulations) as an International, public-service, or occupational pension scheme, an Overseas Transfer Charge will not be applied.

Changes from 6th April 2017

Where:

- Transfer to a QROPS schemes is made on or after 6th April 2017, AND;
- The member takes benefits within five years of the transfer, then;

UK tax rules will apply.

Changes affecting all QROPS schemes

All current QROPS schemes that wish to remain QROPS schemes must undertake to operate the new legislation in writing to HMRC by 13th April 2017.

Any scheme failing to do so will cease to be a QROPS and, while HMRC may elect not to pursue tax falling due, members of such schemes could, in theory, be liable to the tax charges detailed here.

If you are unsure whether these changes might affect you, or need help and guidance about your options both now and in the future, please talk to us.



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02.

QROPS - THE RIGHT SOLUTION FOR YOU?

- Are you currently **living abroad**?
- Do you **plan to move abroad** in the next 12 months?
- Do you have a **personal pension** aka **private pension**?
- Do you have a **company** (aka **occupational, final Salary** or **defined Benefit**) pension?
- Would you like to have the **flexibility** of an overseas pension?
- Do you have **bills or expenses in another currency** other than sterling?
- Would you like to **protect your pension** from double taxation?
- Interested in **securing pension payments** for your loved ones and capping inheritance tax?
- Want to **remove the Lifetime Allowance Cap** from your pension?
- Does being able to **withdraw up to 30% of your pension** as a lump sum interest you?
- Is **income tax** in your current country of residence **lower** than that in the UK?
- Do you have **several funds** you would like to consolidate?



If you have **answered yes** to any of these questions then a QROPS could be an excellent solution for you. An increasing percentage of people spend between a quarter and a third of their lives in retirement. This makes your pension fund one of your top financial decisions.

FOCUS ON



YOUR FUTURE



Put simply, this is a scheme made available to all expats or UK residents who live or are planning to move abroad. You need to have funds invested in a UK pension scheme to be able to benefit from a QROPS but **you don't need to be a UK citizen**. If you have **worked in the UK** and now would like to withdraw your pension in your home currency, rather than being prone to exchange rate fluctuations, a QROPS is a fantastic option for you.

THE KEY BENEFITS EXPLAINED

Tax advantages

One of the greatest financial freedoms of a QROPS is that its location isn't limited to your current country of residency. This means you can benefit from a QROPS in a tax-free jurisdiction. Whilst the sums you choose to withdraw will be liable for tax based on the thresholds of your country of residency, the capital growth on your pension will be tax-free. Furthermore, you can withdraw sums based on your preference for tax thresholds.

Pass on more of your pension

While we all hope to be able to enjoy our pensions with our loved ones, it is important to think about passing on the benefits.

The majority of schemes will only offer your spouse up to 50% of the value of your pension should the worst arise. However, with a QROPS you can ensure that they receive the full benefit.

This can make a significant difference to their income and lifestyle. In addition to this, unlike a UK based pension, you can pass on the full benefits without incurring a UK tax liability or charge.

Annuity advantages

There are a number of ways that proceeds can be drawn from a QROPS pension scheme. Unlike many schemes in the UK you are not forced to pay the proceeds into an annuity.

Single investment flexibility

If you left the UK over five years ago you can receive a higher Pension Commencement Lump Sum (PCLS). This allows you to withdraw up to 30% of your pension fund from the age of 55.

Beat currency fluctuations

There are no guarantees around exchange rates. If you have bills or other financial commitments in a currency other than sterling you could benefit from having your pension payments in another currency. The currency of your QROPS is completely your decision. This gives you flexibility if you want to move your pension out of the UK but prefer to keep it in sterling. You can always transfer the assets you hold within the scheme to assets in another currency should circumstances change.

A bespoke investment solution

At United Advisers we will take the time to get to know you and your personal circumstances. This will help us build a bespoke portfolio that caters to your financial objectives.

Understanding your tax position, your risk preferences and your lifestyle all help us to employ the right investment opportunities.

Lock in your lifetime allowance

The current threshold is set at £1 million, but this is set to reduce to £750,000 in April 2017. It is always worth staying up to date with the changes in lifetime allowance. With a standard UK pension you will be charged 25% tax on the excess should this be converted to an income. Should you decide to remove the excess as a single withdrawal you will be liable for 55% tax. With a QROPS your lifetime allowance is 'protected'. Should the UK government decrease the allowance threshold you would be protected up to the value of the threshold at the time of transfer. Should you return to the UK you will not be liable to any new lifetime allowance fees.

DO I LOSE THESE ADVANTAGES IF I RETURN TO THE UK?

No!

If you decide a life abroad isn't right for you, then you can bring your pension back with you. Upon your return your QROPS will be treated as a UK registered pension scheme, however, the removal of the lifetime allowance remains. This represents a significant advantage for QROPS holders over traditional UK pension holders. There is also the secondary advantage that only 90% of your pension income will be liable for tax on your return. This is because your income, whilst subject to UK taxation, is now classified as foreign source pension.



CASE STUDY: PROTECTION FROM CORPORATE MISMANAGEMENT

Paul had left the UK for a job in Geneva and had a good final salary pension from his previous employer, a large UK-based conglomerate.

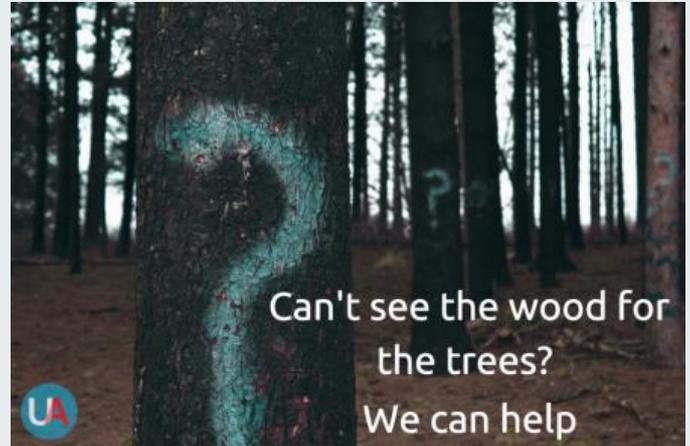
Many expats worry about the management of their private pensions and the risks involved in corporate pension management. Given the recent mismanagement of corporate pensions, BHS to name but one, it is easy to understand why. This is the reasoning behind Paul approaching United Advisers.

A corporate pension would normally be regarded as a secure investment. However, Paul was concerned about the long-term sustainability of the scheme and the security of its benefits. Paul was happy to know he could choose which currency his QROPS was denominated in.

As he didn't know how long he would remain abroad, Paul chose to keep his QROPS in sterling. In contrast to what was available to him when his money was held in his final salary pension, Paul was able to maximise his investment by taking advantage of a bespoke investment strategy.

WHAT ARE THE LIMITATIONS?

The scheme you want to move your pension to must be registered with HMRC, and be fully compliant with the standards of the jurisdiction it is domiciled in. Your chosen QROPS provider must also be recognised for tax purposes in the country where the QROPS is established. This is something your financial adviser will be able to advise you about when you are looking at moving your pension.



CASE STUDY: PENSION CONSOLIDATION

Since beginning his career in the UK, James has made a number of international career moves across a number of companies. This resulted in him holding four different pensions; two private pensions and two company schemes.

James wanted to understand how consolidating his four pensions into one might work and what benefits would result. One of the challenges James faced as a result of moving frequently and having a demanding job, is that he had little time for personal administration. Understandably, any decisions that resulted in reducing the amount of time he needed to spend managing his pensions were more than welcome!

Consolidation was an ideal option for James. This meant one pension pot, one set of admin tasks and one relationship to manage with someone that understood his specific needs. United Advisers undertook the administrative tasks associated with managing James's pension, allowing him to focus on the more important and interesting elements of his life abroad.

United Advisers presents James with any relevant investment opportunities for his approval before making any modifications to his portfolio. Since consolidating his pensions, through regular review and forward planning meetings, James finds it easier to understand the performance of his investments. He is clearer about the direction of his investments and pension. This means he feels more in control of making decisions about his, and his family's, future.

QROPS FAQ

What are the alternatives to QROPS?

Self Invested Personal Pension Schemes (SIPPS) and the newer 'Qualified Non-UK Pension Scheme' (QNUPS) are the most popular alternatives to QROPS. Generally, SIPPS have fewer advantages. QNUPS, whilst offering slightly more flexibility in terms of fund options, are a much newer solution. Speak to our advisors about both of these schemes if you feel QROPS isn't right for you.

Is there a minimum sum for a QROPS transfer?

There are no legal thresholds but we recommend you have between £25,000 and £50,000 as a minimum investment. It is worth consulting us for a proper valuation of your pension funds so we can correctly establish whether QROPS is the right option for you.

I have multiple pensions, how will this work with QROPS?

QROPS can combine pensions from multiple sources. This means you will receive one statement from one pension scheme. Consolidating your investments inevitably gives you more capital to invest, meaning you will be able to take advantage of a greater number of funds leading to a greater likelihood of more favourable returns. Only having one account to manage will also make it easier to track the value of your pension pot.



The exchange rate is currently poor for sterling to euro, should I really be transferring my pension now?

One of the advantages of QROPS is you can nominate the currency your scheme is denominated in and decide which currency you want the underlying investments held within your scheme to be in. If there is an unfavourable exchange rate when you are moving your pension you can denominate your QROPS in pounds sterling and invest in sterling underlying investments. This will help diminish the effects of currency exchange while still giving you access to all other QROPS benefits. Once exchange rates are favourable you can move underlying investments in your scheme to investments in your preferred currency. This gives you complete flexibility and control over your pension, something you are not able to do if you keep it in the UK scheme.

HOW TO TRANSFER YOUR PENSION

1. **Get in touch with United Advisers** for an initial consultation

2. Together we will complete a pension information request form and we will submit this to your current pension fund providers. This will give the total value of your pension funds

3. Once your current fund providers have received the request they will reply to both United Advisers and yourself to inform you of your fund value

4. We will supply you with a comprehensive report containing details about your pension and our recommendations

5. We will arrange a follow-up meeting to discuss your recommendations and, if QROPS is the right decision, we complete the transfer request

6. You will then receive your QROPS fund details and your United Advisers welcome pack



CASE STUDY: INHERITANCE PROTECTION

David was living in Luxembourg and had made the decision to remain rather than returning back to the UK. He had a UK Civil Service Pension and hoped it would be possible to move it to a QROPS, but was not sure he would qualify.

The main motivation for David was to make sure his son had access to the money invested in his pension should something happen to him in the future. Had the money remained in the UK Civil Service Scheme then it was certain his son would not be entitled to benefit. A QROPS looked to be a good solution, but David didn't know how to move forward. He wanted to be confident his pension would be protected, and wouldn't lose value during the transfer from the Civil Service Scheme.

David sought help from United Advisers. The initial meeting with United Advisers included a very informative discussion about the pros and cons of moving the pension and how the pension would be moved. With David's permission to move forward, United Advisers contacted the Civil Service Pension Scheme on his behalf.

United Advisers obtained all the necessary details about the pension. A meeting was then organized with David to discuss their findings and offer advice about the viability of moving the pension to a QROPS. The decision was made to move David's pension into a QROPS where the proceeds from the pension scheme would be invested in an open-architecture Trustee managed bond.

This was the best decision for David because it offered a safe, secure investment platform whilst maximising investment choice. United Advisers then managed the transfer of the pension, and investment of the proceeds into a selection of funds within the bond that matched David's risk preference and financial performance goals.

David says: ***"This was a complex issue I had neither the knowledge or resources to tackle and, without United Advisers understanding the issues and taking on the job, I daresay my pension would still be in the Civil Service pension pot and, because of a change of legislation since, stopping transfers from Civil Service schemes to QROPS, I would now be unable to move it, and my son would never benefit from it"***

WHY WORK WITH UNITED ADVISERS?



Since QROPS launched in April 2006, United Advisers Group have provided much needed guidance to expats across Europe. As independent financial advisers, we are able to offer unique packages and solutions to our clients.

Clients tell us that what they value the most is the personal service we offer

When working with United Advisers you will have a close relationship with your Wealth Manager. Your adviser will always start by talking with you about your goals, and what you want to achieve in short, medium, and longer terms. We work with you to ensure continuing collaboration that effectively organises your finances to help you achieve your goals.

- 1** Crafting a comprehensive plan based on a clear understanding of your needs
- 2** An appropriate legal framework to hold and transfer assets
- 3** An effective trust and strategy for reducing inheritance tax liabilities
- 4** An institutional class investment service, low cost and risk managed
- 5** Clear and concise communication
- 6** Complete cost transparency

A SERVICE YOU CAN TRUST

“Provided highly relevant information and expert advice.”

Patricia Tibbels

Former Director of Buildings, Logistics, and Documentation at European Investment Bank



“The right balance between being results-driven and ensuring engagement and support”

Cyril Amon

Problem Manager at Euroclear

“I have no hesitation in recommending this company to fellow ex-pats and investors”

John Biscomb

Independent Financial and Corporate Consultant



CASE STUDY: QUICK TRANSFER

Thomas was an existing United Advisers client, his primary concern being the security and welfare of his wife and family in the future.

For personal health reasons, it was vital the transfer from Thomas's UK pension provider to a QROPS was managed quickly and efficiently. It was important that Thomas and his family were not distracted by unnecessary administration.

United Advisers were able to manage the transfer process end-to-end and reduce Thomas's involvement as much as possible. Moving to a QROPS has meant that Thomas's wife is able to claim the full benefit of his pension. This will make a significant difference to her lifestyle and quality of life should anything happen to Thomas.

Thomas also decided to take 30% of the £120,000 pension immediately; a benefit he would not have had the luxury of had he not moved to a QROPS. United Advisers invested the balance to produce a rolled up income. This can be made available as a drawdown income to Thomas, or to his wife should his pension be inherited.

GET IN TOUCH

If you are interested in learning more about QROPS and how to transfer your pension then please get in touch with our pensions specialist, Olivia, who will be happy to advise you.



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What will **your**
pension
be
worth?



NOTES

Please use this page to make notes, or record questions you want to ask, when you come and see us.

“Always on top of things and has excellent knowledge of the financial world”

Daniel Capuano
Director General at Medstent

LEGAL

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