UK Pension Transfer Starter Kit

NEW ZEALAND

Cross Border Solutions

bdhSterling*

With offices in both New Zealand and the UK, bdhSterling are the leading specialists in UK pension transfers to New Zealand

This UK Pension Transfer Starter Kit is designed for anyone with a UK pension fund, whether they are New Zealand residents or individuals who plan to live and/or retire in New Zealand. It is natural that an individual would want to move their retirement funds to the same country in which they intend to retire. With offices in both New Zealand and the UK, bdhSterling are the leading specialists in UK pension transfers to New Zealand.

What is a pension transfer?

A transfer from your pension scheme to another registered pension scheme, whether in the UK or abroad. Unless you are over 55 years of age, your funds must remain in a pension.

You cannot transfer your pension funds to a bank account.

Can I transfer my pension?

This will depend on the type of scheme that you hold in the UK.

You can transfer:

- Private Sector Final Salary schemes
- Company Pension Schemes
- Personal Pensions
- The Local Government Pension Scheme
- Funds that are in Drawdown
- Section 32 Buy Out Plans

You cannot transfer:

- The UK State Pension
- Schemes that are already paying you a set income
- The following government backed occupational schemes:
  - NHS
  - Teachers'
  - Civil Service
  - Armed Forces
  - Police
  - Firefighters'
- Benefits in a Scheme that has entered the Pension Protection Fund

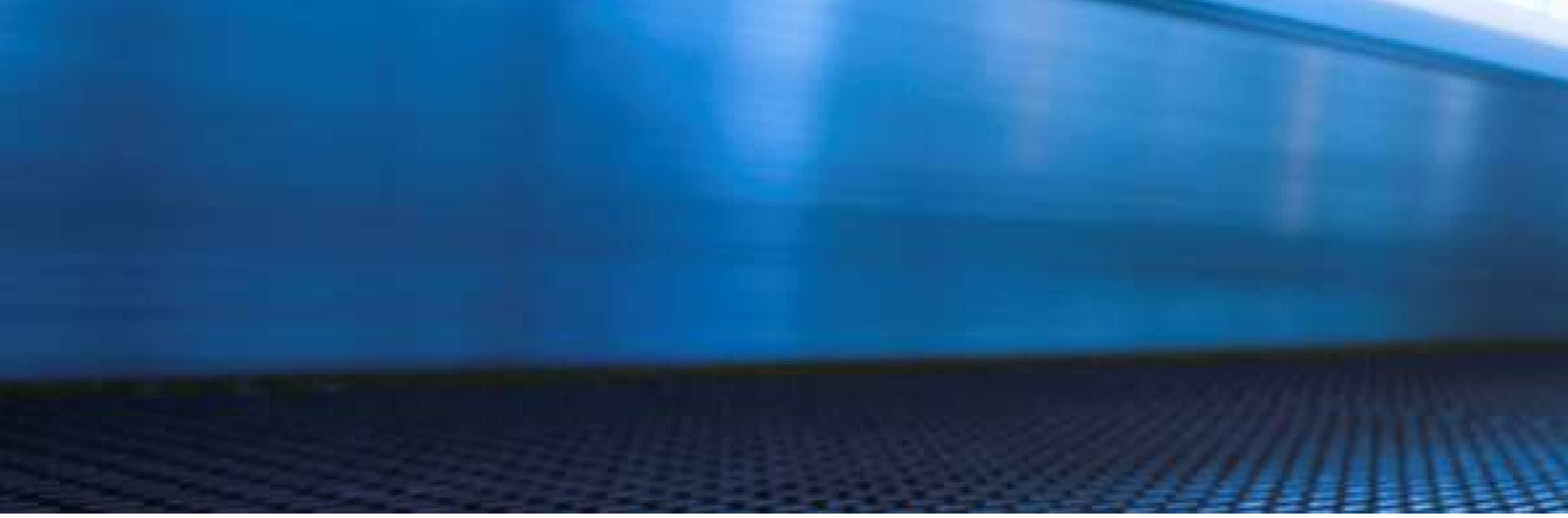
Do I have to transfer?

No, you can leave your pension funds in the UK; however, this may not be the best course of action, now that your circumstances are changing.

Why should I consider a transfer?

Pensions work differently in New Zealand. As a result, all lump sums and income that you receive from a New Zealand based 'Superannuation' fund, as a New Zealand resident, will be tax-free.

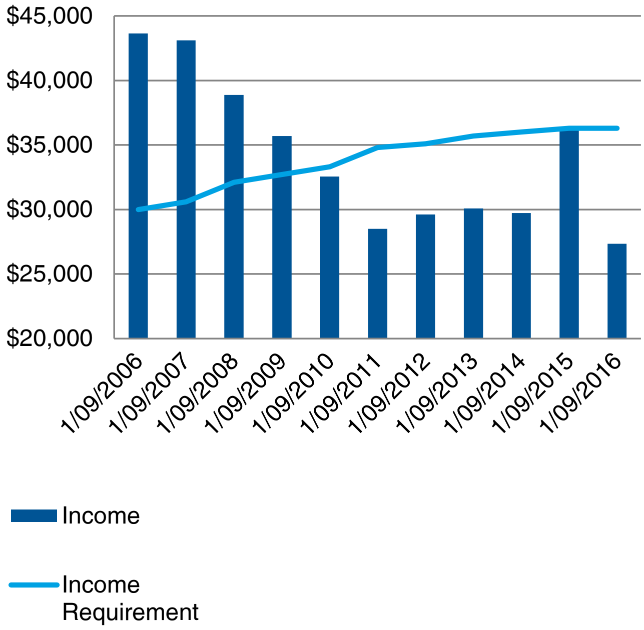
If you leave your funds in the UK and draw income from them in your retirement then you will be taxed in New Zealand. You may also pay tax on your initial lump sum, if drawn from a UK based scheme.



In addition to this, there are other advantages to transferring funds, rather than leaving them in the UK:

- Greater control over your retirement benefits, by holding them in the country in which you are living and retiring
- Greater flexibility – depending on the type of UK scheme that you hold, you may find that you have more options in New Zealand as to how your draw your lump sums and income
- Elimination of long term currency risk – transferring your whole pension fund to New Zealand, and therefore into New Zealand dollars, will eliminate the fluctuating exchange rate that you would otherwise be exposed to in the future. The following table shows the effect that the exchange rate would have had on your income over a 10 year period, if you had received it from a UK based pension scheme and then had to convert into dollars:

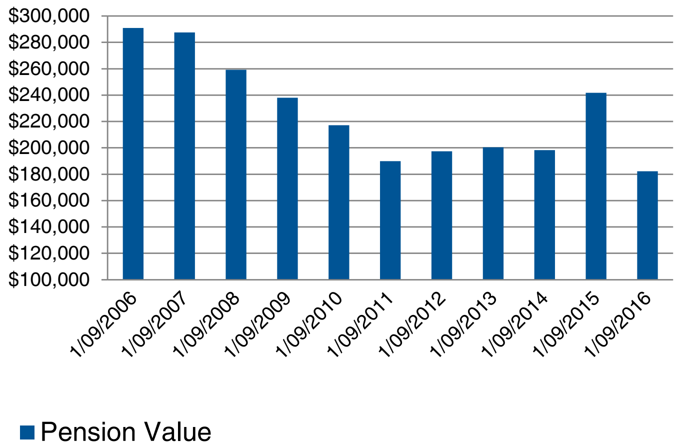
Pension Income of £15,000 pa



This shows the effect that the exchange rate would have on your ability to budget and be able to maintain your standard of living in New Zealand (the cost of which would increase in line with inflation over the years). In this example, if your requirement for income was $30,000 in 2006 then you would have had almost $14,000 of surplus income, but by 2011 your income would have fallen to over $6,000 short of your expenses

- Elimination of short term currency risk – finding the right time to transfer your whole pension pot into NZ dollars is something you will need to do between now and retirement. If you have a long time until you retire, you have the advantage of waiting until an opportune moment to convert your pension into dollars. Below is an example of how currency fluctuations affect a pension pot valued at £100,000

Pension Value of £100,000



- Avoidance of additional telegraphic transfer fees – if regular income in retirement is drawn directly from a UK scheme, you may incur ongoing costs in respect of each transfer
- Succession Planning – UK pensions can be taxed upon death, or cease altogether. You may find that a New Zealand superannuation scheme provides much greater benefits to your spouse, children or any other beneficiary

However, despite these advantages, there can also be disadvantages to making a transfer, so you need to consider your options carefully.

Overseas Transfer Charge - If I make a transfer, does my fund have to be transferred to the same country I'm moving to?

I most cases, yes. In his Budget in March 2017, the UK Chancellor announced a new tax charge on certain transfers to overseas pension schemes, which took effect immediately. This tax charge (25% of the transferred pension fund) applied to individuals transferring their UK pension benefits to a country or jurisdiction other than the one they are resident in. When you move to New Zealand, you are able to transfer your pension to New Zealand without incurring this new 25% tax charge; however, you should note that, if you were to then move to another country within 5 UK tax years of the transfer, you would incur the charge.

In most cases, for somebody who is moving to New Zealand, a transfer to New Zealand is the most suitable.

What is a QROPS?

In 2006, HM Revenue and Customs in the UK introduced QROPS legislation, which makes it easier for an individual to transfer UK pension funds abroad. The scheme to which you transfer must have obtained a QROPS certificate from HMRC, which then allows them to accept the transfer.

Under the QROPS legislation, your new overseas scheme must adhere to certain rules, which are broadly designed to ensure that your new scheme provides you with retirement benefits that are consistent with those that would have been available in the UK.

For example, you cannot take retirement benefits from your new scheme any earlier than you would be allowed to in the UK; currently age 55.

Can I take benefits immediately after I transfer my pension?

Certain rules apply during the first 10 complete UK tax years after you have moved abroad and the first 5 years after you make a pension transfer from the UK to New Zealand (which could finish later). This period is known as the Member Payment Provision Period (MPPP). Providing that you are at least age 55, you can draw benefits from your new scheme at any time however, if payments are made to a member within the MPPP, from the QROPS, outside the scope of what is permitted from a QROPS, an unauthorised payment charge would apply to the payment.

Do I have to take advice to make a transfer?

If you hold benefits in any Final Salary ('Defined Benefit') schemes in the UK and the Transfer Value is £30,000 or more then UK rules stipulate that you must receive financial advice, from an FCA regulated adviser, in order to transfer them.

If you hold benefits in other types of scheme in the UK then you do not necessarily need to take advice to transfer them, although we would recommend that you do, as a transfer may not be in your best interests. In addition, you may benefit from consolidating your pension benefits in the UK, prior to the transfer to New Zealand, so that you can have more control over the exchange rate that you achieve and can gain use of commercial exchange rates on the transfer.

When should I take advice?

Ideally, you should seek advice as soon as you know that you will definitely be moving to New Zealand. This gives you and us plenty of time to plan properly for your future.

Is there a time limit on making a transfer?

Technically, there is no time limit for making a transfer of your pension funds to New Zealand. However, you may find that it is much more tax efficient to consider doing so within your first 4 years of residence in New Zealand (for most people) as the Inland Revenue in New Zealand would apply tax if you make a transfer any later.

Why 4 years?

If you are moving to New Zealand for the first time or if you are a New Zealander who is returning after more than 10 years' absence then you are normally afforded a 4 year exemption from New Zealand taxes on all assets (including your UK pensions) that you hold outside of New Zealand.
This means that you can make a transfer of your UK pension funds at any point within this first 4 years without being exposed to any New Zealand tax. If you were to make a transfer after the initial 4 year period has ended then you will be taxed upon transfer.

The proportion of your fund on which this tax is applied will gradually increase, the longer you leave it. Unless you are already age 55 and can access your pension funds to pay the tax, you will need to pay it through your tax return.

Year	Taxable Part of Fund	Year	Taxable Part of Fund
1	4.76%	14	60.27%
2	9.45%	15	64.08%
3	14.06%	16	67.84%
4	18.60%	17	71.53%
5	23.07%	18	75.17%
6	27.47%	19	78.75%
7	31.80%	20	82.28%
8	36.06%	21	85.74%
9	40.26%	22	89.16%
10	44.39%	23	92.58%
11	48.45%	24	95.58%
12	52.45%	25	99.08%
13	56.39%	26+	100%

This same tax would also apply on any cash lump sums that you receive from a UK based scheme whilst living in New Zealand, after the initial 4 years.
You will need to check whether the 4 year exemption applies to you, as other factors can affect it.

Is there a limit on how much I can transfer?

No; neither the UK nor New Zealand authorities place any limit on the amount that you can transfer to a New Zealand superannuation fund.

But I was told I should never transfer out of a Final Salary scheme?

If you held Final Salary scheme benefits in the UK and you were planning to remain in the UK then it is unlikely that a transfer to another type of pension scheme would be suitable for you. Therefore, if you have received this advice in the past, it was probably good advice at the time.

However, as your circumstances are now changing, a transfer of your Final Salary scheme benefits must be considered. You could put yourself in a much stronger financial situation in the future by making the transfer to New Zealand, but we must be careful to ensure that this is the case before you make any decisions.

Our Transfer Process

Step 1
Simply complete the form at the back of this Starter Kit

Step 2
One of our licensed UK advisers will contact you to discuss your situation and potentially arrange a free, no obligation meeting

Step 3
Ask us to write a Report for you – on request, we will prepare a Pension Transfer Analysis Report (PTAR) which outlines our recommendations

Step 4
Implementation – if a transfer is recommended and you accept it, let bdhSterling manage all aspects of the transfer for you

Why Engage bdhSterling?

- Dual Licenced Advisers – internal advisers licenced in both the UK and New Zealand, who specialise in UK Pension Transfers
- Professional Indemnity Insurance – our internal advice is covered by professional indemnity insurance in both the UK and New Zealand, affording our clients the highest level of consumer protection
- Defined Benefit (DB) Specialists – new UK legislation requires members of DB schemes to take advice from a UK FCA registered firm. Our advisers are licensed to provide this advice
- Extensive Management Experience – over 100 years of combined management experience in the investment industry
- Additional Services – in addition to pension transfer and wealth management advice, clients benefit from a range of additional integrated services, such as tax, mortgages and property management
- Experienced Administration Teams – our administration teams liaise with your schemes on your behalf and manage all aspects of your transfer. Between our global offices, we are able to work on transfers for 18 hours a day
- Technical Expertise – all of our senior management have worked in the pension transfer industry for at least 10 years
- FX Management - the majority of QROPS superannuation funds in New Zealand engage banks to convert any pension transfers at retail banking rates. This means that most clients are incurring an exchange rate conversion fee of between 4% and 5%. We use specialist providers who are able to pass on wholesale rates
- Independence – we are privately owned by the management team
- Recognised as QROPS Industry Experts – having provided consultancy to numerous other financial planning firms

bdhSterling Fees

The bdhSterling Commitment – our clients will always know of their fees before any work begins, so that they can always assess the costs against the benefits.
Our fees are divided into:

- Pension Transfer Analysis Report (PTAR) Fee
- A Transfer fee (if you choose to proceed) which covers the cost of the entire transfer process and can be taken from your pension fund
- Ongoing Management Fees, if you ask us to management your fund on an ongoing basis

For more information on transferring your UK Pension to New Zealand, contact bdhSterling today!

UK Head Office
Capitol Square
4-6 Church Street
Epsom
Surrey
KT17 4NR
England
T. 01372 724249
F. 01372 723554
Email: infouk@bdhsterling.com

NZ Office
Level 3
2 Hazeldean Road
PO Box 284
Christchurch
8140
New Zealand