SOVEREIGN

SovereignGroup.com

Pensions Update

Issue 4 (December 2013)

Sovereign's pensions newsletter

New quotation system and calculators

As part of the industry renowned Sovereign/PenTech 'IFAS' (IFA Support) Programme which provides full independent technical support for Sovereign introducers on any pension related matter, a new quotation facility has been launched. This now enables supporting IFAs to enter the Sovereign/PenTech portal (www.pentech.im/ifas) and request a full quotation to discuss with their client. It is not an automated quotation and is processed upon receipt by PenTech staff. The turnaround should be 'same day'. The IFA will receive an email to confirm that the quotation is ready and upon re-entering the portal, it can be downloaded.

The quotation shows, with certain assumptions, the approximate benefits available in future years and if the member has attained MRA (Minimum Retirement Age), the immediate benefits available from PCLS and Capped Income Drawdown. The system provides a pdf for printing or saving to file. This will greatly assist the sales process, especially as an increasing number of transferring schemes are now requesting either confirmation that their member has received an 'illustration' or in several cases, they ask for a copy of same in advance of allowing a transfer.

In addition, we have also included an IFA friendly PCLS (Pension Commencement Lump Sum) and Capped Drawdown (income) calculator which hopefully will save IFAs either emailing or calling the local office for this information. This facility is automated and again will provide a pdf for printing and/or saving.

Introducers who are registered for the 'IFAS Programme' will see two new items in the menu on the right hand side of the screen entitled Quotation Report/New Quotation with another entitled PCLS/CD (income) calculator.

Further innovative support for our valued introducers to follow.

Autumn Statement

The Chancellor's Autumn Statement suggested no major changes to the current UK pensions regime. The (UK) Government Actuary's Department (GAD) has completed its review of pension drawdown (GAD) rates and concluded that they remain fit for purpose.

The UK state pension age will be linked to life expectancy in the future, this will likely result in the planned increases to state pension age being brought forward. Those retiring in the 2040's will probably have to wait until age 69 to access their state pension – further proof that significant private retirement provision is essential.

The Sovereign Art Foundation

The image at the top of this newsletter: "Child in Red" by Haris Purnomo, 2007 Sovereign Asian Art Prize Public Vote Winner

A charity raising money to help disadvantaged children using the arts as rehabilitation, education and therapy. www.SovereignArtFoundation.com

Matt Tailford appointed as Group Pensions Technician

As a further demonstration of its commitment to first class technical support, Sovereign has appointed Matt Tailford as Group Pensions Technician. Matt is a qualified pension transfer specialist and will be based out of Sovereign's Dubai office, but provide support both internally and externally across the Group.

Conservo International Retirement Plan

Sovereign is delighted to announce the launch of the Conservo International Retirement Plan. The Conservo offers a highly efficient and flexible approach to retirement planning and is able to accept both single, in-specie and regular contributions. The plan cannot be used to receive UK pension transfers.

The plan offers full investment flexibility including property purchase and loan facilities.

Members may access their benefits from age 50 and these can be taken as an income or a lump sum. The Conservo is a Guernsey based tax exempt plan which allows for growth free of local income tax and there is no capital gains tax in Guernsey. Furthermore, retirement benefits will usually be paid without any Guernsey Tax deducted.

The plan has a broad appeal, especially to those savers with specific investment requirements which may not be achievable through conventional retirement plans. It will also be attractive to investors wishing to have more flexibility in how they structure their retirement benefits. The Conservo works especially well for South African residents and those planning to retire in South Africa.

More information on the Conservo International Retirement Plan will shortly be available via www.sovereigngroup.com or your local Sovereign consultant.

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Critical Yield Calculations

As pension providers step up their support for introducers they are increasingly offering critical yield illustrations. A critical yield illustration forms an important part of the advice process in evaluating the feasibility of a defined benefit pension transfer.

One of the questions we are regularly asked at Sovereign is why there can be a marked difference in a critical yield figure from one provider to another? The main reason is that the underlying assumptions employed and the accuracy of the calculation can vary greatly. It is vital that the critical yield calculation fully accounts for all of the benefits and varying degrees of inflation protection present in the defined benefit scheme. Failure to account for this could lead to a misleading result with unfortunate consequences for the member.

The Sovereign / IFAS facility offers a complementary, fully independent and manually prepared calculation performed by PenTech's pensions technicians and actuaries. The calculation is performed in line with UK regulatory standards and provides a user friendly document to present to the client. Details of the scheme's current solvency levels (deficit/surplus) if known is also provided, together with information of any recovery plan and the hope of its success. The report also includes an indication of the immediate benefits available if the client has attained minimum retirement age and a projection forward of possible benefits to the NRD (normal retirement date) of the existing scheme. This allows our introducers to ensure that their advice process remains as comprehensive and robust as possible.

New unauthorised transfer guidance

On the 27th November 2013 HM Revenue & Customs (HMRC) released a new guidance note concerning the taxation of unauthorised transfers of UK registered pension schemes. The guidance specifically relates to cases where the transfer took place before 24th September 2008 and the receiving scheme was on the QROPS list at that time.

Ordinarily, where a UK registered pension scheme is transferred to a non UK pension scheme which is subsequently found never to have been a QROPS, the transfer will be deemed an 'unauthorised transfer' creating a tax charge of 55% on the entire sum transferred.

HMRC's new guidance effectively provides a tax amnesty to unauthorised transfers made prior to September 24th 2008. Following recent court cases, and specifically R (Gibson) v Commissioner for HM Revenue and Customs, it has become apparent that prior to September 2008 the QROPS list did not carry sufficient risk warnings and commentary around its function. However, HMRC will still pursue unauthorised payment charges "where there is evidence relating to the transfer of dishonesty, abuse, artificiality or any similar circumstances"

The guidance is a reminder that inclusion on the QROPS list alone should not be viewed as HMRC approval. It remains the responsibility of the member and their professional adviser to satisfy themselves that the QROPS is compliant with both local legislation and HMRC's QROPS rules. All of Sovereign's QROPS offerings maintain strict regulatory compliance.

The guidance: *http://www.hmrc.gov.uk/pensionschemes/transfers-to-qrops.pdf*

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