

PENSIONS, CHANGES, QROPS - WHAT DOES IT ALL MEAN TO ME?

Now the dust is settling on the raft of UK pensions reforms, it's time to look at the effects on the ex-patriate community here in France.

The reality is that for those of us who have already retired and are drawing our pensions, there is no change. The best thing we can do is ensure that transfers of money from a UK bank account to France are transacted via a currency exchange service such as Currencies Direct or Moneycorp (there are several such agencies), as this will give worthwhile savings against the banks.

Those who haven't as yet drawn their (private) pensions should seek professional advice as to whether it is more beneficial to leave in situ, transfer to a UK SIPP (Self Invested Personal Pension) or a QROPS (Qualifying Recognised Overseas Pension Scheme). If we have two or more pension schemes, it is also worthwhile considering amalgamating them all into a single scheme. (The Spectrum IFA Group can provide you with a completely free analysis and report, without obligation on your part. This will give the information needed to make a rational decision on what is often the most important aspect of our financial planning).

Changes in UK legislation

The Chancellor of the Exchequer has introduced a number of pension reforms in the past two years which are now coming into effect. The stated purpose is to give pensioners control over their pension savings and flexibility of income in retirement. The side-effect of this will be to raise massive amounts of taxes from the unwary. The most talked about changes are:

PCLS (Pension Commencement Lump Sum) is still 25% tax free for a UK resident.

Take whole of pension fund as cash – may be available dependant on pension funds but be aware that any cash in excess of the PCLS is taxed. The excess is added to your income in the year of withdrawal and taxed as income. Hence you may pay tax at your highest rates in that year. Restrictions apply.

No need to purchase an annuity, can drawdown. Be aware, restrictions may apply and if you have already drawn your maximum PCLS, tax will be charged on the drawdown as income. Drawdown has to conform to UK Government approved rates.

Death benefits - if death of the plan-holder occurs prior to age 75, the fund value can be paid to the nominated beneficiaries free of tax. However, if death occurs after age 75 the funds are taxed at 45% if taken as a lump sum (April 2015).

QROPS and SIPP schemes may offer distinct benefits to French residents. Each case needs to be assessed on an individual basis with residency (both now and future) circumstance and requirement all taken into account.

If you would like any further information on this topic or have any other financial query, please feel free to contact:

Tony Farrell, Independent Financial Adviser either via La Souterraine English Library or direct on 05 55 89 57 94, e-mail: tony.farrell@spectrum-ifa.com

TSG Insurance Services S.A.R.L. Siège Social: 34 Bd des Italiens, 75009 Paris « Société de Courtage d'assurances » R.C.S. Paris B 447 609 108 (2003B04384) Numéro d'immatriculation ORIAS 07 025 332 www.orias.fr «Conseiller en investissements financiers, référencé sous le numéro E002440 par ANACOFI CIF, association agréée par l'Autorité des Marchés Financiers.