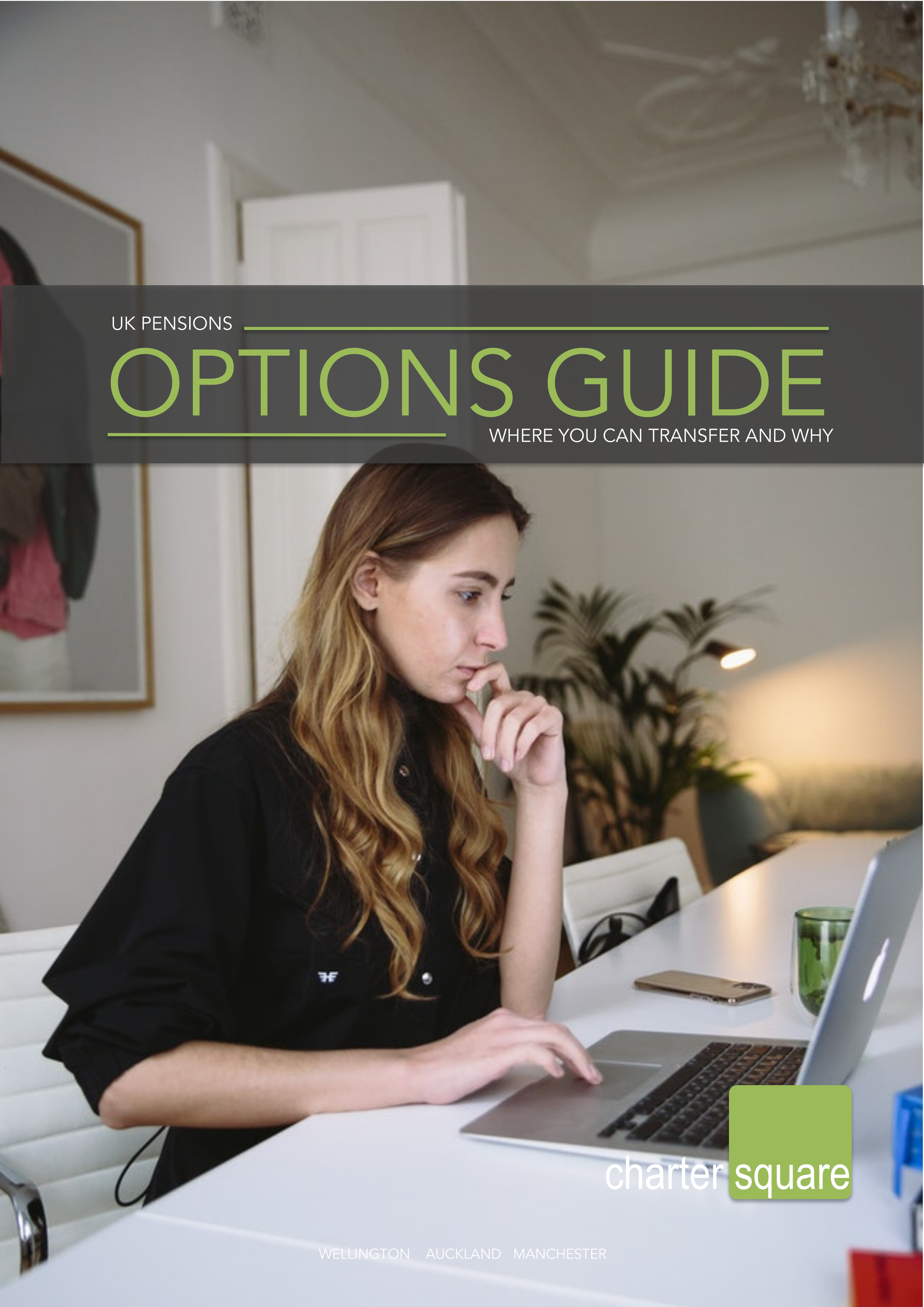


UK PENSIONS

OPTIONS GUIDE

WHERE YOU CAN TRANSFER AND WHY

charter square

WELLINGTON AUCKLAND MANCHESTER

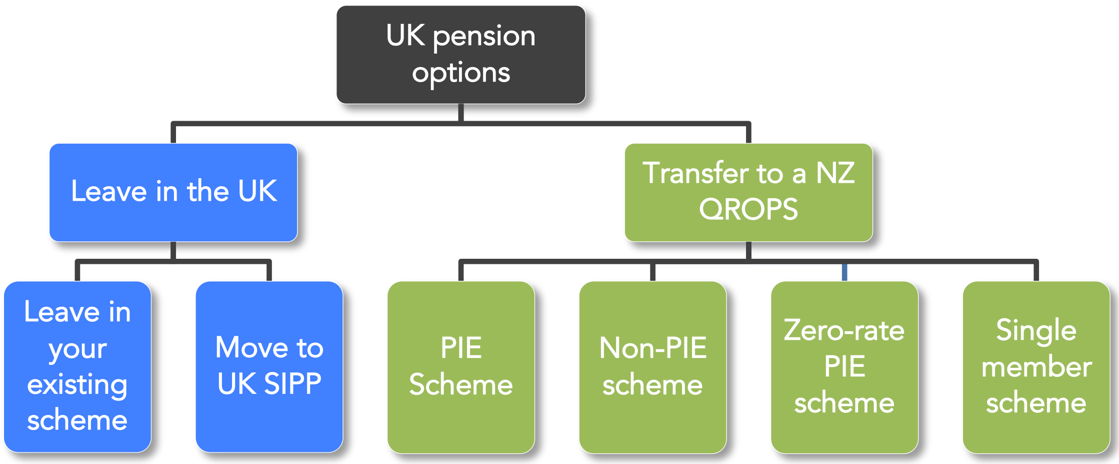
UK PENSION OPTIONS ARE NOT BINARY – THERE ARE LOTS OF OPTIONS

The options for your UK pension are not binary. There are many courses of action you can take, from leaving your pension in your existing UK scheme through to transferring it out to a multitude of other types of schemes. Critically though, you must understand what the best option is for you and your UK pension, both now and for the future.

We've developed this guide to give you a high level understanding of the available options and when these options might require appropriate action.

It's crucial to choose the right help when seeking advice on where to transfer to and what to do with your UK pension. No two solutions are offered by a single scheme in NZ so it's important that ALL these options are presented to you for consideration and explanation before you decide which is the best path. One size fits all does not apply to UK pensions so let us help you understand what's best for you and your UK pension

At a high level there are six options for your UK pension when you are based in New Zealand. These options are shown in the diagram below. If you choose to leave your pension in the UK, you can either leave it in the scheme it's currently in or move it to a UK self-invested personal pension (SIPP). If you choose to transfer to a New Zealand scheme, there are four different scheme types available and it's important to choose the structure that best meets your needs from the perspective of both tax and choice of funds.



OUR INDEPENDENCE GIVES YOU THE OPTIONS

At Charter Square we are proud to be the only company that delivers the full spectrum of pension option solutions to our clients. We are also proud to not be tied to any one solution and scheme, instead seeking out the best of breed solutions in each category and delivering these to our clients. That is the value of independence in your UK pension decision and our commitment to you.

1. LEAVE IN EXISTING UK SCHEME

Leaving your pension in a UK scheme is an active option and you should fully understand the reasons for choosing to leave it in that scheme. Some of the reasons might be:

- You definitely intend to return to the UK to retire
- You might return to the UK to retire and the tax bill for transferring your UK pension is large, or the pension is a UK defined benefit scheme with excellent benefits compared to the transfer value
- Your UK scheme is in significant deficit and the transfer value that they are offering does not stack up against the annual benefits on offer
- You intend to leave New Zealand within five years, and so transferring a pension to New Zealand and then leaving might give rise to a 25% tax charge out of the UK

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an example

Raheem had moved to New Zealand seven years ago and was not sure if he would stay in New Zealand as his elderly parents in the UK would most likely need his help later. If Raheem transferred to New Zealand he would have a tax liability of $7,500, whereas if he did not transfer his pension he would not have this liability. So rather than transferring to New Zealand and paying that tax liability Raheem chose to leave his pension where it was in the UK.

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2. MOVE TO A UK SIPP

As an alternative to leaving your pension in your existing UK arrangement is transferring to a UK SIPP. A SIPP is a contributory UK personal pension plan. These can be set up when you are living in New Zealand and offer thousands of investment options, including New Zealand investments. You can effectively manage your money as if it were in New Zealand without immediately having to deal with a liability associated with transferring a pension to New Zealand. On top of that you get all the UK regulatory protections.

Some reasons for transferring to a UK SIPP are:

- You can capitalise on the cash equivalent transfer value of a defined benefit pension but not have any New Zealand tax liability
- You want out of your current scheme but the NZ tax liability on transfer to New Zealand is too high and you are unable to pay it
- You're not sure if you will return to the UK but want control personal over your pension
- You are not sure if you will stay in New Zealand for the five years following a transfer and are concerned you'll be exposed to the 25% Overseas Transfer Charge (OTC) and you want control personal over your pension
- You want to invest through a New Zealand based platform and adviser but do not want to transfer to New Zealand because of the tax liability

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an example

John, aged 47, was provided a transfer value from his current scheme that made economic sense for him to move schemes. However, due to the large tax bill on transferring to New Zealand and his inability to pay it (because he cannot access his transferred funds until he is 55), he decided to move his funds to a UK SIPP. Here he could enjoy NZD based investments as well as GBP investments and have control over his pension and investments.

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MOVING YOUR PENSION TO NEW ZEALAND

As a precursor to this section it is taken as a given that you intend to stay in New Zealand for at least five UK tax years after you transfer, that you can afford any tax liability on transferring your pension to New Zealand, either by accessing the transfer because you are over 55 or you can pay the tax liability from another source of funds, you do not intend to retire in the United Kingdom and if transferring a final salary pension you fully understand the economics of the transfer and what rights you are giving up. If any of these conditions can't be satisfied then a transfer to New Zealand might not be right for you.

So, what are some of the circumstances that a transfer of your UK pension to New Zealand might be appropriate:

- When there is a significant tax advantage on transfer versus being paid the pension out of the UK
- When you want proximity to and investment control iover your funds in New Zealand
- When you want exchange rate control over when you convert from GBP to NZD
- When you have a large UK pension with lifetime allowance tax issues in the UK
- When you want to protect yourself from future rule changes in the UK
- When flexible estate planning is a priority

3. MOVE TO A PIE SCHEME

A Portfolio Investment Entity (PIE) scheme is one that has been built for simplicity and matches investment tax rates with your personal tax rates. The majority of QROPS in New Zealand are PIE schemes. The investment options are simple unitised funds like conservative, balanced and growth. These schemes and their funds are designed to take the hassle out of investing. The main considerations in choosing a PIE scheme are:

- Fund options – does it have a valid GBP investment option
- Fund performance – how have the funds performed historically
- Fees – does the scheme have entry and exit fees, what are the annual fees, the fund management fees including any brokerage or exchange rate fees that the scheme charges

Some reasons that you may choose to transfer New Zealand PIE scheme are:

- You want simplicity of investment offers
- You are earning less than $48,000 a year and you want to match the tax rate on your scheme investments to personal tax rates

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an example

Joan, aged 56, has been in New Zealand for 16 years. She decided to transfer a small UK pension that she had acquired while working in London in the late 1990's. She transferred the funds to a New Zealand PIE scheme and withdrew some of the funds when they arrived to pay her tax liability.

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4. TRANSFER TO A PORTFOLIO SCHEME

These schemes are the New Zealand equivalent of a UK SIPP. There is a larger investment universe that can be accessed to allow people to build portfolios that suit their needs.

Some reasons that you may choose to transfer New Zealand portfolio scheme are:

- You want a greater range of investments or you have a specific investment fund that you want to invest in
- You are already on the highest marginal tax rate in New Zealand so the scheme does not differentiate between a PIE and non-PIE for tax purposes

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an example

Kathryn shifted her banking career from the UK to New Zealand five years ago. Kathryn is a high income earner in New Zealand and is being taxed at the marginal highest rate. Kathryn has amassed a sizable pension pot in the UK and wants to take investment control over that money. She has identified a couple of fund managers in New Zealand that she really likes and wants to invest with them for the long term. She can invest in these fund managers through the non-PIE Portfolio scheme.

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5. TRANSFER TO ZERO-RATE PIE

A zero-rate PIE scheme is just like the aforementioned PIE scheme with the advantage that it has a zero-rate tax bracket. This tax bracket can be elected by anyone that qualifies for transitional tax residency in New Zealand or is not tax resident in New Zealand. This means, whilst on a zero-rate you will pay no tax on your investment earnings in the zero-rate scheme.

Some reasons that you may choose to transfer zero-rate PIE scheme are:

- You are within your NZ transitional residency window when you transfer and want the tax free gains (including exchange rate gains)
- You live outside of New Zealand and want to transfer in another QROPS pension that you established or transferred out of the UK prior to April 2017

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an example

Sarah had just moved back to New Zealand after 14 years in the UK. Because Sarah qualified for transitional residency she decided a zero-rate PIE would be the best scheme for her so she could move the funds to New Zealand and pay no tax within the scheme for the duration of her transitional residency. On top of that she could switch between GBP and NZD investments easily.

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6. TRANSFER TO A SINGLE MEMBER SCHEME

A Single Member Scheme (SMS) is allowed when an individual lives in New Zealand and wishes to establish their own individual superannuation scheme. These schemes are not as heavily regulated as a standard New Zealand superannuation scheme and the member is usually their own Trustee and beneficiary of the scheme. The schemes are advantageous when:

- Individuals want to hold specific assets in their scheme that they can't in other schemes, such as commercial property or unlisted investments
- It would be cheaper to establish and operate your own scheme, typically where you have over $800,000 in the scheme

The restrictions of the SMS are:

- You are required to be more involved in the scheme management
- It cannot be a PIE and therefore take advantage of lower tax rates
- You will not be able to invest in residential property, art, collectables and other exotic asset classes

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an example

David has transferred a considerable UK pension pot to New Zealand and wants to buy a commercial property. He does this through his SMS, including borrowing against the property within SMS.

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GET YOUR FREE PERSONAL UK PENSION REPORT

Everything you need to get the decision right in one place:

- ✓ UK pension analysis
- ✓ UK and NZ tax assessment
- ✓ Financial comparisons
- ✓ Scenario planning
- ✓ Future considerations

It's been the starting point for thousands of clients who have made an informed decision on whether to transfer their UK pensions.

SIMPLE EXPLANATIONS

I'd put my UK pension savings in the "too hard" basket for a long time - navigating the respective IRD requirements, and the world of QROPS wasn't something I wanted to spend time on. While, financially, my pension transfer will have been at the lower end of the scale I received first class communication throughout the process, with all the document completion (the hard work) explained and completed for me, ready to sign … as well as a clear explanation of current and potential tax implications of the transfer. Overall the process couldn't have gone smoother. MC

GETTING IT RIGHT COUNTS

Thank you kindly for keeping in touch with me. For now, I will not be moving my pension. I will however be keeping your details and referring back to you when I wish to pursue it. You by far are the best party to deal with, no nonsense, professional and in my opinion genuine. I do sincerely thank you for your advice to date. GE

SIMPLE FACTS ABOUT US

over
5,000
transfers

worth
$450m
transferred

from
800
UK pension providers

Charter Square has been transferring UK pensions to New Zealand since 1999. As one of the first pension transfer providers in the world Charter Square has built an extensive and unrivalled knowledge of the QROPS market and the tax and legislative environment. Our staff present to NZ Government Select Committees, assist the IRD on foreign superannuation taxation legislation and are regularly consulted as experts by media and the Institute of Financial Advisors on QROPS and UK pension transfers.

Charter Square operate an office in the UK to liaise directly with your UK pension provider in the relevant time zones to ensure your transfer is executed on a timely basis and without problems. Our processes of thorough New Zealand scheme review and detailed understanding of your UK pension(s) allow you to receive a full and robust opinion on your UK pension and the implications of transferring it.

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