Striving for a better world

Expat Pension Review Guide

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EXCELLENCE IN DIGITAL INNOVATION ‘21
EXCELLENCE IN PROFESSIONAL DEVELOPMENT ‘21
BEST ADVISER FIRM ESTABLISHED UNDER THREE YEARS ‘20

SJB GLOBAL

The opportunity to work overseas and experience new cultures, ways of life and maybe a new language might impact you in such a positive way that you decide to spend the rest of your life abroad.

We believe expats are just as entitled to receive world-class financial advice and have made it our mission statement to help our clients achieve their retirement goals.

With one of the highest Trustpilot ratings in the industry and relationships with the most established financial institutions around the globe, we offer a unique service to deeply understand the needs of each client and guide them in the best direction.

We hope this brochure will help you understand your options with your UK pensions as a non-UK resident; how each option compares, what to expect to pay, how to avoid being mis-sold or scammed, and finally how to choose a reputable adviser who truly has your interest at heart.

Content of this brochure

Trustpilot

SJB Global is rated excellent on Trustpilot

SJB Global have the highest Trustpilot rating in the industry!

1. Am I eligible to transfer my UK pension?

Around 400,000 Britons leave the UK yearly to find a new life overseas. For whatever reason, you have become an expat (or immigrant, as some prefer), and many of you will have the opportunity to transfer your private UK pension to an alternative arrangement that could become much more beneficial. However, hidden costs can often outweigh the benefits post-transfer, therefore making it imperative to seek professional advice with a professional adviser before transferring.

Pensions that are eligible to transfer are as follows:

- Defined Contribution Pensions
- Defined Benefit Pensions
- Private Personal Pensions
- Self Invested Personal Pensions (SIPP)
- Some Offshore Pensions

Please note, the combined values of your UK private pensions must total more than £100,000 for it to make economic sense

Pensions that are not eligible for transferring are as follows:

- State Pensions
- Public Sector Pensions such as Police, Civil Servant, NHS and Teachers Pensions.
- Non-UK Private Pensions

2. What options are available to me, and how do they compare?

Now we have established whether you are eligible to transfer, let's take a look at the options you have. The decision we take regarding which option is most beneficial will depend on what your current pension offers you and how that relates to your own personal financial and retirement needs and objectives.

The three options available to transfer your UK pension are:

1) Retain the existing benefits
2) Transfer to an overseas scheme (ROPS)
3) Transfer to an alternative UK scheme (SIPP)

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1) Retain the existing benefits

The reason for wanting to transfer or retain your benefits depends on your objectives as well as what your current scheme offers you. Some reasons you might consider retaining your benefits are - exit fees to transfer, pension value is too small relative to any ongoing fees, you have valuable guarantees that would be lost upon transfer.

At **SJB Global**, we help you to decide whether the benefits of transferring outweigh those of retaining your existing benefits. We have advised many people to keep their pensions in their existing arrangements, as was best in their own personal circumstances.

However, often, with the right adviser, there are many reasons to transfer such as having greater flexibility to withdraw your pension income, maximising the death benefit options, having multi-currency options, being able to outperform inflation with a wide choice of investment selections that are not UK-focused, plus more.

2) Transfer to an overseas scheme (ROPS)

A ROPS stands for Recognised Overseas Pension Scheme which is an alternative pension that accepts transfers from a UK defined contribution and defined benefit scheme. Most non-UK residents qualify for a transfer to a ROPS, however, the UK Government announced a 25% overseas transfer charge to anyone who transfers to a ROPS that is based outside of the EEA or plans to move within 5 years of transfer. This means it is not the best option for everyone.

Following the UK Government Spring Budget on 8th March 2017, HMRC released an update in their Pension Schemes Newsletter on a few key points, including the ROPS rules, which we need to bring to your attention:

Transfers to ROPS requested on or after the 9th March 2017 will be subject to a 25% tax charge, unless;

1) **The ROPS is in the EEA and the Member is also resident in a EEA country**

2) **Subject to the 5-year rule, where the exption proceeds no longer apply, the 25% charge can be retrospectively applied, but also within the newsletter from HMRC, they interestingly confirm that "A change in member's circumstances within 5 years may result in a change to the tax treatment of the original transfer and could lead to a repayment being due."**

In such circumstances, the member's ROPS benefits must align to those benefit payments authorised from a UK Registered Pension Scheme. This includes limiting the maximum PCLS in respect of a UK transfer fund to 25% of the fund. Benefits paid in excess of those authorised by a UK Registered Pension Scheme are otherwise subject to a UK tax charge payable by the member. If you are no longer UK-resident for tax purposes, you will certainly not wish for UK income tax (currently up to 45%) to be deducted at source from your pension. UK pensions are often subject to UK tax at source - there is no general exemption to income tax for individuals who are living abroad in receipt of a UK pension, so UK pensions are subject to UK tax unless a specific form of double taxation agreement applies. You can claim the tax back annually from HMRC.

It is important to note that we are not tax advisers and it is advisable to seek tax advice from a specialist.

Investment Choice

Many ROPS offer a fully open architecture platform which allows you to effectively invest into most funds across the world, such as mutual funds, active funds and ETFs. Within a ROPS you are also able to convert your funds to any major currency worldwide.

Flexibility on Drawdown

In respect of members who have transferred UK-registered scheme benefits and wish to retire and draw benefits, Flexi-Access Drawdown (FAD) will be available immediately; members have the flexibility to draw income as and when they require.
Similarly, for members already in retirement, they have the opportunity to switch to FAD and have the full flexibility to access income as they wish.

Lifetime Allowance

UK pensions are subject to ever increasing tax restrictions, designed to reduce the possible use of pensions for tax relief. Where previously there was no limit to the size a pension fund could grow to (only a limit on how much was paid in as contributions), UK tax law introduced in 2006 created an upper limit to the size of a UK pension fund, namely the lifetime allowance. Any excess of a UK pension fund above the lifetime allowance is subject to UK tax, at 25% (for pension) or 55% (for lump sum) on what is termed a “benefit crystallisation event” (for example, the commencement of a pension), even if the member is UK non-resident.

The lifetime allowance has reduced in steps in recent years from £1.80m down to £1.073m, bringing more and more UK pensions into the catchment of the excess 25%/55% tax. The possibility of further reductions to the lifetime allowance in the future creates considerable uncertainty.

Tax-efficient treatment of death benefits

Even if you have left the UK, your UK pension fund continues to be subject to UK tax laws and restrictions.

Pension tax rules in the UK would apply a tax charge if you transferred your existing benefits to a UK personal pension whereby all payments are charged at the recipient's marginal rate if you are aged 75 or over at the date of death (otherwise nil if under age 75 on death).

Importantly, this death tax can be eliminated (at best) or significantly reduced (at worst) by transferring your UK pension to a ROPS. A UK tax charge on death does not apply to your ROPS unless you (or your beneficiaries) are UK-resident/ recently resident on death.

None of the subsequent investment return within a ROPS is subject to the relevant UK death tax. Furthermore, HMRC rules mean that your retirement pension and any tax-free lump sum you draw at retirement reduce this taxable value. So, once you have drawn down the initial transfer value in cumulative retirement benefits, none of the remaining fund is subject to UK tax on death.

3) Transfer to an alternative UK scheme (SIPP)

SIPP stands for 'Self Invested Personal Pension'. It is recognised as an international pension scheme that HM Revenue & Customs (HMRC) identifies as eligible to receive transfers from registered pension schemes in the UK. To qualify as an International SIPP, the scheme must meet the requirements set by UK tax law and you must be a non-UK resident.

SIPPs can receive the transfer value from your scheme; then, the funds are invested to provide you with retirement benefits at any time from age 55.

Most SIPPs are money-purchase (or 'defined contribution') schemes where the member knows how much they are investing but not what they will receive.

This is because the pension fund size will depend upon the performance of the underlying investments of the SIPP. The performance is not guaranteed.

A major benefit of a transfer to one of these arrangements is that a SIPP does not force you to buy an annuity and could therefore be passed on to a nominated beneficiary on your death – in some cases free of UK tax.

Additional benefits include wider retirement options, greater investment choice, ability to have your fund managed by an overseas adviser, choice of any major currency denomination, and more.

A possible disadvantage is that the benefits would be subject to UK legislation, particular features of which are the Lifetime Allowance (LTA), although the lifetime allowance may not affect you – this is dependent upon the value of your pension.

Investment Choice

As with ROPS, many SIPPs offer a fully open architecture platform, allowing you to invest into most funds across the world such as mutual funds, active funds and ETFs. You are also able to convert your funds to any major currency worldwide with a SIPP.

Flexibility on Drawdown

In respect of members who have transferred UK-registered scheme benefits and wish to retire and draw benefits, Flexi-Access drawdown (FAD) will be available immediately; members have the flexibility to draw income as and when they require.

Similarly, for members already in retirement, they have the opportunity to switch to FAD and have the full flexibility to access income as they wish.

The Lifetime Allowance

UK pensions legislation imposes a limit on the pension fund value that can be built up by any individual; this limit is known as the Lifetime Allowance (LTA) with a current limit of £1,073,100. If you were to transfer to a SIPP, your pension benefits would become subject to LTA provisions. If the value of all of your UK pension benefits, across all schemes, exceed the limit amount then the excess attracts a tax charge of 25% if it is withdrawn as an income (for instance from an annuity or a drawdown arrangement) or 55% if it is withdrawn as a cash lump sum.

Death benefits

Broadly, if you have a SIPP then your beneficiaries can inherit your pension fund tax-free if you die before age 75, from a UK point of view. However, if you die after this age then the recipients will be taxed at their marginal rate - which could be as high as 45% - on any sums withdrawn from the fund.

It is important to note that we are not tax advisers and it is advisable to seek tax advice from a specialist.

SIPP V ROPS

- There could be a 25% overseas transfer charge applied to a ROPS transfer if you don't live in the EEA or you move outside of the EEA within 5 years of the transfer. This is not applicable to a SIPP transfer.
- Neither a SIPP nor a ROPS force you to buy an annuity.
- They both offer the ability to take benefits through drawdown or flexi-access.
- They both allow you to hold your pension fund in any major currency of your choice.
- They both can be managed by an independent financial adviser.
- A SIPP has a lifetime allowance of £1,073,100 that increases by inflation unless you have lifetime allowance protection, whereas a ROPS has no lifetime allowance.
- A SIPP is cheaper than a ROPS.
- A ROPS is paid free from UK income tax at source, whereas a SIPP isn't, although you can obtain an NT tax code to avoid this.

3. How can I avoid being scammed?

There is a simple approach to understanding whether you are potentially being scammed or mis-sold. Here is a summary of the main points to look out for:

- The company you are dealing with should be regulated to give you advice in your country of residence. You can often look on the regulator's website to see if the firm is regulated and the permissions they have to provide advice. Alternatively, you can often call the regulator to ask them questions.
- In no circumstances are you allowed to withdraw funds from a SIPP or ROPS below the age of 50 – people who tout this are often part of a pension liberation scam whereby the adviser receives exorbitantly high commissions from a product and shares those with the investor. This is deemed an unsuitable transfer and would be liable to 55% UK tax! So be aware.
- Are the trustee and platform providers reputable? Do your research online and if you have doubts, call them directly!
- What investments have you been recommended?
    - Are they offshore? If yes, where are they domiciled?
    - Are the investment funds reputable? E.g. Vanguard, Blackrock, Fidelity etc.
    - Does the KIID document have any other fees such as initial or exit fees? These can often be hidden so please do your research
    - Are the on-going costs of the fund (TER) expensive? Anything over 0.5% per annum is deemed expensive and should be questioned around suitability.
    - Structured notes often seem beneficial but have extremely high hidden commissions and severe restrictions surrounding liquidity (in other words, being able to sell them easily if you wanted to, at any given time).
    - Are the investment funds liquid (in other words, could you sell them easily if you wanted to, at any given time)? i.e. exchange traded funds can be bought at a market price.

4. How do I know I can trust a financial adviser?

This can often be difficult to figure out, considering regulations and products alone do not distinguish a ‘good’ trustworthy adviser from a ‘bad’ one. It often boils down to three things: the investment funds being recommended, the fee/commission structure they work on (and the transparency of this structure) and the service you receive.

Commission-based advisers often earn between 5-7% commission for recommending a pension transfer, which unfortunately is usually not disclosed to the client. These high commissions can lead to high annual charges with exit fees that tie the client in for up to 10 years! In addition to commission-paying products, advisers may also charge hidden initial charges for recommending an investment fund as well as hidden on-going charges from the recommended investment funds. These charges are often not clearly visible to the client, nor disclosed to them. With all of this information, a clear way to avoid this is to request a full breakdown of all commissions/fees from advisers that do not charge initial fees (they may say their advice is “free”) as well as checking KIID documents for the recommended investment funds to ensure they are reputable and without hidden fees in order to make an informed decision.

SJB Global provide a transparent, tiered fee-based model with no hidden charges. The percentage charge for the initial advice provided decreases as the cumulative premium amount invested increases. Our aim is to provide a fair pricing model along with full transparency, to give you the peace of mind you deserve when making investment decisions.

Below is a table illustrating our tiered fee-based structure. The initial fees cover the significant licensing and regulatory costs required to provide a service to international clients, as well as our administration and to cover the adviser's time. We then charge a small on-going annual fee to cover on-going costs and make sure that we always remain incentivised to provide you outstanding service, long into the future and for however long you choose to remain a client of SJB Global.

The structure is designed to be cost effective and to align the interests of the client and the adviser.

We use a family-based fee-model which means if you have other funds to invest with us or refer a family or friend at the point of transfer, it may become cheaper for you overall.

The SJB Global Initial Fee-Based Pricing Model

Lower Boundary		Upper Boundary	Percentage Charge
£0	to	£100,000	**4.00%**
£100,000	to	£300,000	**3.00%**
£300,000	to	£750,000	**2.00%**
£750,000	to	£1,000,000	**1.50%**
£1,000,000 +			**1.00%**

The maximum initial charge for DB pension transfers is 3%.

The SJB Global Investment Strategy

Our investment strategy is completely transparent and passive-focused in order to reduce costs and avoid any conflicts of interest. We never recommend funds that pay any hidden commissions to advisers.

- We tailor investment recommendations to your own circumstances, taking into account factors such as your risk profile and personal preferences, for example if you want ESG (Environmental, Social, Governance) to be the main focus or an element of your portfolio.

- Our funds take a strategic asset allocation approach, using low-cost index funds which have replicated the underlying securities of the index they respectively track.

- We mainly use Blackrock, Vanguard and Fidelity funds. Blackrock is the largest fund manager in the world, Vanguard the 2nd largest and Fidelity the 5th largest, reducing the risk of the funds going into bankruptcy.

- The aggregated “Total Expense Ratio” is usually around 0.235% per annum, about 85% cheaper than the average cost of a mutual fund.

- Most recommended funds are “fund of funds”, with a total of 24 underlying funds.

- The total sum of individual holdings of all these funds can be up to 47,262 giving us complete diversification worldwide to virtually every investment corporate and government bond and every publicly listed stock in the developed and emerging markets.The portfolio is rebalanced daily, which means that we are effectively buyers of equities where values are falling, and sellers of fixed income where values are stable or rising.

- Our passive investment approach removes the pressure of making tactical decisions (also known as ‘market timing’) which many argue is impossible to execute successfully over the long-term.

5. Next Steps

We provide a zero-cost, zero-obligation review of your pension options. Our company process is as follows:

- Qualify if our service is a right fit for you by having a brief call with one of our qualified financial advisers
- On your request, obtain pension information on your behalf from your schemes by completing a letter of authority
- Present you with a recommendation which will either say to leave your pension where it is or transfer it to a SIPP or ROPS
- Everything up until this point is free of charge with no obligation to proceed
- If we recommend transferring and you agree to proceed, we will then send all the relevant paperwork for you to sign to complete the transfer
- Your relationship with SJB Global has begun! You will be in contact with your adviser as often as you like, be able to track the performance of your pension real-time online, and have annual reviews with your adviser

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- Transparent fee-based model
- Telephone and remote-based, meaning lower costs which we pass on to clients
- All of our clients have online access to view their portfolios
- Regulated under IDD, MiFID II and SEC and able to provide advice almost anywhere in the world outside of the UK

SJB Global is rated **excellent** on Trustpilot

Based on 170 Reviews as of April 2022

Andrew Higgins

2021-09-17

Ben Eccles from SJB always gives fully balanced advice, and I never doubt he has the best interests of his client at heart. Having established and agreed my pension funds consolidation and transfer to a SIPP, we are now at the point that its performance warrants a move to a QROPS for positive tax purposes. Ben has safely guided me through the whole process, with me being a very cautious investor. To date I am happy with the progress of my pension, and I recommend Ben Eccles and SJB for all those others also considering a pension transfer.

Dr. Namasiku

2021-08-07

From the very first day that I dealt with the SJB Global advisor, I felt I was dealing with a trustworthy individual. Everything I have experienced over the past year or so, even in the face of the Pandemic, has been very professional. The principal advisor has been at pains to show that in all that was going on, his primary interest was for the good of my funds and for my benefit. Other contacts in the firm that I have had dealings with have equally been professional in their approach.

My experience so far leads me to say that SJB Global is an investment advisor firm I can trust.

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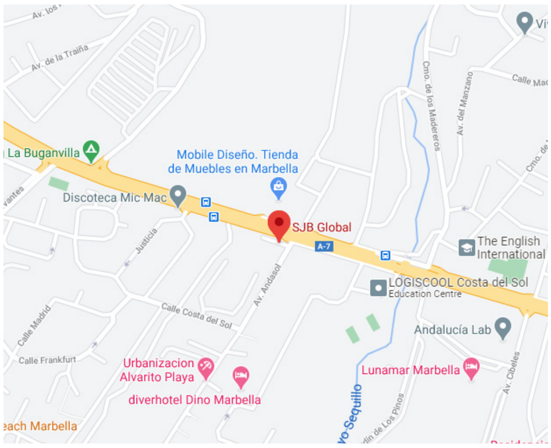

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