

## Shackleton Employee Benefits - Should I transfer my pension?

This is a question that many employees ask us, and we'll try to help with the main considerations in this document. First though, we should be very clear that this is designed to be very much an overview of the main considerations and not a substitute for individual Independent Financial Advice.

This document will only consider '**Defined Contribution**' pensions – that is, pensions consisting of an invested pot of money. Officially, transfers between such pensions are called '**pension switches**' to differentiate them from transfers from Defined Benefit pensions, however most people still tend to refer to them as 'transfers'.

**'Defined Benefit'** pensions (those giving a guarantee of a future income) are of a completely different nature and any advice regarding transfer may only be given by an adviser with specialist qualifications. Due to the in-built guarantees associated with such pensions, it is very rarely considered a good idea to move them.

## Why should I transfer my pension?

### Charges

We think that this should be the primary consideration for most people – if you think about an invested pot of money, there are two factors that will influence how large it might grow to in the future:

- How much will disappear in charges?
- What will the future investment growth be?

Unless you have investment knowledge or experience, it's very difficult to draw any meaningful conclusions from past investment performance and so you can't predict whether one fund is likely to outperform another in the future. In fact, our regulator is very clear on this and requires us to state plainly that 'past performance is not a reliable indicator of future performance'.

So, most financial advisers would take the view that charges should be the focus – if you can reduce your overall cost of investment by moving money from a higher-cost pension to a lower cost one, you won't guarantee a better outcome but, as more money stays in the pot to be invested, you will at least create an advantage.

For any scheme used for 'Auto Enrolment', there has been a maximum total charge in place since April 2015 of 0.75% per annum of the total fund value for those using the scheme's default investment strategy.

Charges in pensions may fall into a few categories:

- **Annual Management Charge (AMC)** – this is the most common type of charge for Workplace Pensions. For a large number of pensions, this will be the only charge. This can vary dependent upon the investment fund you have chosen if you decide not to use the default investment. It will be expressed as a percentage of the value of the money invested.

- **Product charge** (sometimes called a 'Policy Fee', 'Administration Charge', 'Product Fee' or 'Service Charge') - this is in addition to any AMC charged for the investment fund and can be either a percentage or a fixed monetary amount.
- **Contribution Charge** - some schemes (such as NEST) levy a charge on each contribution. In the case of NEST, this is 1.8% of each payment that is made into the plan.

### For older pensions:

As there is a charge cap in place for Auto Enrolment pensions, the following charges will generally only apply to pensions taken out before 2015 or ones that have been taken out directly with a pension provider rather than via your employer.

- **'Bid/Offer spread'** – this is a differential in the buying and selling price of units in an investment fund.
- **'Switching or Trading Fees'** – some schemes may charge a fee for moving money between investment funds.
- **Initial Units, Capital Units and Accumulation Units** – These tend to apply to older pensions where money invested in the early years was allocated to Initial or Capital Units that carry a higher AMC. After a period, contributions would then be allocated to Accumulation Units with a lower charge.
- **Transfer penalties** – some older schemes may charge you a penalty if you move money (or take benefits) earlier than the retirement date of the contract.

The above list is not exhaustive and there may be other charges that apply to pensions that you may hold, especially older ones. It is important therefore that you make sure that you fully understand how ALL the charges on your pensions compare before making any decisions.

### Convenience

For some people, amalgamating their pensions is attractive so that they have fewer contracts which can make it easier to manage:

- Easier to track if there's only one annual statement or portal to check.
- Less likely to lose track of a pension and therefore aren't able to claim it at retirement.

### Features

Lastly, some people may require specific features from a pension that not all of their contracts include; in these cases it may be worth their while transferring to a higher charge pension if it means that they can access these features. These might include:

- Specific types of investment such as specialist funds, sustainable funds or those that comply with religious strictures such as Sharia-compliant funds.
- Specific options available at retirement such as 'Flexi Access Drawdown'.
- Multi-product platforms – some pension providers allow you to manage pensions, ISAs and other investment accounts all in one place. For some, this ability to have all their savings available at a glance may override the advantage of lower charges.

## When may it not be a good idea to switch pensions?

With most modern Defined Contribution workplace pensions, your pension is just an invested pot of money and so any significant differences in pensions are likely to be restricted to management charges and investment choices.

With older pensions, there may be a couple of other considerations and holders of pensions with any of the following benefits should think carefully before making any transfer decisions:

- **Enhanced Tax Free Cash** – some pensions that were accrued prior to 2006 may entitle the holder to a greater Tax Free Cash entitlement than the standard 25%. This entitlement may be lost on transfer.
- **Guaranteed Annuity Rates** – these apply typically to pensions taken out in the 1980s and 1990s. The pension company offers a guaranteed income level at retirement, often at a rate that reflects the much higher interest rates prevailing then relative to those available now. Again, such guarantees will be lost on transfer.
- **Guaranteed Bonus Rates** – some older pensions may be invested in a ‘With Profits’ fund that may have a guaranteed minimum bonus rate applied to the investments held within the pension.

## How can Shackleton Employee Benefits help?

We can't tell you what to do – for that you'll need to pay for advice; however, we can help you understand some facts about your various pensions.

If you provide us with a letter of authority for any previous pension, we can help you understand what charges it has, where it's invested and what features (such as drawdown options, for instance) the contract allows.

In this way we can help you understand the primary differences between your pensions in order to assist you in making an informed choice about any potential amalgamation of funds.

Just to be very clear – we will provide you with information but any decision to transfer or not will be entirely yours and you will be taking responsibility for this decision. If you're not sure what to do, then you should consider paying for individual advice.

If you'd like our help looking at any other pensions, please complete a letter of authority for each pension provider. A template for this letter is linked to [here](#). Please print, complete and scan back to [eb@shackletonadvisers.co.uk](mailto:eb@shackletonadvisers.co.uk). Although the letter asks for a policy number, it's not essential to complete this field if you don't have a policy or reference number as most schemes can locate you using your NI number.

Once we've received all the info back for your various pensions then we'll send you a summary sheet showing the various pensions and their current values, ongoing charges etc to help you make an informed choice about any amalgamation. This sheet should contain all the info that you need to undertake an overall pension forecast using our calculator [here](#).

## The process of transferring/switching

Transfers are initiated by the receiving scheme so, once you have decided to transfer, you should approach the scheme that you want to receive the money. They will want to know a few basic details such as the name of the pension provider from which you want to transfer and any policy or reference numbers.

They will also want to make it very clear to you that you are fully responsible for the decision to transfer, and that no liability can attach to them. If you want someone to specifically tell you where to transfer your money, then you should pay for Independent Financial Advice. Shackleton can provide this for you and will happily provide you with an idea of the relevant process and costs.

## The main Workplace Pension providers and their transfer-in processes

### Aegon

- Start the process via this link: <https://www.aegon.co.uk/personal/consolidation.html> Select 'I'm ready to combine', enter your policy number, and this will provide you with the number to call to initiate the transfer-in process for your pension.

### Aviva

- Transfers to Workplace Pensions can be initiated via the 'My Aviva' web portal or App. Register for My Aviva here: <https://www.direct.aviva.co.uk/MyAccount/Register/Details>
- Transfers to Aviva Self-Invested Pensions via this page: <https://www.aviva.co.uk/retirement/transfer-your-pension/>

### Legal & General

- Initiate a transfer via your online account, register here: <https://myaccount.register.landg.com/>
- Or call 0370 050 2616

### NEST

- Register for online access to your account here: <https://www.nestpensions.org.uk/schemeweb/NestWeb/faces/public/MUA/pages/loginPage.xhtml>
- Follow these transfer instructions: <https://www.nestpensions.org.uk/schemeweb/nest/my-nest-pension/transfer-your-pension-pots/transferring-into-nest.html>

### Royal London

- Transfer process outlined here: <https://www.royallondon.com/pensions/pension-transfers/>

### Scottish Widows

- Follow this link to fill out a form to request a transfer: <https://adviser.scottishwidows.co.uk/forms/pension-transfer-wp.html>

- Or call 0345 608 0380 for pension transfer support.

### Standard Life

- Start the process via your online account. To register for online access:  
<https://online.standardlife.com/secure/customer-authentication-client/customer/journeys#/welcome>
- You may also use their App
- Or call 0345 606 0835

### The People's Pension

- Via this link: <https://thepeoplespension.co.uk/your-pension-transfer/>
- Or this phone number: 0191 500 9164

**This document deals in generalisations, is intended for information purposes only, and is not intended to provide advice. Levels and bases of taxation will vary dependent upon individual circumstances and are subject to change. Shackleton recommend that employers and individuals take specific guidance before taking any action.**



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