LONDON & COLONIAL
INNOVATION IN PENSIONS

Press Release

Adam Wrench, Head of Business and Product Development at London & Colonial, looks at some of the opportunities and pitfalls for returning ex pats.

The news recently has carried a variety of stories on the growing number of ex pats returning to the UK. Now whether this is due to disenchantment, homesickness, redundancy, or any number of other reasons is anybody's guess. What doesn't take any guesswork however is that each and every one of them will be in need of specialist advice, to ensure that their pensions, funds and assets are all expertly assessed, and that effective guidance is provided prior to any planned return back home.

A detailed fact find is, as ever, the essential starting point, and assuming a client has a QROPS (Qualifying Registered Overseas Pension Scheme) it is important to establish first of all as to whether they have been a non-UK resident for more than 5 full tax years. If so, they should be eligible to transfer the funds within their QROPS into a QNUPS (or Qualifying Non-UK Pension Scheme).

If the QROPS is already denominated in sterling, then the repatriation of the funds is greatly simplified, however should it be denominated in another currency then exchange rate fluctuations will come into play.

The new rules on pensions 'cashing out', which come into force in April 2015, provide another option to consider. Depending upon their circumstances, they may also wish to continue with their current contributions or perhaps make new contributions to bolster their existing fund.

However there is a good argument to be made for doing nothing, as there are no legislative requirements to transfer funds back to the UK. In fact leaving a QROPS intact has many advantages. Not only are there no transfer, set up or other fees involved, but any fund growth would fall outside of future lifetime allowance tests and only 90% of any pension income would be assessed for UK tax purposes.

If you qualify, transferring funds into a QNUPS before returning to the UK also offers access to a far wider range of permitted investments. There is no 55% charge on any post–retirement lump sum death benefits, and any fund growth will once again fall outside of all future lifetime allowance tests. Similarly as with a QROPS, only 90% of the pension income will be liable for UK income tax.

Transferring a QROPS into a UK SIPP is also very straightforward, and in most cases a SIPP will be cheaper than a QROPS in terms of fees. For many there is also the added comfort to be had from the belief that the UK offers a safer home for their funds – and the protection offered by the Financial Services Compensation Scheme (FSCS) is a welcome bonus. The ability to accumulate new UK tax relieved contributions, as well as to be able to take advantage of the recent UK 'cash out' pensions legislation, are additional advantages.

-ENDS-

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Notes to Editors

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