GUIDE TO

PENSION CONSOLIDATION

MANAGING YOUR RETIREMENT SAVINGS IN ONE PLACE

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Managing your retirement savings in one place

One thing retirement is not, is an age. Not any more anyway. Gone are the days of being told to stop working one day and pick up your pension the next. Today you have new pension freedoms to decide when and how you retire.

By the time we have been working for a decade or two, it is not uncommon to have accumulated multiple pension schemes. There's no wrong time to start thinking about pension consolidation, but you might find yourself thinking about it if you're starting a new job or nearing retirement.

Consolidating your pensions means bringing them together into a new plan, so you can manage your retirement saving in one place. It can be a complex decision to work out whether you would be better or worse off combining your pensions, but by making the most of your pensions now, this could have a significant impact on your retirement.

Types of pension

There are two types of pension – Defined Contribution (DC) and Defined Benefit (DB) pensions. DC pensions (the most common type) are where you build up a pot of money over your working life. Contributions come from you and possibly your employer, providing you with an income in retirement.

DB (or final salary) pensions are company pensions that pay you a set income based on how long you work for the business and how much you earn. They provide a valuable guaranteed retirement income, but aren't that common now.

Boost savings

There are many things to consider when looking to consolidate your pensions, such as the types of pensions you hold. Your existing pensions may have valuable guarantees that you could lose if you transfer out of the scheme, your current pension may have higher or lower product charges, and there may also be charges to transfer your pension to a new company. You should also consider which death benefits are already in place.

Some alternative pension options may offer the potential for a better investment return than existing pensions – giving the opportunity to boost savings in retirement without saving any more. In addition, some people might benefit from moving their money to a pension that offers funds with less risk – which may not have been available before. This could be particularly important as someone moves towards retirement, when they might not want to take as much risk with the money they've saved throughout their working life.

Retirement income

If someone has several different pensions, it can be difficult to keep track of the charges they're paying to existing pension providers. By consolidating pensions into a new plan, lower charges could be available. However, it's important to fully understand the charges on existing plans before considering consolidating pensions.

Consolidating pensions into one pot also reduces paperwork and makes it easier to estimate the income someone can expect to receive in retirement. However, before the decision is made to consolidate pensions, it's essential to make sure there is no loss of benefits attributable to an existing pension.

Regular reviews

It's important that you review your pension situation regularly. If appropriate to your particular situation, and only after receiving professional financial advice, pension consolidation could enable existing policies to be brought together in one place, ensuring they are managed correctly in line with your wider objectives.

Don't forget, your pension can and should work for you to provide a better quality of life when you retire. Looked after correctly, it can enable you to do more in retirement, or even start your retirement early.

> Consolidating pensions can remove the hassle and paperwork of managing lots of different plans, as well as cutting charges and giving you access to a wider range of investments

Defined Contribution (DC)

For DC pensions, most schemes will allow you to transfer and consolidate your pot to another pension scheme – whether that's your new employer's scheme or a personal pension. We can check with your provider to see if there's any reason that you can't switch.

Defined Benefit (DB)

The Financial Conduct Authority (FCA) says that people should begin by assuming that staying in a DB scheme is the best option for them, but in some situations, there may be an advantage to transferring into a DC pension.

The UK government insists you take professional financial advice from a regulated financial adviser if you're thinking of doing this and the value of your pension benefits are worth more than £30,000.

Checklist for consolidating pensions

Before you consider making any decision to consolidate your pensions, you should check if combining your pensions will mean you lose any valuable features, protections or guarantees that you may have in your other pension plans.

Check the charges in your plans to see if you'll be paying more or less in charges as a result.

The value of your pension pot after consolidating can still fall as well as rise, and isn't guaranteed. The final value of your pot when you come to take benefits could be less than has been paid in.

Any new investment funds into which you move your pension pots will have their own set of risks that will be detailed in the fund information available to you.

If you're not sure if consolidating your pension pots is right for you, you should always obtain professional financial advice. ■

WANT TO TALK THINGS THROUGH?

Even if you have not had that many jobs, you may still have a number of different pensions to keep track of. Pensions can be confusing, but there is an alternative way to help keep on top of them.

To find out more or to discuss your situation, please call us – we look forward to hearing from you.

TRANSFERRING OUT OF A FINAL SALARY (DEFINED BENEFIT) PENSION SCHEME IS UNLIKELY TO BE IN THE BEST INTERESTS OF MOST PEOPLE.

PENSION CONSOLIDATION ISN'T A SIMPLE DECISION

Over the years, many of us build up a number of pension pots with different employers and providers. Whether or not to combine your pension pots isn't a simple decision.

If you would like to review your situation or discuss the options available, please contact us for further information – we look forward to hearing from you.

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