

International Adviser BLOG - As ever increasing numbers of people bid the UK farewell in search of a better life abroad, Adam Wrench, Head of Product & Business Development at London & Colonial, explores the advantages of a QROPS.

QROPS (Qualifying Recognised Overseas Pension Scheme) investment

With the allure of better career opportunities, higher income levels, and increased standards of living, it comes as little surprise that more and more of us are choosing to move abroad.

But whilst we might automatically remember the more obvious items that will need to be arranged prior to any move overseas - such as housing, schooling, bank accounts, and the like – we shouldn't overlook the less obvious, such as tax efficient retirement planning.

The Institute of Public Policy Research estimates that by 2050 one in five Britons of UK pensionable age will have bid a farewell to British shores, and with this in mind it's crucial that those currently living abroad, or considering making the leap at sometime in the future, look at all of the options currently available to them when it comes to saving for their retirement.

After all, whilst you're working hard at building up your retirement savings, isn't it only right that your retirement savings should be working hard for you?

Qualifying recognised overseas pension schemes (QROPS) were first introduced in 2006 in an effort to tackle the retirement needs of those living abroad, and they've played a pivotal role ever since. Simply put, a QROPS will allow anyone with a UK registered pension, who is either currently living outside of the UK or is intending to doing so in the future, to transfer their pension pot abroad – whilst benefitting from a raft of taxation benefits as a result.

After all, if you're not planning on staying within the UK, then why should your pension fund?

One of the key advantages of transferring your pension savings into a QROPS is that they do not function within the same limitations as a UK pension, therefore making them a very attractive alternative.

Ben Franklin hit the nail on the head when he said that nothing in the world can be said to be certain except death and taxes, but while a QROPS cannot, unfortunately, prevent the former, it can most certainly assist with reducing the latter.

Unlike a UK pension, a QROPS is not subject to the maximum UK Lifetime Allowance, currently pegged at £1.5 million, thus providing far more freedom for higher earners. What's more, income tax on payments will not be subject to UK

legislation, with any taxation due determined instead by the jurisdiction in which the client is resident at the time. This means that not only could any income tax liability be potentially much lower, but as QROPS assets are often paid out in the currency of the jurisdiction, rather than just restricted to sterling, any potential currency risk and exchange costs will be minimised.

And while we can't delay the inevitable, there is the added bonus of knowing that, for those who have been a non-UK resident for more than five consecutive years, no UK 55% death tax will become due upon death - meaning that any remaining funds can be paid out in full. However, the beauty of the QROPS doesn't just end there. For those who may eventually decide to return to the UK, transferring into its lesser known cousin, the QNUPS, is also an option.

Available only to those who may have lived abroad for a minimum of 5 complete tax years prior to any permanent return to the UK, a QNUPS provides the means to effectively "lock in" many of the 'non-residency' benefits that will have already been enjoyed through a QROPS – so long as the QNUPS has been put in place, and any funds transferred, prior to any return to the UK.

In an ever changing and increasingly mobile world, there will always be a requirement for a fully flexible and transportable long-term saving vehicle - and the use of a QROPS certainly ticks all the boxes.

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Notes to Editors

About London & Colonial

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- (3) London & Colonial Assurance PLC which is regulated by the Gibraltar Financial Services Commission (matching UK standards) and which offers Open Annuities, QROP Annuities and Open Offshore Bonds
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