

**Intelligent Pensions Ltd**  
**www.ipifa.com**  
tel 0141 333 9248  
fax 0141 332 3596  
e-mail [intelpen@msn.com](mailto:intelpen@msn.com)



## **Pre-Retirement Reconstructions – A New Lease Of Life For IFAs And Their Clients**

With the introduction of new lower cost more flexible pension solutions many existing pension plans need to be reviewed. Many IFAs may be concerned about the effects of transfer penalties but in most cases the transfer costs on coming out of an existing contract are simply a commutation of the future charges on the existing plan. By analysing the true costs we are able to establish whether there is any actual material disadvantage to the investor (and in most cases the answer is “no”).

On the plus side if the client is able to gain from wider investment choice and far greater flexibility then ultimately they will be better off in retirement. Most contracts more than five years old carry arcane charging structures and the limited investment choice inevitably means performance is often mediocre.

But reconstructing existing pension plans needs to be given a great deal of care and attention as different limits apply on death benefits, tax free cash etc. to say nothing of the possible effects of guaranteed annuity rates or loss of de-mutualisation rights. That is why we undertake a detailed process of “due diligence” to check out all the possible implications before we make any recommendations.

### **A. Controlling Directors and High Earners**

Following the changes in the Transfer Regulations on 6<sup>th</sup> April 2001 it will now be even more important that IFAs look at their clients’ existing pensions to assess whether they may be better to switch to Personal Pensions now rather than later.

Under the new regulations all capped earners over the age of 45 and all controlling directors will be caught by the new limits. If they fail the new transfer test this affects the maximum pension they are able to achieve, the maximum lump sum on death before retirement and the maximum tax free cash sum at retirement. Our analysis indicates that in many cases the investor will be able to achieve a higher pension on retirement by funding their future benefits under a Self Invested Personal Pension than under existing EPP contracts. Any client with more than £50,000 in accumulated pension benefits (based on current transfer values) should have their position checked as soon as possible before it becomes too late.

### **B. Non Controlling Directors/High Earners**

In addition to those who are subject to the new transfer restrictions IFAs should also look at anyone who might in the future be restricted. Ordinary employees are unlikely to be affected but those in senior management in large corporations or prospective directors of private companies should be considered.

## C. Self Employed and Professional Businessmen

These categories of clients are not subject to the transfer restrictions but in many cases may have significant amounts of pension fund money sitting in policies offering poor rates of return. There are still large numbers of pension plans invested on a with profits basis and many others languishing in mediocre unit linked funds. If the costs of re-construction are broadly neutral why should these clients not improve their pension benefits by gaining from better investment returns?

### The Select Retirement Plan

With over 100 funds available from a range of 10 top fund managers, free switching, low fund management charges and a dynamic investment strategy the opportunity to enhance your clients' retirement benefits could not be clearer. The plan also offers full phased/drawdown facilities, and, with the added facility of self invested annuities, the potential investment period is extended up to and even beyond age 75. With such a long period for gaining additional investment growth the improvement in the value and quality of benefits can be substantial. The compounding effect of just an extra 2% p.a. growth on the fund will result in an extra 50% return after 20 years while after 30 years the gain would be 75%.

### The Select Buyout Plan

In certain cases it may be better for an investor's benefits to be held under occupational scheme limits until retirement. To cater for this we have a self invested Section 32 plan. This enables us to achieve the most appropriate solution for each investor whatever their circumstances.

### Systematic Growth Portfolios

By adopting a highly sophisticated risk management system we can provide your clients with the opportunity to gain even more from their pension funds. Our computer based analysis systems are designed to maximise growth up to retirement and then optimise the performance of the plan while benefits are being drawn during retirement. In the vast majority of cases it will be unlikely that the investor should buy an annuity immediately at retirement. Managing the funds to minimise the risk of loss while achieving the best possible benefits is the ultimate objective. The minimum initial fund value required is £50,000 on transfer to set up the plan.

### Compliance Control

As with all our services we take full compliance responsibility for the advice. This provides the opportunity for working successfully in partnership with IFAs. Introducer firms retain the commission on each of the investments transacted on their clients' behalf. This can be initial or a combination of initial and trail depending on the circumstances. Our services are charged direct to the investor's pension fund as initial and annual fees. All processes and procedures are controlled to make sure each party meets its regulatory requirements in full.

If you feel your clients' pension plans need a new lease of life contact us via our web site for an exploratory meeting at your offices.