

# The IEP Defined Benefit Pension Review Service





## The IEP Defined Benefit Pension Review Service

In 2015 the Government implemented changes to how those saving for retirement could take their benefits. This new legislation was widely referred to as 'Pension Freedoms'.

These changes did not apply to those whose retirement benefits were held in a Defined Benefit (DB) arrangement, commonly called a Final Salary Pension Scheme.

As a result, there has been huge interest from people with DB benefits in transferring these to a Defined Contribution (DC) arrangement that they can then use to take advantage of 'Pension Freedoms'. There are reports that the number of requests for transfers has tripled since the introduction of the new legislation. Typical examples of DC arrangements are Personal Pensions and Stakeholder Pensions.

We understand this can be a little daunting and so we've put together a summary to help you understand the sorts of things you need to consider carefully before deciding if transferring your DB benefits is right for you.

Anyone who has DB benefits with a transfer value over £30,000 is required by law to take financial advice before they can transfer to a DC arrangement.

**Our regulators guidance** with Defined Benefit pensions starts with the assumption that a transfer will be unsuitable for a client. This starting point does not mean a transfer will not be suitable, but the process, rationale and advice for any positive recommendation should be clear, detailed and comprehensive.

Any recommendation will be personal and provided by one of our Pension Transfer Specialists (PTS) and will be supported by an Appropriate Pension Transfer Analysis (APTA). This will clearly show the benefits being given up and the cost of purchasing these benefits if the funds are transferred into a Defined Contribution environment.

To run the APTA we always need a full and detailed fact find, the full 'CETV pack', and detailed information of all your personal financial situation (including assets, liabilities and income). We are also able to produce a detailed cash flow modelling which can build in many different scenarios and make it truly reflective of a client's circumstances.

The process we go through starts with our **Triage Service** which we do not charge for. This allows us to ask a number of questions relating to your defined benefits (DB) prior to looking at specific details with the aim of assessing whether our **full advice** process may or may not be worthwhile progressing with.



## Why Transferring may NOT be right for you

- You do not want to take on Investment Risk
- You prefer/need a Guaranteed Income for life
- You require a Guaranteed Income for your partner/spouse/dependants
- Your overall benefits exceed the Lifetime Allowance Limits

## Why Transferring might be right for you

- High Transfer Values
- You require Flexibility when drawing benefits
- You can obtain a Higher Tax Free cash amount
- Increased death benefits and generational planning
- The Scheme has poor solvency/funding level
- Control

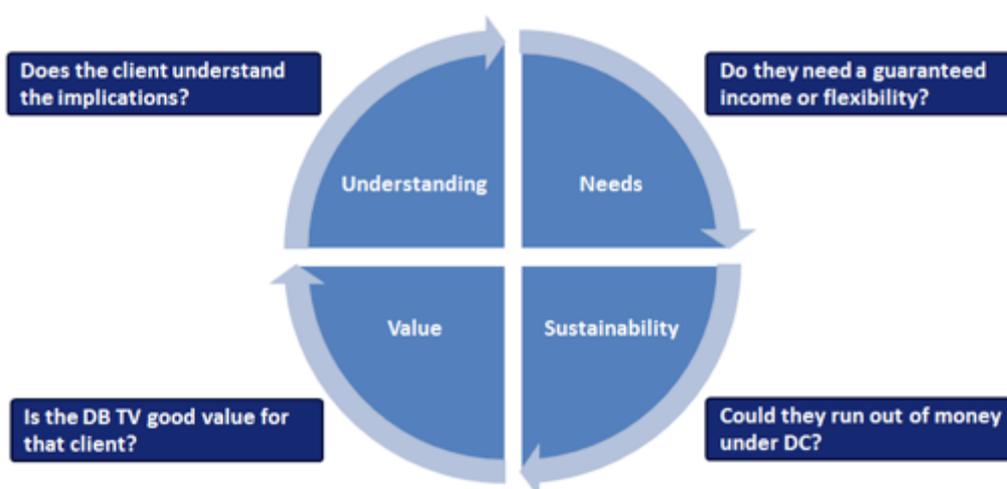
Family longevity and general health considerations may also influence your decision.

## Triage Service

This helps us to quickly identify if a transfer to a Defined Contribution plan is likely to be more appropriate than retaining your existing Defined Benefit Pension. It allows you to better understand if moving from the 'safer' DB environment is likely to be right for you before incurring the time and expense of a full transfer analysis and advice.

**This service is at 'our expense' and we do not provide any client specific advice.**

At a high level, the complications of DB transfers can be broken down into four key considerations:





The following questions allow us to quickly assess whether the existing DB plan is a good fit for you, or if a transfer might be appropriate which would merit proceeding to the full advice stage.

### **Needs**

- What income do you need in retirement and how does your DB pension compare to this?
- Are you comfortable taking investment risk?
- Is tax or legacy planning more important to you than a guaranteed income?

### **Value**

- Is the transfer value good value for you?
- Are you in good health?

### **Sustainability**

- Do you need the guaranteed DB income?
- Could you run out of money if you transfer?
- Do you have other assets to fall back on?

### **Understanding**

- How do you feel about moving from a safe, guaranteed retirement income for life to a flexible pension pot subject to market fluctuations?
- What is it about the guaranteed income for life which does not appeal to you?
- What will you do if you transfer and your plans go off track?
- What is your attitude to investment risk?

## **Full Advice Process**

Once a client decides that they would like a full analysis, review and recommendation on whether their defined benefits pension should be retained or transferred, there are two main steps as follows;

### **1. Assessment of benefits**

This involves obtaining a letter of authority so we can contact the scheme administrator of your scheme to get full details on your benefits, running an **Appropriate Pension Transfer Analysis (APTA)**, and formalising this in a summary document which sets out the benefits you have.

If our advice is to retain your DB pension, we will write a formal report to confirm this and our reasons for our decision.

The charge for this service is £750. For existing clients where we provide an ongoing advice and review service already, this fee may be waived or reduced.



## 2. Implementation

If, after our further discussions our advice is to transfer your benefits to a Personal Pension (DC) environment we will make our formal recommendation on the transfer, the new product and underlying investment portfolio. Our charges will be dependent on the value of the funds being transferred as follows;

Under £50,000	a Fixed fee of £2,000
£50,000 to £99,999	4% of the investment
£100,00 to £499,999	3% of the investment
£500,000 +	2% of the investment

Our ongoing advice fee is 0.75% pa of the funds under management.

The assessment fee of £750 will be offset against these charges.



**IEP Financial Limited**

119 Church Road Hove East Sussex BN3 2AF

T: 01273 208813 F: 01273 325319 W: [www.iepfinancial.co.uk](http://www.iepfinancial.co.uk)

 [twitter@iepfinancial](https://twitter.com/iepfinancial)

 [facebook/IEPFinancial](https://facebook.com/IEPFinancial)

 [iepfinancial](https://iepfinancial)

IEP Financial Limited are authorised and regulated by the Financial Conduct Authority

PERSONAL • PROFESSIONAL • PERFORMANCE

