

## Combining Pensions

This spotlight is aimed at those who are thinking of combining two or more of their pensions. The spotlight gives some useful tips for things you should consider.

**The Pensions Advisory Service is unable to give individual specific advice and you should seek alternative tax or regulated financial advice.**



### Things to think about when considering combining your pensions

- If you've accumulated numerous pensions over the years, it can be difficult to keep track of how they are performing. If you combine your pensions, it can be easier to track **fund performance** more easily. This should give you more control over reviewing your investments, making any changes and understanding the level of pension you are on target to achieve.
- Your pension pot may currently be subject to high **charges**. You may be able to pay a lower charge if you move your benefits to an arrangement with another provider. In addition, providers may have lower charges for larger fund values which you may be able to benefit from if you combine your pensions.
- Your current provider may have a limited range of **investment options**. Moving your pot to a different arrangement may give you a greater choice of investments.
- If you are close to retirement you might not have time to recoup any costs involved in amalgamating your pensions even if you do move to a better performing fund.
- Before switching your pension, bear in mind other benefits you may be giving up. **Safeguarded benefits** (which give you a guaranteed income) in your existing pension pot will be lost if you move your benefits to an arrangement with another provider.
- Some old-style contracts set up in the 1980s and early 1990s have significant **exit penalties** if you switch before your selected retirement age. Your contract should state whether there is an exit charge for leaving early but you should check with your pension provider. If you took out a pension policy after 2001 you won't normally have to pay an exit penalty, but do check.
- If your pension is invested in a with-profits fund, then the firm may apply a withdrawal penalty called a **market value reduction (MVR)** if you move your benefits before or after your selected retirement age. You may also lose any final bonus (also known as a terminal bonus) which may be payable the nearer you are to your selected retirement date.

- There are rules that allow you to take your benefits as small pots (of under £10,000) which you may be unable to do if you combine them. These rules have tax advantages for some people.
- You will need to check with your new provider if they will allow a transfer in of your benefit entitlement – not all providers will accept transfers in.
- Additionally, check if your current provider will allow you to transfer your existing pension to another provider – some pensions cannot be transferred.
- You may get a better deal when you start drawing retirement benefits if you combine your pension pots as a larger pot may enable you to get a higher income than a series of smaller pots.

### My benefits are in a final salary/defined benefits scheme – what else should I think about?

- If your benefits are in a final salary scheme, it often makes sense to keep them there. It's worth remembering that defined benefits pension schemes give a guaranteed level of pension income, whereas the benefits under a defined contribution pension scheme depend on investment performance during the time that the money is invested.
- If you transfer from a defined benefit scheme to a defined contribution scheme, the retirement benefits you receive may be higher or lower than the benefits you would have received if you had stayed in the defined benefit scheme.
- You should certainly consider seeking regulated financial advice for these types of transfer and will usually be required to do so if the value of your benefits is over £30,000.

### What can I do to help me to decide?

- Review your existing pension arrangements to find out what charges are being applied and their investment performance. Ask your providers for an up-to-date statement of your benefits and a projection of benefits at your selected retirement age.
- Ask your provider if your pension pot has any safeguarded benefits/special features which will be lost if you move your pot to an arrangement with another provider. For example some old pensions provide a guaranteed annuity rate, which offers a high level of guaranteed income. Also check if there are any exit fees payable.
- If you have lost track of any pensions, please see the following link for more information: <https://www.pensionsadvisoryservice.org.uk/pension-problems/making-a-complaint/common-concerns/lost-pensions>.
- Considering taking regulated financial advice to assist you with making your decision. A regulated adviser can assess your situation and tell you if transferring your pensions is right for you. Please bear in mind that a financial adviser will charge to give advice. The Money Advice Service provides help in how to choose an adviser. You can find out more by visiting their dedicated web page by visiting <http://www.moneyadviceservice.org.uk/en/articles/choosing-a-financial-adviser>. Using such an adviser regulated by the Financial Conduct Authority, gives you the additional peace of mind that you have regulatory protection and potentially compensation under the Financial Services Compensation Scheme should the advice turn out to be wrong.

- As you can see there are a lot of things to consider when looking at combining pensions. Sometimes it can be very good idea, and sometimes it can mean you lose valuable benefits. It all depends on what type of pension arrangements you have and on your circumstances. To discuss your particular situation, please call our helpline.

## Scams Warning

Your pension may be one of your most valuable assets and for many it offers financial security throughout retirement and for the rest of your life. But, like anything valuable, your pension can become the target for illegal activities, scams or inappropriate and high risk investments.

Pension scams can take many forms and usually appear to most to be a legitimate investment opportunity. But pension scammers are clever and know all the tricks to get you to hand over your savings. They target anyone, pressuring you into transferring your pension savings, often into a single investment. If someone contacts you unexpectedly and says they can help you access your pot before the age of 55 it's likely to be a pension scam. You could lose all your money and face a tax charge of up to 55% of the amount taken out or transferred plus further charges from your provider.

The investments may be overseas, where you have no consumer protection, and may promise you a high guaranteed rate of return (typically 7 or 8% or higher). These are often false investments in luxury products, property, hotel developments, environmental solutions or storage and parking, which often don't exist or are extremely high risk with low returns.

**Remember, once you've transferred your pension into a scam, it's often too late. You may also incur a tax charge from HM Revenue and Customs.**

For more information, please visit <https://www.pensionsadvisoryservice.org.uk/pension-problems/making-a-complaint/common-concerns/pension-scams>.

The government has now banned cold calling about pensions. Do ignore anybody who approaches you out of the blue about your pension entitlements or pension matters. It's most likely to be a scam!

## About Us

The Pensions Advisory Service (TPAS) works to make pensions accessible and understandable for everyone. We provide independent and impartial information and guidance about pensions, free of charge, to members of the public.

We help with all pension matters covering workplace, personal and stakeholder schemes and also the State Pension. We answer general questions, help with specific queries and offer guidance for people with complaints about their private pension scheme.

The Pensions Advisory Service is provided by



### Contacting us



#### Pensions Helpline

(Monday-Friday 9am-5pm)

0800 011 3797



#### Online enquiry form

[www.pensionsadvisoryservice.org.uk/online-enquiry](http://www.pensionsadvisoryservice.org.uk/online-enquiry)



#### Web chat live

8am-6.20pm Monday/Wednesday/Friday  
9am-6.20pm Tuesday/Thursday  
9am-1pm Saturday

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)



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