

Defined Benefit Transfers

The 'critical criteria'

Over the last few years the rules surrounding transferring defined benefit (DB) schemes and Final Salary (FS) schemes have changed significantly. Whereas in the past clients could decide whether they wanted to retain protected benefits in their current scheme it is now not such a clear cut choice. In fact, there are certain critical criteria suggested by the Financial Conduct Authority (FCA) that a client must meet to receive advice that leads to a positive recommendation to transfer.

Who can give pension transfer advice?

Pension Transfer Specialist (PTS) companies (of which there are now only a handful permitted to give this advice) have to consider whether the facts about a client's personal circumstances meet the FCA guidelines for transfer. If they do not, they may not recommend a transfer at all.

Raven Wealth work with our clients to prepare them for this process by first gathering information to ensure the relevant facts that meet the criteria are flagged in our initial discussion. Secondly, we select the PTS that suits our client's personal circumstances to explore leaving their pension scheme.

'The FCA and TPR believe that it will be in most people's best interests to keep their defined benefit pension. If you transfer out of a defined benefit pension, you cannot reverse it. Make sure you understand the risks to help you make an informed decision.'

Extract from the FCA website (30/09/2020)

Protected benefits

Guaranteed income	A Final Salary/Defined Benefit scheme will give you a fixed income for life.
Inflation protection	It may increase every year to protect you from inflation.
Spousal benefits	It may offer for a reduced income to be paid to your spouse after your death.
No on-going charges	There are no extra ongoing charges to administer your pension.
Passive income	You do not have to manage your money, the employer or trustees are responsible for ensuring there is enough money in the scheme to cover your income for life.

Who might be unsuitable to transfer?

Single Pension	This is your main or only pension.
Lifetime Provision	You are relying on this income for the whole of your retirement or, your current DB/FS pension already meets your needs in retirement.
Dependants	You have dependants that would prefer a guaranteed income rather than a lump sum.
Retirement Goals	You may struggle to achieve the income you want if you have to accept a lower income in the future.
Risk & Experience	You may have little or no investment experience, or not a sufficiently high enough attitude to risk.

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Who might be suitable for transfer

Life expectancy	A Final Salary Scheme will give you a fixed income level for life, however, if you have a medical reason why your life expectancy maybe reduced you may not live to receive the whole fund in your lifetime.
You are single	If you do not have a spouse/partner, the calculated benefit of a spousal income is reducing the payable income offered for the rest of your life.
Income satisfied	You are not relying on the income from this scheme to cover your income needs in retirement, or you have other income from other pensions and investments.
Flexibility	You would like to have control over your pension fund to manage your income requirements over the course of your lifetime.
Death benefits	You would like your non-dependant family to be financially secure on your death. In the event of your death if you leave your fund invested in the defined benefit scheme they would not always benefit/be able to inherit from the residual fund.
Better value	If you transfer you may be able to get more value from the fund for yourself (and your family) than if you stay in your defined benefit scheme.
Crippling debt	On rare occasions those struggling with serious financial difficulty could benefit from a transfer, but this will generally mean sacrificing long term security for short term gain.

Find out more

This information is a synopsis of the information that was available on the FCA website within their document, and available July 2021 specifically for consumers www.fca.org.uk/consumers/pension-transfer-defined-benefit. It has since been removed and no replacement consumer facing document has been uploaded yet, so please contact us for a copy. Or to conduct your own in depth research you can view the guidance around financial advice for DB transfers at: www.fca.org.uk/publication/consultation/cp19-25.pdf (Page 63, point 50 discusses valid reasons for transfer).

It is important that clients think about these facts before committing to a transfer out of a DB/FS scheme as the benefits associated with your current scheme will be lost forever. The transfer is irreversible once complete.

Please speak to your Raven Wealth 'Retirement Income Specialist' or IFA about your particular investment goals and/or request generic advice from our IFA if you are unsure about what is best in your particular circumstances.

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The Raven Wealth transfer process

Raven Wealth do not give Final Salary Pension Transfer (FSPT) advice but have instead embraced using selected Pension Transfer Specialist Partners. This was a commercial decision based on the exponential rise in the cost of Professional Indemnity Insurance. A great many advisors in the UK have decided to do the same, therefore just a handful of 'specialist' firms (referred to as Pension Transfer Specialists: PTS's) remain. Raven Wealth are now working with these PTS's as transfer partners to find the best solution for our client's specific and individual needs.

Raven Wealth staff have extensive experience preparing clients for the transfer process; we can therefore use our extensive knowledge and experience of this highly regulated process to offer our clients an enhanced application process; a data gathering and application service and selection of the most suitable PTS partner for their particular transfer.

Initial process to 'Abridged Advice'

Data gathering	A 'Client Fact find' (an information gathering exercise) is completed over the phone (1-2 hrs).
Documents	We review, create and deliver initial disclosure documents for our client to review and sign electronically by email (secure Adobe-Sign is now used as a Covid safety measure, or you can print and sign these documents at home if you prefer this option.)
Referral	Once we receive the signed documents, we then refer clients across to the recommended PTS that is the best fit for them, by submitting their application and supporting documents.
Client handover	The selected PTS will then contact our client direct, by phone and go through the information collected by us and ask some additional questions.
Abridged advice	The PTS will then issue our clients with Abridged Advice (AA) that is considered 'condensed advice', up to this point everything is completely free.
Decision stage	The Abridge Advice will result in a recommendation of: <ul style="list-style-type: none"> a. We do not recommend a transfer, or b. We need more information and need to go to Full Advice. At this point should the client proceed with Full Advice the fees will become payable.*

Once the Abridged Advice has been given, clients will be required to make one of three possible decisions:

- a. Leave the final salary pension in place
- b. Approach a different PTS
- c. Go to 'Full Advice' with the PTS

Each PTS works in a slightly different way. When your Raven Wealth Retirement Income Specialist has selected the best fit PTS they will provide more clarity on how the PTS you will be using operates in relation to your case.

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Proceeding to 'Full Advice'

If clients decide to go to 'Full Advice' after 'Abridged Advice' then again there will be two outcomes:

- a. The PTS will not recommend the transfer
- b. The PTS will recommend the transfer which will then proceed

* It is important to understand that once you decide to go to Full Advice fees would be payable. This is due to the regulator, the FCA, implementing a 'contingent charging ban' on Final Salary Transfers (only). If, for any reason, and in the unlikely event that the transfer does not proceed, then you may have to pay for the Full Advice yourself.

If the advice is 'not to transfer'

If the advice is 'not to transfer' then clients will need to decide to:

- a. Leave the final salary pension in place and accept the advice
- b. Approach a different PTS

Following a successful transfer

Fees	Fees for both the PTS and Raven Wealth are taken from the fund after any tax-free cash element has been calculated and paid.
Novation	At the transfer completion, the Client (novated back to Raven Wealth) again becomes the responsibility of Raven Wealth in respect of all future financial planning services.
Ongoing Charges	This is an optional charge to engage Raven Wealth to monitor and review the performance of your fund in the new drawdown account on an annual basis.

Full details of this service are available upon request. You can cancel this service at any time.

Please note that this is a generic guide to Defined Benefit transfers. As you might expect each PTS operates slightly differently. When you have decided to pursue a transfer you will receive a detailed brochure guiding you through the exact process with your selected PTS.

Find out more

Please speak to your Raven Wealth 'Retirement Income Specialist' about your particular investment goals and/or request generic advice from our IFA if you are unsure about what is best in your particular circumstances.