

Is My Final Salary Pension Still Safe?



We have experienced some rather nervous markets of late what with Brexit, falling interest rates, Donald Trump and unstable index's to name a few. But what does this mean for the previously well documented 'Golden pension', the final salary (Otherwise known as defined benefit) scheme?

Firstly, a Final Salary pension is put simply, a promise on a piece of paper. Each scheme would loosely have an algorithm that stated you worked at 'X', for 'Y' years with 'Z' salary this would give you a projection of what your pension income in retirement would be. As you will have undoubtedly read by now the pension schemes offered were terribly underfunded, and the notion that the Pension Protection Fund (PPF) may need to be used is a reality for many schemes. There have been numerous press releases and documentaries on the subject over the years.

The ironic thing is that this isn't all bad news if you currently hold a final salary scheme; in fact it's very much the opposite. Due to the pension scheme providers wishing to dispose of the risk they hold for those whom have yet to take their pension benefits, they will often offer you 'an enhanced transfer value' (ETV), which can be taken and placed into a personal pension so they can mitigate their risk as a business. We recently reviewed a client's free final salary pension and it showed they were being offered £10,000.00 a year income at 65. When we enquired about the ETV, they were told they could take a £411,000 ETV transfer and place it into a personal pension scheme, enjoy the new pension's freedom AND draw it at 55. We must stress, that this not an isolated case. The risk here in delaying would be that market conditions alter, drastically changing the value of your transfer.

Whilst you may indeed be happy with your final salary scheme on paper, it's always very important to understand both its 'true value', its flexibility and the tax advantages of potentially moving it.

At The Low Tax Group we remain proactive in offering you a bespoke service, which ensures you are always aware of any market change that affects you. There simply has NEVER been a better time to get your final salary pension reviewed.

Please get in contact at your earliest convenience for your free pension review and analysis on 01277 314000.

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