Financial Planning Report

Prepared for:

Mr E X Ample

Prepared by:

A N Adviser
Independent Financial Adviser

PPOL

Caradoc House
Abbey Foregate
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Shropshire
SY2 6AP

06/04/2022

SUITABILITY REPORT

Introduction and Basis of Advice

I am authorised as an Independent Financial Adviser and I can confirm you have been provided with a copy of our Client Agreement, our Terms of Business, the services we offer and how we can be remunerated for these services.

The advice that follows is based on my understanding of your current financial position, objectives and characteristics. The report should be read in conjunction with the relevant product information, illustrations, fee disclosure and Key Features documents. I would stress that if you do not understand any of the information then please contact me as a matter of urgency.

I would also mention that if any relevant information has not been disclosed then this could affect the suitability of my advice.

Summary of Current Position

Name	Mr E X Ample
Date of Birth	29/08/1966
Gender	Male
Marital Status	Married
Occupation	Sales Manager
Employment Status	Employed
Tax Status	Basic Rate Taxpayer
Monthly Net Income (£)	2,500
Monthly Expenditure (£)	2,000
Total Investments (£)	50,000
Other Assets (£)	380,000
Total Liabilities (£)	108,000
Smoker	No
Health	Good

The figures shown above (excluding pensions) are those disclosed by you and recorded on our 'Your Information' document dated 5 March 2021. Your income is derived from your job salary and covers your regular expenditure. You confirmed you have no financial dependents at this time.

Your objectives are <insert free text and / or add an Executive Summary>

Environmental, Social & Governance Considerations

Environmental, Social and Governance (ESG) considerations are an important part of our overall investment due diligence and processes alongside traditional financial analysis and we can optionally include effective ESG screening within our recommended investment propositions.

- You confirmed you had no ESG wishes or considerations for your underlying investment strategy

Investment Knowledge & Experience

We discussed your knowledge and experience of financial products and investments.

- You are not at all experienced or knowledgeable, however you confirmed you were comfortable investing to achieve growth in excess of that being offered by banks and building societies

Risk Profile

We discussed at some length your attitude to risk and in particular the relationship between risk and reward. You have completed the **ABC** Risk Profiling Questionnaire. The questionnaire has been designed to assess your knowledge, experience, attitude towards investment risk and capacity for loss.

Investment Attitude to Risk: **6: High Medium Risk**

Every investment can be described in terms of the amount of risk associated with it. Higher-risk investments tend to experience greater volatility, which means they are likely to go up and down in value more often and by larger amounts than lower-risk investments. In return, higher-risk investments have the potential to produce higher returns over the long term, although this is not guaranteed.

For example, investments such as cash deposits and bonds issued by the UK Government (known as gilts) are considered low risk. UK commercial property, corporate bonds issued by UK companies as well as other types of global bonds issued by overseas governments and companies are considered medium risk. In the case of global bonds, generally those which pay a higher income are riskier than those which pay a lower income level. Shares in companies in the UK and other developed markets are considered high risk, while shares from companies in emerging markets are considered very high risk. You can reduce the overall risk in a portfolio by using 'diversification' – in other words, spreading your money across different investments. By doing this, you can match your overall portfolio to the level of risk that is right for you.

It's important that your investment portfolio matches your willingness and ability to take investment risk. A 'high medium' risk profile shows that your willingness and ability to accept investment risk is slightly above average. A portfolio that matches this risk profile is likely to experience some significant rises and falls in value. So while there is good potential for returns from your investment to match or go above the rate of inflation (in other words, the rate at which the prices of goods and services rise), you also need to accept that your investment is likely to fall in value from time to time, particularly in the short term.

A portfolio for this risk profile is most likely to contain mainly medium- and high-risk investments, including UK corporate bonds and other higher-income types of global bonds as well as UK commercial property and shares. The shares are expected to be held mainly in the UK and other developed markets, but there is also likely to be some in higher-risk emerging markets. As a result, you should always check that you are comfortable with what's included.

Capacity for Loss: **Moderate**

Your sensitivity to volatility is realistic and you recognise that markets fluctuate and that some short term volatility must be accepted in order to achieve your investment objectives. You have sufficient assets outside of your portfolio and an investment time horizon far enough in the future to withstand small to medium losses without any detrimental effect to your living standards.

If you feel that this does not accurately reflect your attitude to risk or capacity for loss, please contact me as a matter of urgency.

Review of Existing Pension Arrangements

Further information concerning the following pensions can be found in the Appendix of this report.

AEGON Personal Pension Plan - 432423T - Mr E X Ample

Fund Value	Transfer Value	Retirement Age
£77,000	£77,000	65

The valuation shown above was as of 1 April 2022. This is currently a 'paid up' plan.

Investment Strategy - Funds

Fund	Objective	Sector	Risk Rating	Initial Charge	Annual Management Charge	Ongoing Charges Figure	Allocation
GHI fund	Refer to fund fact sheet	Specialist	7: Highest Medium Risk	0.0%	1.40%	1.50%	100%

Policy Benefits & Features

Tax Free Cash Entitlement – This pension does not include any protected or enhanced pension commencement lump sum entitlement in excess of 25%.

Stakeholder Friendly Guarantee – This pension is not 'stakeholder friendly' in so much as there is no upper limit applicable to its on-going management fees.

Guaranteed Annuity Rate - This pension does not incorporate a guaranteed annuity rate.

I have recommended that you **switch** your existing pension benefits to an alternative arrangement for the following reasons:

- There would be no financial penalty incurred on switching out of your current pension
- There are no enhancements, guarantees or any other form of safeguarded rights attached to this pension plan's fund value or retirement benefits
- This plan does not provide the necessary flexibility to allow you to tailor the benefits around your expected changeable circumstances at retirement
- Your fund value cannot be accessed as flexibly as you wish with your current provider and therefore you would like to switch to a new plan which allows all of the access options now available under the pensions freedom legislation
- The investment strategy agreed although accommodated by the existing provider is accessible at a lower cost via an alternative arrangement
- It is possible to transfer your fund to an alternative pension plan with a more competitive charging structure. A summary of the charges of your existing plan and the proposed alternative can be found later in this report
- To consolidate your pension plans with one provider thereby providing certainty of affairs and ease of administration
- The existing investment strategy does not befit your current risk profile and has consistently performed below the sector average
- The existing fund range offered by the ceding provider does not allow the opportunity to invest in a Model Portfolio environment

Pension Switching Recommendations

A summary of the options available to you can be found in the Appendix of this report.

I have recommended that you switch the pensions highlighted in the earlier review section into a **Personal Pension** for the following reasons:

- While invested your fund will benefit from tax advantaged growth
- Benefits can be taken at any time from age 55 (age 57 from 2028)
- 25% of the uncrystallised pension fund can be taken as a Pension Commencement Lump Sum (tax free cash) payment
- There will be no death benefit tax charge on an uncrystallised pension fund on death before age 75 assuming the total value of the pension benefits are within the lifetime allowance. This will help ensure your beneficiaries are looked after, financially and in a tax efficient manner, upon your death
- You will receive tax relief on your contributions
- You wish to keep your investment choice fairly simple and this plan will offer sufficient fund choice for your needs
- You wish to keep the associated costs and charges to an absolute minimum
- The personal pension marketplace is very diverse with many providers offering greater flexibility and improved investment choices compared to Stakeholder Pensions and they do this at a lower cost compared with Self Invested Personal Pensions

Royal London - Personal Pension Plan - Mr E X Ample

Transfer Lump Sum	Chosen Retirement Age
£77,000	65

There are no enhancements or guarantees being recommended for the proposed pension plan's fund value or retirement benefits.

No new contributions were agreed to be paid into this plan at the current time, but you will review this annually with your adviser.

I am recommending the above for the following reasons:

- The Royal London Group is the UK's largest mutual life, pensions and investment company with an extremely strong brand. They are financially strong and hold an 'A' (Stable) counter party credit rating awarded by Standard & Poors, a leading independent ratings agency. They had funds under management totalling £164bn as of 31 December 2021.
- I can confirm the company is very experienced, is financially strong, has provided an excellent service to our clients and provides access to the investment strategy agreed
- The charging structure of the recommended plan is competitive when compared to similar plans in the market place and the research undertaken has identified this as being the most suitable solution for your needs and objectives
- They provide access to a wide range of investment opportunities making it simple to vary your investment strategy to reflect changing market conditions, or should your risk profile change in the future
- It is possible to switch the underlying funds of this investment free of charge
- They provide the facility to manage your investment online. Providing access to instant valuations, fund information and other investment analysis tools

- This pension offers a seamless transition to drawdown pension, which could prove advantageous when taking benefits in the future

Plan Charges

The effect of on-going charges can be demonstrated by comparing the potential benefits you could receive from your existing pension and the proposed alternative. A switch would involve a transfer of your pension fund less any transfer penalties and where appropriate the redirection of your regular contributions to the proposed alternative.

The projected fund values assume benefits will be taken at **age 65** as per your stated objective. Please note these figures are for illustrative purposes only and cannot be guaranteed. The comparison is based solely on charges and assumes the highlighted annual investment return.

Full Switch (no ongoing advice fees)

Company	Policy Number	Existing Pension £			Proposed Pension £			Critical Yield %
		2%	5%	8%	2%	5%	8%	
AEGON	432423T	81,749	116,352	163,940	90,756	128,708	180,735	4.1% p.a. at mid growth rate (or) 0.0% p.a. annual safety margin

Full Switch (all fees included)

Company	Policy Number	Existing Pension £			Proposed Pension £			Critical Yield %
		2%	5%	8%	2%	5%	8%	
AEGON	432423T	81,749	116,352	163,940	85,537	121,513	170,906	4.6% p.a. at mid growth rate (Or) 0.4% p.a. annual safety margin

Stakeholder Comparison (Like for Like)

Company	Stakeholder Pension £	Proposed Pension £	Reduction In Yield %
	5%	5%	
Generic Stakeholder	117,000	122,000	1.49% p.a. stakeholder or 0.9% p.a. proposed

Source: PPOL Pension Benefits Comparison Report dated 6 April 2022.

Critical Yield

The Critical Yield is the estimated investment return after charges that must be achieved in order to achieve retirement benefits at least as good those offered by your existing scheme.

Charges Comparison

	Existing	Proposed
Entry Charges		
Adviser Charge	n/a	2%
Ongoing Charges		
Adviser Charge	n/a	0.50% p.a.
Platform Fee	n/a	n/a
Investment Management Fee	1.50% p.a.	0.45% p.a.
Transactional	included in IM fee	n/a

Exit Charges		
Exit Charge	0.0%	0.0%
Effect of Charges		
Reduction In Yield	not disclosed	Circa 1.1% p.a. over 10 years
Aggregate of Charges	**Existing**	**Proposed**
Ongoing Charges	1.50% p.a.	0.95% p.a.

Investment Strategy - Model Portfolio

This investment solution typically involves a pre-constructed portfolio of investment funds that meets a specific risk mandate and/or investment mandate (e.g. growth, income or a combination). Model portfolios offer a clearly defined risk and return path for investors and aim to maximise the returns for the given level of risk agreed upon. Making use of the resources and expertise of investment professionals, providers of model portfolios will seek to combine asset allocation with fund selection to create a range of model portfolios to suit investor's requirements.

Portfolio	Objective	Risk Rating	Initial Charge	Annual Management Charge	Ongoing Charges Figure	Allocation
Governed Portfolio 4	This portfolio aims to deliver above inflation growth in the value of the fund at retirement, whilst taking a level of risk consistent with a moderately cautious or balanced risk attitude over a long time period.	6: High Medium Risk	0.0%	1.0%	0.45%	100%

The underlying funds are:

Governed Portfolio 4

Fund	Allocation
RLP Property	17.50%
RLP Deposit	1.50%
RLP Long (15 year Gilt)	1.67%
RLP Long (15 year) Corporate Bond	1.49%
RLP Long (15 year Index Linked	0.65%
RLP Global High Yield Bond	1.91%
RLP Commodity	5.00%
RLP Global Managed	70.00%
Aggregate:	**100%**

I have recommended the above for the following reasons:

- It is competitively charged for the size of your fund
- The above reflects your stated risk profile and investment objectives
- They have a large degree of experience and expertise in providing model portfolio solutions
- The portfolio provider combines an expert research and fund selection process with robust risk controls
- The portfolio has performed well when compared to its targets and benchmark
- The portfolio is proactively reviewed and rebalanced on a regular basis to reflect changes in market conditions

- Your portfolio comes with ongoing governance meaning investment experts will check the asset allocation regularly. This will ensure the best mix of assets is maintained in line with your stated risk category. If a change is required, it happens automatically on your behalf and is transacted at no extra cost

Performance Comparison

	5 years	3 years	1 year	6 months	1 month
Existing:	x	x	x	x	x
Proposed:	x	x	x	x	x

Data source: FE Analytics 6 April 2022

Income Requirements in Retirement

The accompanying illustration provides an indication of the income you could receive from the recommended pension plan. It is important that we review your pension provision on a regular basis as your current level of funding may prove insufficient. You should also remember that if you elect to take part of your pension fund as a tax free cash payment, this will reduce the income you receive. The illustration does not include your State Pension entitlement. It is possible to obtain a personal forecast of the State Pension you can expect to receive by contacting The Pension Service.

Expression of Wish

I would recommend that you complete an Expression of Wish Form. This will ensure the proceeds of your pension, subject to the trustee's discretion, are paid to your chosen beneficiary on your death.

Alternative Solutions Considered But Discounted

I confirm due consideration was given to a range of alternative solutions but subsequently discounted for the following reasons:

Stakeholder Pension

- It is not possible to access the recommended investment strategy
- The range of features and potential benefits available do not reflect the flexibility required
- Cheaper alternatives are available

SIPPs

- The charges associated with a SIPP are generally greater than other pension type plans
- You have no desire to undertake self-directed investment decisions

Workplace Pension

- The option to consider transferring into your workplace pension was discounted due to the uncertainty of your future employment

Important Information

Further Information and Risk Warnings

A summary of the risk warnings associated with my advice can be found in the Appendix of this report and should be read with particular care. Additional information regarding the recommendations can also be found in any Key Features Documents provided.

Cost of Services

A summary of how my company can be remunerated for the advice received and the provision of my services is detailed in the disclosure documentation provided.

Our Service Proposition

My company offers a number of service propositions which govern the type of service and the regularity of contact and reviews you will experience. The ongoing servicing of your plans is recommended but not compulsory and if taken up can be cancelled at any time. The associated costs of our propositions and when they commence are set out in our disclosure documentation already provided and these costs may go up or down in line with the fluctuating value of the underlying assets. I confirm that you have elected for the following service:

- A proactive advice service centred around your immediate issues that will require periodic review and re-planning in the future

Charges Summary

Existing Personal Pension AEGON 432423T Mr E X Ample

Ongoing Charges				Exit Charges	Effect of Charges
Adviser Charge	Platform Fee	Investment Management Fee	Transactional	Exit Charge	Reduction In Yield
n/a	n/a	1.50% p.a. of FV (£1,155)	included in IM fee	0.0% or £0.00	not disclosed

Aggregate of Ongoing Charges
1.50% p.a. or £1,155

Proposed Personal Pension Royal London Mr E X Ample

Entry Charges		Ongoing Charges				Exit Charges	Effect of Charges
Adviser Charge	AC Paid By	Adviser Charge	AC Paid By	Platform Fee	Investment Management Fee	Exit Charge	Reduction In Yield
2% of TV = £1,540	Fund	0.50% p.a. of TV (£385)	Fund	n/a	0.45% p.a. of TV (£347)	0.0% or £0.00	Circa 1.1% p.a. over 10 years

Aggregate of Ongoing Charges
0.95% p.a. or £732

The value of the investment can fall as well as rise. The aggregated ongoing charges maybe greater or lower than illustrated. Any income being withdrawn will reduce the value of the investment. These are current estimation ('ex-ante') of all product and service costs for this recommendation. The actual charges incurred ('ex-post') may differ slightly but will be confirmed at least annually.

Entry Charges: One off charges taken before or on investment.

- Adviser Charge: A fee paid to the adviser for advice and services

- AC Paid By Fund: The Adviser Charge will be paid from the fund - effectively reducing your initial investment

Ongoing Charges: Regular charges, typically taken over a year.

- Adviser Charge: A fee paid to the adviser for ongoing advice and services

- AC Paid By Fund: The Adviser Charge will be paid from the fund

- Platform Fee: A charge taken by the Platform service provider for administering a specific tax wrapper

- Investment Management Fee: Or Annual Management Charge (AMC). A fee levied by the investment firm paid out of the fund for the costs of investment management and fund administration

- Transactional Fees: Charges related to buying or selling securities

Exit Charges: One off fees taken on termination.

- Exit Charge: Applicable under the plan or investment rules following early sale, surrender, encashment or transfer

Effect of Charges: Cumulative net investment returns after deduction of all charges.

Cancellation Notice

Once your investment plan is set up you have a legal right to cancel should you change your mind, the period is generally 30 days (which may reduce to 14 days for ISA, Unit Trust and EIS investments and may increase to 60 days for annuities). The amount you get back may be reduced by a decrease in value between making your initial investment and up until your investment is sold.

Affordability & Emergency Fund

You should keep some money immediately accessible to cover any unforeseen emergency expenditure that may arise. I would normally recommend that you retain an emergency fund equal to three months' expenditure within an immediate access deposit account as a bare minimum. I confirm you are happy with the level of your emergency reserve. I would also like to take this opportunity to confirm that the above recommendations are affordable to you.

Financial Services Compensation Scheme (FSCS)

The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FCA authorised firms and covers deposits, insurance and investments. The scheme can pay compensation to clients who have lost money as a result of their dealings with FCA authorised firms that are unable to pay claims against them.

The deposit limit for bank accounts is currently £85,000 or £170,000 for joint accounts.

For insured based pensions the compensation limit is 100% of the investment with no upper limit.

Aspects of Your Financial Affairs Not Addressed But Deemed Important

I practice a comprehensive approach to financial planning. To this end, I would like to draw your attention to the following. If on further consideration you wish to discuss any of the below in more detail, please do not hesitate to contact me.

Inheritance Tax Planning

- There would be no inheritance tax liability incurred on your estate at the current time

Long Term Care

- You did not consider this a priority at the current time

Protection

- You are happy with your existing protection arrangements

Wills and Lasting Power of Attorney

- I understand you have made a Will. I do stress the importance of keeping your Will up to date, thereby ensuring your estate passes in accordance with your wishes.
- I have recommended that you affect a Lasting Power of Attorney (LPA). This will ensure your financial affairs will be looked after by someone you trust if you cannot do so yourself. Having a LPA in place avoids the significant cost and delays associated with applying to the Office of the Public Guardian.

Savings and Investment

- You are happy with your existing investment and savings arrangements at this time

Mortgage Repayment

- You cannot afford to set aside any additional money to meet this objective at this time

Confirmation

I have acted in your best interest and the advice given in this report is aligned with your personal circumstances, objectives and characteristics and meets your stated objectives. If you have any queries concerning the content of this report or should you feel the recommendations are in any way an inaccurate reflection of our discussions, please contact me immediately.

Existing Pensions

Ownership	Type	Company	Fund Value	Transfer Value	Action
Mr E X Ample	Personal Pension Plan	AEGON	£77,000	£77,000	Switch

Accepted:	Amended:	Declined:	Deferred:
Notes:			

Proposed Pension Switches

Ownership	Type	Company	Transfer Amount
Mr E X Ample	Personal Pension Plan	Royal London	£77,000

Accepted:	Amended:	Declined:	Deferred:
Notes:			

Report written by **A N Adviser**

Signature ____________________________ Date ____/____/____

I the undersigned have received this report and supporting literature. I acknowledge this is a fair reflection of our relevant conversations.

Accepted by **Mr E X Ample**

Signature ____________________________ Date ____/____/____

APPENDIX

Market Outlook

The summary below is provided courtesy of Quilter as part of their *Sentiment Indicator March 2022*. The data shown is an indication from a collection of leading investment houses as to their predictions for the future direction of stock markets. These are Investment House views and are not fund specific. *Source for monthly performance information*: Morningstar Direct 31/01/2022 to 28/02/2022 (bid to bid - in sterling - gross income re-invested).

	EQUITIES								PROPERTY / BONDS		
	UK	UK Smaller Comps	US	US Smaller Comps	Europe	Japan	Pacific Ex Japan	Emerging Markets	Property	UK Government	UK Corporate
Abrdn	+	+	+	+	+	+	=	+	+	-	+
BNP Paribas	+	=	-	=	=	=	+	+	-	-	=
BMO	+	+	-	-	+	+	=	+		-	-
Janus Henderson	=	=	-	-	+	+	=	=	=	-	-
Invesco	+	+	=	=	+	=	+	=	+	-	-
M&G	+	+	=	=	+	+	+	=	=	=	=
Pictet	+	+	=	=	+	=	=	-	=	-	-
Rathbones	-	-	=	=	=	=	-	-	-	-	-
Consensus	**+**	**+**	**=**	**=**	**+**	**+**	**=**	**=**	**=**	**-**	**-**
Indices: Monthly % Performance	**-2.85**	**-5.83**	**-1.86**	**-1.34**	**-3.30**	**-0.84**	**-1.06**	**-4.07**	**-1.92**	**-2.07**	**-2.50**

Key

+	The fund group believes the index they are using as a benchmark will rise in excess of 5% over the next 12 months
-	The fund group believes the index they are using as a benchmark will fall in excess of 5% over the next 12 months
=	The fund group believes the index they are using as a benchmark will have either a positive or negative movement of between 0% and 5% over the next 12 months

Risk Warnings

General

- The recommendations are based on current UK taxation, law and practice all of which may be subject to change
- Any quotations provided are for illustration purposes only and are not guaranteed
- For a full explanation of the charges and how they affect the plan, please refer to the personalised illustration and Key Features document(s)

Investments

- Past performance is no guarantee of future returns
- Inflation will reduce the real value of the capital invested if returns do not match or exceed the rate of inflation
- An investment should be considered over a medium to long-term time frame and should not be entered into if the capital is required for other needs
- The value of the investment is determined by units or shares, the price of which can fall as well as rise. The value could be less than what was originally invested, especially in the early years or if withdrawals are greater than the underlying returns.
- Please bear in mind that the outlook for asset classes and market sectors can change and as a result the asset allocation could become unbalanced
- Investing in a single or limited range of asset classes or sectors may lead to greater volatility and therefore carry a greater investment risk
- A certain fund or funds may have a higher risk rating than the agreed attitude to risk, but the overall risk applied of the combined funds or portfolio is designed to meet the agreed risk profile
- Equities can significantly fall in value and in difficult times dividends may reduce or stop
- Property fund investments may take significantly longer to sell. If market conditions are volatile prices may fall, exit fees could be applied or even a fund dealing suspension be imposed. This would delay any withdrawals and affect the rebalancing of a portfolio.
- Corporate bonds are not risk free as the bond issuer could default, interest rate rises could reduce the capital values and in adverse market conditions the fund could become illiquid making it difficult to sell
- Where a fund invests in overseas markets, domestic upheaval and changes in currency exchange rates mean that the value of the investment can go up or down
- Specialist funds which invest in emerging markets, niche industries, smaller companies or unquoted securities are likely to be more volatile and therefore carry greater investment risk
- It is important to periodically review the value of an investment against expectations and the underlying investment strategy, particularly when close to retirement.
- The higher the charges applied to an investment the greater the effect of those charges on the performance
- Changing funds or transferring excessively, may erode the value due to transactional based fees
- Any sale of investments held, including switching may give rise to a capital gains tax liability and any income generated will normally be subject to income tax.

Defined Contribution Pensions

- An expression of wish regarding who inherits a fund's value upon death should be given to a pension provider at the earliest opportunity and should be kept updated to ensure it reflects the wishes of the policy holder.
- If benefits are taken from the pension earlier than planned, the projected income or fund value could be less providing reduced benefits during retirement.
- There are no limits to the amount of contributions that can be made but there are limits on the amount of tax relief received.
- Where a regular contribution is commenced without premium protection, there is a risk that the contributions will stop if illness prevents the ability to work, meaning the future retirement income may be adversely affected.
- Where no escalation has been selected, the effects of inflation may erode the value of the contributions over time.
- Exceeding annual and lifetime allowances will be viewed as unauthorised payments and may result in tax charges being levied.

Pension Switching

- The information supplied by the ceding scheme pension provider is relied upon as being accurate and so we cannot accept responsibility for any inaccuracies by them
- Where a transfer penalty and/or an initial charge have been incurred, the death benefits provided by the new plan will generally be less until the investment performance has been sufficient to make up the reductions incurred
- The funds could materially suffer from market movements when transferring from one provider to another due to a period where the funds are not invested
- A switch between pension providers does not guarantee a greater pension fund at retirement and there is no guarantee that the new provider's funds will outperform those of the existing provider
- The Cancellation Rights of the company from which the funds have been switched is not obliged to take them back. In such an instance a new contract would have to be set up involving additional costs.
- HMRC may challenge the IHT-free status of the pension death benefits should a transfer take place whilst the member is knowingly in ill health and subsequently dies within 2 years of the date of the transfer

Technical Notes – Pension Switching

There are a number of options available in respect to your existing pension arrangements. A summary of the advantages and disadvantages associated with each option can be found below.

1. Do nothing

Advantages:

- The easiest option administratively as it will not require any further action
- No new set up charges will be incurred
- You will retain any NMPA protection under the scheme rules (see NMPA note below)

Disadvantages:

- May retain a less flexible product when compared to those available in the current market place
- May retain a more expensive product when compared to alternatives in the market place
- The current funds may not meet your investment expectations

2. Switch funds within your existing pension plan

Advantages:

- Administratively easier than transferring to a new pension plan
- Incur less charges than a transfer to a new pension plan
- Switch into a new investment strategy

Disadvantages:

- May not be very competitively charged when compared to the available market place
- Where multiple pensions are being reviewed consolidation and economies of scale would not be achieved
- The range of investment opportunities maybe limited when compared to other plans

3. Make your existing plan paid-up and redirect future contributions into a new pension

Advantages:

- The existing pension fund will not incur a transfer penalty
- Future contributions can be invested in a more appropriate pension plan
- The new plan could be more competitively charged and offer a greater range of features

Disadvantages:

- A charge will be incurred for setting up the new policy
- The existing fund could remain invested in a less advantageous environment
- Greater administration due to having multiple plans

4. Switch to a new pension plan

Advantages:

- Offers a wider range of investment opportunities
- Offers a greater range of features
- Achieve a more competitively priced plan
- Achieve enhanced flexibility
- Potentially achieve a greater fund at retirement

Disadvantages:

- Administratively this is more involved than an internal fund switch
- The existing pension may incur a transfer penalty
- Charges may be greater for ongoing charges and cost of advice
- You may lose any protected pension age under ceding scheme rules (see NMPA note below)

5. Switch to a workplace pension scheme

Advantages:

- Will assist in the consolidation of your pension arrangements
- It will be a qualifying scheme for auto-enrolment and as such offer a low charging structure
- The scheme is likely to offer target retirement date funds that can self-manage the underlying investment strategy
- Often low cost and will allow flexible access

Disadvantages:

- The range of investment opportunities available are limited
- Reduced diversification - you may not wish to put "all your eggs in one basket"
- You may not get to choose where your pension savings are invested if this is decided by the scheme trustees
- Cannot administer ongoing advice fees
- You may lose any protected pension age under ceding scheme rules (see NMPA note below)

Normal Minimum Pension Age (NMPA)

This is currently age 55, the earliest age pension scheme members can take their benefits without incurring an unauthorised payments tax charge, unless a 'protected' pension age of 50 (the previous NMPA) exists under past tax rules or they retire on ill-health grounds. The NMPA increases to age 57 from 6 April 2028. However, for pension members who already have a right to access benefits at age 55 written into their scheme rules, this age will be protected even after the 2028 changes provided they remain in the scheme. Any transfer on or after 4 November 2021 (which isn't a block transfer) to an alternative pension, to access a protected pension age will not be allowed following legislative changes introduced in the Finance Bill 2021/22.

Technical Notes – Pensions

A current summary of the main UK registered pension's legislation can be found below.

State Pension Age

- The State Pension Age was fully equalised for men and women at age 65 in November 2018 and it was increased for all to age 66 in October 2020 with further increases between 2026 & 2028 to take it to age 67 and plans to increase it to age 68 between 2037 and 2039

Contributions

- There is no restriction on the number of pension schemes one can contribute into
- Individual contributions are unlimited. However, there are limits on the amount of tax relief receivable. This is restricted to the higher of £3,600 or 100% of salary subject to the annual allowance.
- The annual allowance for tax relievable contributions is currently £40,000 and will remain frozen at this level until 2025/26. If breached the excess will be subject to a tax charge at the members marginal rates. However, it is possible to offset contributions in excess of the annual allowance against unused allowances from the previous three years.
- A tapered annual allowance applies to individuals with adjusted income (ie including pension contributions) above £240,000 subject to their threshold income exceeding £200,000. Both income limits have to be exceeded for the tapered annual allowance to apply. The annual allowance is reduced by £1 for every £2 of adjusted income above £240,000, subject to a minimum reduced annual allowance of £4,000.
- The Money Purchase Annual Allowance (MPAA) is currently £4,000 and remains frozen at this level until 2025/26. This lower allowance is triggered when money purchase pension scheme benefits are accessed flexibly by the member through flexi-access drawdown (although not if just tax free cash is withdrawn), short term annuity, uncrystallised pension fund lump sum or payment of a scheme pension under a money purchase arrangement with less than 12 members. This reduction only applies to money purchase pension schemes. For members subject to the MPAA, an 'alternative annual allowance' of up to £40,000 is retained for defined benefit scheme accrual.
- Employer contributions count towards the annual allowance. It is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax purposes.
- No tax relief will be granted on contributions paid after age 75.
- A pension commencement lump sum recycling limit exists to prevent exploitation of pensions tax relief. It seeks to avoid the pre-planned payment of the tax free lump sum(s) received over a 12 month period, back into a registered pension plan as a new tax relievable contribution. The limit equates to 30% of the pension commencement lump sum received provided this exceeds £7,500.

Retirement Ages

- The normal minimum pension age is 55 increasing to 57 from 6 April 2028
- Benefits can be taken earlier if a protected pension age applies or permanent ill health

Tax-Free Lump Sums

- Are generally 25% of the fund values from a registered scheme
- It was possible to protect funds in excess of 25% (before April 2006 only)

Death Benefits

Death before age 75 - Any beneficiary can inherit the pension funds and there is no tax charge whether taken as an income or lump sum provided that income is designated, and lump sums are paid, within 2 years.

Death at or after age 75 - Any beneficiary can inherit the pension funds either as an income or a lump sum. Both would be taxable at the beneficiary's marginal rate. (A higher tax rate of 45% applies if the beneficiary is an entity other than an individual.)

Beneficiaries - The term 'any beneficiary' means a 'dependant' (financially dependent) or other 'nominee' (not financially dependent). On the dependant or nominee beneficiary's death, funds can be inherited by a 'successor'.

The Lifetime Allowance

Is the limit of pension benefits that can be drawn before tax is applied. Excess benefits are subject to a tax charge of 25% if income or 55% if taken as a lump sum.

- The lifetime allowance is currently £1,073,100 and will remain at this level until 2025/26

Pension Protection

- Enhanced, Primary, Fixed or Individual are forms of pension protection and were introduced between 2006 and 2016 in order to ring fence benefits from the lifetime allowance

Retirement Benefits - Post 5th April 2015

Unrestricted retirement benefits can be taken from a defined contribution or money purchase pension scheme at any time from age 55 (57 from 2028).

Drawdown Pension – Income can be taken direct from the pension fund as follows:

- *Flexi-Access Drawdown* – Allows any income amount chosen
- *Short Term Annuity* – An amount can be used to buy an income for a term of up to 5 years
- *Hybrid Drawdown/Annuity* – A guaranteed annuity or series of guaranteed annuities for life can be bought from drawdown funds using a SIPP wrapper and remain inside the drawdown account as a trustee investment with the income either deferred, reinvested or paid out

Uncrystallised Pension Fund Lump Sum – Allows a single or a series of lump sums to be withdrawn.

Lifetime Annuity – Allows a guaranteed income for life that can increase or decrease.

Scheme Pension – This offers a secure lifetime income payable to the member of the scheme.

Small Pot Lump Sums – Where a pension fund is less than £10,000 (up to a maximum of three pots), the entire fund(s) can be withdrawn as a lump sum (25% tax free rule applies)

Trivial Commutation Lump Sum – Where a Defined Benefit pension is worth £30,000 or less the value can be surrendered as a lump sum (25% of which is tax free).

Serious Ill Health Lump Sum – Individuals with less than 12 months to live can withdraw their entire pension fund tax free up to age 75, or if over age 75 at date of payment, the lump sum will be taxed as pension income at the individual's marginal rate of tax.

Auto-Enrolment

All employers are required by law to automatically enrol eligible members of their workforce into a qualifying workplace pension and contribute to it. A minimum contribution is set based on a band of the gross annual earnings and will include the employee's and employer's contribution and the tax relief added together.

Foreign Pensions

From 9 March 2017 certain transfers to and from a Qualifying Recognised Overseas Pension Scheme (QROPS) outside of the EEA, where funds originated from a registered UK pension scheme or had previously received UK pensions tax relief will (unless exempted under certain conditional scenarios) be liable to a 25% tax charge called the overseas transfer charge.

Notes on Financial Products

Personal Pension Plan

Personal pensions aim to build up a sum of money in a tax efficient way which can subsequently be used to provide an income or lump sum(s) during retirement.

Modern personal pensions are generally extremely flexible in that they will accept regular, monthly, annual or one off contributions from individuals and from employers and the level of regular contributions can be changed at any time subject to the provider's minimums.

Taxation

Contributions will qualify for tax relief at the individual's highest rate of income tax and are paid net of basic rate tax. The pension provider collects the basic tax relief from HM Revenue & Customs up to the maximum limits set by them. Any higher or additional rate relief entitlement can be reclaimed through the individual's annual tax return.

Growth in the value of the pension fund is free from capital gains tax and certain types of dividends paid to the plan are free from income tax. Under normal circumstances, no inheritance tax liability will arise from pension death benefits provided a named beneficiary exists at the date of death.