First published in Bay of Plenty Times - July 2011

<u>To transfer or not to Transfer? – that is the question.</u>

If you are one of the many UK expats who have immigrated to beautiful Aotearoa, then you may be thinking about whether you should transfer your UK pension plans to New Zealand.

There seems to be so much hype and information surrounding this issue that many UK expats, or returning New Zealanders for that matter, are jumping on the band wagon and transferring their funds, wishing to encash their money at the earliest opportunity.

This may of course be okay, however, have we taken into account both the pros and the cons of doing so?!

There are so many different types of pension arrangements in the UK, which stems from many years of varying tax regimes, that getting the right advice is crucial. You may have disconnected many financial ties with the UK, having sold your home over there, closed all your bank accounts and are no longer earning an income from any employment or investments, however, you need to be sure that transferring your last financial ties with the UK, by bringing your UK Pensions to New Zealand, is in fact, in your best interest.

There are many advantages of transferring your UK Pensions to New Zealand and there is a plethora of information available to us all on the internet about this i.e. possibly having greater death benefits for your loved ones if you were to die, being able to take all or some of your fund at retirement without being forced to purchase an annuity income at a particular age (as in the UK), keeping more control of your investment fund choice with it being based here in NZ and of course, you can consolidate all of your pensions into one upon transfer.

It is important however, to weigh up the disadvantages too, and getting the right advice for your own specific circumstances is vital. Many websites and advisers are highlighting the fact that you can access a large part of your pension immediately upon transfer however, it's essential to ensure that you aren't penalised by tax penalties imposed by the UK HM Revenue & Customs that can be up to 55% of the fund, for withdrawing at the wrong time.

Weighing up some of the disadvantages to give a balanced view is essential. Most personal pension funds in the UK have the benefit of being virtually tax free in their growth, something New Zealand superannuations do not. Some older style defined benefit (final salary) type occupational pension arrangements can have guaranteed income benefits in retirement that will have to be given up if transferred. Some of these older style pensions may also have guaranteed increases when the pensions are in payment, and taking into consideration the options available from a government based pension arrangement is critical.

Pensions are for your retirement planning, so although there are of course individual exceptions where accessing some of the funds early may be appropriate, your contributions to these plans were originally set-up to aid the income you'll need in retirement. Lulling ourselves into a false sense of security of withdrawing these funds early in the belief that we'll make them up later can be very unwise and costly in the long run to our financial planning needs.

In summary, is imperative that you seek professional advice from Authorised Financial Advisers who are qualified to give you the best advice for your specific circumstances and are familiar with both the UK and NZ pension and tax regimes. They may not be able to give you advice on the UK pension system however, highlighting the options for you to make an informed decision is what you need to look out for. A carte blanche transfer may not necessarily be the best thing to do.

Charlene Overell AIF® CFP[CM] CLU, is a Director & Authorised Financial Adviser of G3 Financial Freedom Ltd.
A Disclosure Statement is available on request free of charge. Tel: (07) 571 5333 Mobile: 021 599 940 See www.g3freedom.co.nz Email: charlene@g3freedom.co.nz