



# PENSION MATTERS



A guide to  
**RETIRING  
ABROAD**

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# Introduction



If you are already, or planning to retire or live abroad, then this guide should help you.

It highlights some of the financial planning opportunities available to you by transferring your UK pension beyond the shores of the UK.

We will provide you with some of the answers to the most frequently asked questions on this complex topic and help that you decide if it would be in your interest to move your pension plans beyond the reach of the UK Inland Revenue.

We have sought to avoid much of the jargon and make this as plain English as possible, however pensions legislation is complex so please bear with us and remember if you require clarification on any point we are only an email away!

One very important point to remember is that this guide is based on our understanding of current legislation and there will inevitably be changes in the future that could affect the benefits of transferring your pension into an overseas scheme.

Anyone with a UK pension scheme who now lives, or plans to live abroad can transfer their existing pension provisions into an overseas pension scheme known as

a QROPS (Qualifying Recognised Overseas Pensions Scheme). The financial benefits can be substantial if planned properly and by planning in advance you could improve the investment growth, flexibility and future financial security of your retirement income, not to mention substantially reduce the tax you pay on your pension.

As with any form of financial advice, we would strongly recommend that you only work with the highest qualified professionals. All of our QROPS processing is completed by chartered financial planners that are FCA registered advisers that you can verify independently. Our aim is to maximize your expatriate status and help you achieve your financial goals by getting more out of your pension. We will only ever help you transfer to overseas pension plans that are recognised by HMRC so hopefully there won't be any nasty surprises from the 'taxman' in the future!

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Chartered Financial Planner

# State pensions



If you have any questions in relation to the state pension benefits you are entitled to you can contact The Pensions Service which are a part of the Department of Work and Pensions in Newcastle upon Tyne.

The main contact number for the Department of Work and Pensions is 0845 60 60 265. Alternatively there is a vast amount of information on their website

**[www.thepensionsservice.gov.uk](http://www.thepensionsservice.gov.uk)** - which is user friendly and less frustrating than being passed from department to department on the telephone!

If you are unsure how much state pension you are entitled to you can request a State Pension Forecast which can be obtained by completing form BR19 (which can be downloaded and printed off from the website) or by completing the form online at :

**<http://www.thePensionsservice.gov.uk/resourcecentre/e-services/home.asp>**

The vast majority of countries have agreements with the UK for payment of pension and other social security benefits. If you are going to another country in the EU or a country which has a social security agreement with the UK, you might be able to get a benefit which you would not normally get abroad or you might be able to get a benefit which that country provides. Full details are available on a country by country basis in brochures on the Pension Service website noted above.

Payments of pensions can usually be made by BACS transfer to your bank at no cost to you and the taxation position will depend on your own residency status and the legislation of the country you are living in. We would strongly recommend that you seek local professional tax advice to ensure you are compliant with the local law and to avoid any nasty tax bills in the future.

It is just as easy to have any personal or former company pension schemes paid into your local bank as it is an account in the UK. You simply need to contact the scheme administrators to find out what their requirements are. If for any reason you have cannot locate a former employer due to company takeover or closure, the DWP offers a pension tracing service which can be found at:

**<http://www.thePensionsservice.gov.uk/atoz/atozdetailed/Pensiontracing.asp>**.

# State pensions

## Continued



In theory they have a record of every pension scheme in the UK and in fairness we have used them a number of times to trace pensions for clients and generally are successful, although like any organisation of this kind they are not exactly quick, so please allow plenty of time before your retirement.

Approximately 200,000 people permanently leave the UK every year and the majority of them will have pension benefits in some form. Whether you have personal pensions, company benefits or other arrangements there may be a number of reasons to consider transferring into a QROPS.

# Benefits to you



The attractions of a QROPS will vary from person to person but to give you a brief overview I have listed some of what I believe to be the main advantages.

How and if these apply to your own situation will only become apparent after considering your situation in greater detail.

- Take your pension benefits how and when you choose or not at all.
- No further Lifetime Allowance checks and potential 55% tax charge on the excess.
- No need to pay UK tax charges on death - Leave your entire Pension funds to your loved ones tax free, whatever your age.
- Take a tax free lump sum in excess of 25%
- Maximum investment freedom
- Take income and benefits in the currency and location of your choice.

The benefits of being in control of your pension fund are immense for those living abroad.

Not only can you benefit from being able to invest into a more diversified range of asset classes, but you can take a larger proportion of your pension tax free if it is structured correctly. There are also huge gains to be made in inheritance tax planning. On death after age 75, the value can be passed onto your loved ones without them incurring a tax liability (unlike in the UK).

If your pension is transferred to a QROPS under certain circumstances you may be able take a larger portion of your pension's value as a tax free lump sum than if it had remained in the UK.

What's more, you have a lot more flexibility as to how and when you take your pension income and when you die, or when your spouse dies, then your pension fund doesn't necessarily die with you. It means that your hard worked for pension can be passed on in line with your wishes – without potential payment of tax by your beneficiaries .

# What exactly are QROPS?



UK pensions were historically bound up in successive layers of legislation which not only caused confusion but created nothing less than 9 different sets of regulations.

Apart from providing for people's retirement the government's main motivation was to protect its tax take.

However in April 2006 'pensions simplification' was introduced which meant that not only did we have a single set of rules for everyone (as opposed to 9!) but most importantly a number of restrictions on taking pension benefits were lifted, especially for those individuals who were planning to live or retire abroad, or were already doing so.

Whilst the opportunity to transfer a UK based pension to an overseas scheme as always existed, transfers could only take place with Revenue approval and this approval effectively eradicated many of the potential tax advantages. Fortunately this position has now changed - for the time being anyway. I personally believe it is only a matter of time before HMRC realizes that they are being far too generous (in their view) and impose ever tighter restrictions on transfers out of the UK.

A Qualifying Recognised Overseas Pension Scheme (QROPS) as the name suggests, is a pension based outside the UK that has been recognised by HMRC to receive transfers from UK registered schemes. Due to the substantial tax benefits enjoyed by UK pensions there are very tight restrictions of the type of plans that can receive transfers. This is primarily

driven by the HMRC desire not to see their tax take reduce and therefore obtaining and retaining recognition for a QROPS is a very complex process. A list of such schemes can be found at:

<http://www.hmrc.gov.uk/PENSIONSCHEMES/qrops-list.htm>

There are literally hundreds available because as you can appreciate there are an ever increasing number of Brits who are emigrating, many of them to work in jobs that will offer them a pension scheme and they want the right to take their UK accrued pensions with them.

As well as a lot of the mainstream schemes such as the Australian Nurses Superannuation fund or the Canadian Civil Service Scheme there are more specialist schemes providing pensions for those that wish to plan their retirement on an individual basis and the right QROPS will very much depend on your own personal circumstances.

QROPS are available in all sorts of exotic locations and it is very important that you use one that is registered in a country that has a financial regulatory system that is as robust as that of the UK to reduce as far as possible any unforeseen problems that may arise.

# What exactly are QROPS? Continued



The HMRC list that contains all available QROPS is updated every month. If the Revenue believes a particular QROPS is being used to 'abuse' the UK tax system, recognition will be withdrawn. To receive recognition from the Revenue (and no UK insurance company or scheme trustee can transfer funds without this), the QROPS must meet certain stringent requirements.

The receiving scheme trustees are required as part of their registration as a qualifying recognised overseas pension scheme, to notify HMRC of any payment of pensions made to you. However the trustees do not have to notify HMRC if the relevant member (ie you!) is a person to whom the member payment charges set out in the Finance Act 2004 do not apply.

In simple terms;

**If the member (that's you!) is not a resident in the UK when the payment is made and has not been so resident for 10 tax years preceding the tax year in which the payment is made (paragraph 2 Schedule 34 Finance Act 2004) then no member charge will be imposed on payments from the scheme.**

Put simply, the trustees of the QROPS will not have to report to HMRC any payments made to you providing you are not tax resident in the UK in the tax year when the payment is made and have not been UK resident for tax purposes any of the previous tax 10 years.

A QROPS scheme may however, while complying with the above, be established in a country that taxes Pensions, but at a lower rate than the UK, sometimes even zero.

The real benefits come into play when you have been away from the UK for at least 10 years and do not intend to return for at least the foreseeable future. Once your pension schemes have been transferred into a QROPS, and you have been non-resident in the UK for at least 10 years, then the overseas QROPS provider no longer has to report any withdrawals or payments to the HMRC.

If the QROPS provider is in a country where payments from such schemes are not taxable then payments can be made to you without the deduction of tax (although you may be liable to tax on the income dependent on your country of residence at the time of receipt).

QROPS arrangements can potentially offer considerably more flexibility, greater income potential and more investment freedom than a UK Pension and with the correct advice the benefits can be substantial.



# Frequently asked questions



## **Will payments from my QROPS Pension fund be reported to HMRC in the UK?**

QROPS providers are required to notify HMRC of any payments out of your transferred Pensions. However this does not apply unless the member is:

- 1: Resident in the UK when the payment is made, or
- 2: Although not resident in the UK at that time, has been resident in the UK earlier in the tax year in which the payment is made or in any of the ten tax years immediately preceding that tax year

## **If I transfer my UK Pension into a QROPS will I have to take a Pension income?**

No, although you may if you wish if you are 55 years old.

## **What investment choice and freedom will I have with a QROPS?**

The investment choice will normally be very wide indeed. Under certain circumstances you can manage the assets yourself with total freedom or work with an investment manager/ financial adviser.

The investment range is more or less unlimited. It really depends what you are looking to achieve and how involved you would like to be with the investment decisions.

## **Will I pay a Lifetime Allowance charge?**

Your fund will be subject to a Lifetime Allowance test at the point of transfer, but there will be no further LTA tests – unlike if you leave your fund in the UK. There is no limit to the size of funds that may be accumulated within a QROPS.

## **When can I take benefits from my QROPS?**

You may begin accessing your Pension benefits as soon as you reach age 55.

## **What amount of benefits (income) can I take?**

There is no limit.

## **Once I have transferred my UK pension to a QROPS can I access my fund as a 100% lump sum?**

Yes! But if you do during the first 10 years you could well be liable to the full amount of UK income tax.

Pension fund access tax free can possibly be achieved by a subsequent transfer to take place into an international pension scheme, but I would not recommend transferring into a QROPS on this basis.

## **How will any benefits or withdrawals be taxed?**

Your fund will grow largely free of all taxes. The tax treatment of any income you receive will be dependent upon where you are tax resident at the time of the withdrawals.

# Frequently asked questions Continued



## **What will happen to my QROPS pension fund upon my death?**

With the better QROPS schemes, any funds remaining upon death will be paid to those nominated by you as beneficiaries. Dependent on your personal circumstances, significant tax planning opportunities may be possible.

## **I may go back to the UK in the future, can I still benefit?**

If you think there is a good chance that you will return to the UK you can still benefit from the wider investment flexibility and the avoidance of further Lifetime Allowance tests. Just because you return to the UK does not mean you have to repatriate your pension fund.

## **I have a UK SIPP and I have drawn an income, can I benefit?**

A QROPS can be used to receive transfer values from any UK registered pension scheme (other than annuities and with some QROPS occupational pensions) even where benefits are being taken. It may still be beneficial to transfer to a QROPS if you are non-UK resident and intend to remain so for the long-term

## **How long does a transfer to a QROPS take?**

Normally we can complete the transfer within 3 months but as we dependent upon the goodwill of insurance companies and UK pension scheme trustees to achieve this so we cannot guarantee it. However if for any reason your transfer is likely to take longer than this we will keep you informed as to the timescale and the reasons for it.

## **What factors do you take into account when recommending particular QROPS?**

Strong investor protection from a well established jurisdiction similar to that found in the UK, the reputation of the provider, transparency of charges, quality of administration and tax efficiency.

## **What factors would stop you recommending a QROPS for me?**

For example, you may have guaranteed benefits within your current scheme or there are certain ancillary benefits, such as children's pensions which are valuable to you and wouldn't be available in a QROPS, or there may be personal reasons why you would be better suited to remaining in your current pension scheme. We would examine all of these factors prior to making a recommendation to you.

## **Why should I pay you when could I organise a transfer into QROPS myself over the Internet?**

If only life were so simple! QROPS providers will only accept pension transfers from recognised advisers who are approved in their own regulatory environment such as The Financial Conduct Authority in the UK. Also if you organise it yourself you may forfeit your right to Investor protection.

# Costs



## This is the part you really need to read!)

In terms of costs these are usually calculated as a percentage of your fund value, the larger your fund the lower the charges will be. Typically your pension fund needs to be £100,000 but there are schemes available for less than this amount. QROPS are expensive to establish and administer typically involving 2 to 3 different layers of administration on an ongoing basis and the charges reflect this.

Also only those financial advisers that are suitably qualified are permitted to undertake this kind of activity and they tend to be those most highly qualified and will therefore be at the top end of the fee scale.

Typically the initial charge will be 4%- 5% of your total fund value reducing to 1% depending upon the size of your fund. So for example if your Pension fund is £200,000 you could potentially lose £10,000 in fees on day.

Additionally there will be annual administration payment to the provider which could be £1,000 plus annual management of your funds, normally

1-2% per annum and possibly payment to your financial adviser which could be a further 1% per annum so be under no illusion that QROPS are cheap!

These eye watering costs are of course made slightly more palatable in that your funds are growing in a virtually tax free environment and there is the potential to retain all of your fund for the future, and of course these charges are deducted from a fund on which you will already have received tax relief and will have been growing tax efficiently. Over time of course it is hoped that your Pension fund will grow tax efficiently to negate the effect of the charges on your fund completely.

There are advisers that will charge you by the hour but remember that with the level of expertise required you may well be looking at fees of £150-£250 per hour and it doesn't take very long for the fee to mount up and you will of course be invoiced every year thereafter for work undertaken and every time you wish to make amendments e.g. change the amount of income you take or switch investments you may well be presented with a bill.

I am not saying it is less desirable to pay by the hour but you should be absolutely clear with your advisers what you will be paying for and have this documented in your Terms of Business agreement. On the percentage basis you have full knowledge of the costs at outset, charging by the hour can open the door to never ending invoices. However there is no right or wrong answer it is the method that you feel most comfortable with.

# Costs

## Continued



Wherever your pension fund is currently it will almost certainly be incurring charges in some form and it is a case of sitting down to determine if the tax advantages and increased flexibility outweigh the additional costs and this is of course something that will vary for every individual.

Perhaps most importantly be very wary of advisers offering to transfer your fund for £250 or £500 (there is nearly always a very expensive sting in the tail!) and for those firms that are based outside the UK where regulatory oversight may not be as rigorous as the UK – in short be careful!

# What to do next



Your next step should be to contact us for a confidential appraisal of your situation.

Simply complete our enquiry form on our website

[www.pensionmatters.net](http://www.pensionmatters.net) or

e-mail us at

[service@pensionmatters.net](mailto:service@pensionmatters.net)

or call us direct on

**0191 404 6806**

For us to progress matters on your behalf we will require a Letter of Authority to be completed which allows us to approach your Pension providers and obtain the relevant information to begin our analysis of your situation.

If we feel it is in your interest to explore the QROPS route we will provide you with a full report documenting information on our recommended QROPS scheme most appropriate to your personal situation for you to evaluate at your leisure including all of the advantages and disadvantages of our proposed course of action.

If you require any additional information please don't hesitate to contact us.

Thank you for taking the time to read our guide.



If you'd to ask us any questions  
please get in touch with us:

0191 404 6806

[service@pensionmatters.net](mailto:service@pensionmatters.net)

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