

# RodneyGibson

## FINANCIAL SERVICES PTY LTD

### Timely Tips

September 2008

#### IN THIS ISSUE

- Transferring UK Pension Entitlements
- Did you know?
- Secrets of Successful Investing

#### Did you know?

Between March 2002 and March 2003, the Australian sharemarket declined by 24%. In the following 12 months it rose by 26%. A review of recent history shows this to be a recurring event. Will history repeat itself?

Source: Peter Kelly – Professional Investment Services



## Transferring UK Pension Entitlements

One question that arises with surprising regularity relates to the transfer of overseas pension fund benefits. As we haven't addressed this issue for some time, we thought it was worth a revisit.

When talking about transfers from overseas pension funds, most enquiries relate to transfers of pension funds based in the United Kingdom, so, for the purpose of this article, we will confine our discussion to transfers from UK pension funds.

With the liberalisation of elements of the UK pension fund market, the ability to transfer accumulated benefits out of the UK has become far more common in recent years, particularly as expats who have worked in the UK return home, or when former UK residents decide to emigrate.

Despite this, transferring your UK pension fund entitlements is not necessarily a clear cut and easy process. There are a number of hurdles that must be cleared.

Let's look at the important issues that should be considered

#### 1. Can the benefit be transferred?

The first thing that must be considered is whether the UK pension benefit can in fact be transferred from the UK to a foreign pension or superannuation fund. If it can't be transferred, that is effectively the end of the line for the purposes of this discussion. However, if the benefit can be transferred, then we can move on to the next step.



#### 2. Are there costs associated with transferring my benefit?

If an entitlement can be transferred from a UK pension fund, it is important to establish if transferring the benefit will be in your best interests. The pension fund from which the benefit is being transferred may impose fees or have early termination charges that may be applied in the event of a transfer prior to the member's expected retirement date. If considering the withdrawal from a UK pension fund, it is important to ask the fund what fees and charges will apply if the transfer is to proceed.



#### 3. Will the termination of the UK benefit result in a loss of benefits?

As membership of a UK pension fund may pay additional benefits in the event of (say) death or permanent disablement, it is important to understand the consequences of loss of these benefits if a transfer occurs. For example, if your health has deteriorated, it may not be possible to arrange alternative insurance cover to replace the lost benefits.

Where the UK fund provides a benefit in the form of a defined pension on retirement, it is also important to consider whether a similar or higher level of benefit can be derived by transferring to an overseas fund. In other words, if future pension entitlements are "commuted" to a lump sum, can a similar level of income be generated by investing the capital in your new country of residence?

#### 4. Exchange rate risk

If the current UK pension entitlement is expressed in £ sterling (as will generally be the case) and it is transferred to another currency (eg. Australian \$), how will the benefit be affected by the conversion from one currency to another?

## 5. What UK tax is payable on a transfer?

A UK tax liability will arise on amounts transferred from a UK pension fund to an overseas fund unless certain conditions are met. Provided the member has not exceeded their "lifetime allowance" (initially £1,500,000 but increasing to £1,800,000 by 2010) and provided the benefit is being transferred to a Qualifying Recognised Overseas Pension Scheme (QROPS), no UK tax will be payable on the transfer. If transferring to an overseas scheme other than a QROPS, UK tax of up to 55% could be payable.

Funds that are registered as QROPS have an ongoing reporting obligation to the UK authorities. Benefits transferred to a QROPS that are subsequently withdrawn or rolled over to a non-QROPS fund may continue to incur a UK tax liability.

Many overseas pension funds have registered for QROPS status with HM Revenue and Customs.

In the next edition of Timely Tips we will be looking at the Australian taxation consequences of transferring UK benefits to an Australian QROPS.

Source: Peter Kelly –

Professional Investment Services

## Secrets of Successful Investing



### Secrets of successful investing

With all the turmoil in investment markets over recent months many investors will be asking if they have done the right thing by investing in shares, property or managed funds. Let's consider two fundamentals of investing.

### Understand Investment Cycles:

Investment markets move in cycles. They go up, they go down and they may run flat for a period of time. If we look at the long-term performance of investment markets, they have historically trended up.

The secret to successful investing is to adopt a "counter-cyclical" approach.

Traditionally, human nature tells us to invest when markets are going up, and to sell when markets are in decline. However, we need to change our mindset and invest when everyone else is selling (we pick up bargains that way), and sell when everyone else is buying. Alternatively, for longer term investments, we should be buying when markets are down and just hold on to our investments for the long-term.



### Time in, not timing

Long term investing doesn't involve chasing the latest investment fad. It involves making good sound investment decisions with the aid of professional advice and then sticking to the plan, not jumping in and out of the market every time there is a change.

Everybody has heard of the October 1987 stock market "crash". If you invested \$10,000 in the Australian All Ordinaries Index in June 1987, the value of the investment would have fallen to just under \$7,500 in October 1987. Many people were devastated by such a dramatic fall in the value of their investment and they sold out at the bottom of the market, thereby crystallising their loss. If they remained invested, they would have recovered their loss in around two years. Had they continued to remain invested for the next 20 years (to June 2007), their original \$10,000 investment would have grown to in excess of \$80,000.

Source: Peter Kelly –

Professional Investment Services – August 2008



## About our services:

We provide financial strategy advice and assist in implementing the appropriate financial plan for you, via a wide range of services and investment structures.

## Services & Strategies we offer include:

- Investment & Estate Planning considerations
- Retirement Planning
- Financial Strategies
- Financial Structures
- Self Managed Superannuation Fund strategies & legislation
- Asset Protection
- Personal & Group Insurance
- Savings & wealth creation strategies
- Divorce & Separation strategies
- Business Succession planning
- Superannuation

## Contact your adviser at:

**Rodney Gibson Financial Services Pty Ltd.** (ABN: 45 119 229 980) is a corporate authorised representative of Plan 2 Pty Ltd (ABN: 60 010 875 073) Australia Financial Services Licensee. Licence No. 237874

Level 2, 54 Amelia Street  
FORTITUDE VALLEY QLD 4006

PO Box 211  
FORTITUDE VALLEY QLD 4006

Tel: 07 3252 9990  
Fax: 07 3257 7366

Email: [admin@rodneygibson.com.au](mailto:admin@rodneygibson.com.au)  
Website: [www.rodneygibson.com.au](http://www.rodneygibson.com.au)

The information contained in Timely Tips is of a general nature only, does not take into account your particular objectives, financial situation or needs. Accordingly the information should not be used, relied upon or treated as a substitute for specific financial advice. Whilst all care has been taken in the preparation of this material, no warranty is given in respect of the information provided and accordingly neither Rodney Gibson Financial Services Pty Ltd. Is a corporate representative of Plan 2 Pty Ltd, nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

### Privacy

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office located at the back of this document.