



## **Guide 2**

# **A Guide to the DB Pension Transfer Advice Process**

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## Introduction

This guide has been put together to outline the process and costs involved in undertaking a defined benefits pension transfer. It should be read in conjunction with our Guide 1 – A Guide to Defined Benefit and Defined Contribution Schemes. It is important that you read and understand the information in both guides if you are considering receiving advice from us regarding a pension transfer.

We must stress again here that the starting point will be the FCA view:

**"In most cases you are likely to be worse off if you transfer out of a defined benefit scheme, even if your employer gives you an incentive to leave..."**

PS18/20 FCA Policy Statement Oct 2018

The purpose of this guide is therefore to give you an overview of the advice process before, during and after a transfer, along with an indication of the likely costs. Together with Guide 1, it should also help you prepare for your first advice appointment by prompting you to think through your reasons for wanting to give up the guarantees offered by a DB scheme in favour of managing a DC pot.

Remember (from Guide 1):

- A DB to DC transfer is irrevocable. You cannot subsequently change your mind if you wish you hadn't made the transfer
- If you have already started receiving benefits from your DB pension scheme, you cannot usually then give them all up for a cash transfer payment.
- There are some types of DB pension schemes where cash transfers are not possible.
- It is a legal requirement to obtain qualified, regulated financial advice prior to requesting a transfer of a DB pension pot valued at £30,000 or more

## Advice Process Overview

If, after you have read Guide 1, you believe a DC scheme holds significant advantages for you that outweigh the benefits your DB scheme has to offer, and you are not put off by the risks, you will need to pay for a qualified, professional recommendation based on a full analysis of your needs and circumstances. This is known as an Appropriate Pension Transfer Analysis (APTA) report.

### Stage 1: Initial research

In order to compile the APTA report, we meet with you and discuss the following;

- Why you want to explore a transfer
- Your attitude to your existing scheme and the employer managing it
- What your retirement objectives are (age, standard of living expectations, income and expenditure needs)
- Your wider personal and financial circumstances, including health
- Your attitude to risk – how comfortable you are with the inevitable ups and downs of investments and how much value you place on security/knowing what you've got
- Your requirements for things like spouse's benefits, tax free lump sum, death benefits, flexibility in drawing benefits and early retirement aspirations

We use a range of questionnaires to help us do this with you

It is a very detailed process involving a lot of form-filling. It is important that it is done thoroughly because taking the option to transfer a pension from a DB to a DC scheme is such an important decision and before making such a recommendation, your adviser must be convinced that it is right for you.

**It is important to note that you must pay for the APTA report, whatever the outcome of the transfer analysis - even if the recommendation is NOT to transfer out of your DB scheme. The cost of this report is currently £1750.00**

We will also obtain your authorisation to contact the DB scheme you wish to transfer out of. This is so that we can obtain full details of the benefits guaranteed to you under that scheme as well as the transfer value they are offering you.

## Stage 2: Transfer Analysis

Using the information you have given us and the information from your DB scheme provider, we do specific calculations to compare the value of what you would be giving up with the equivalent fund value needed to match those benefits outside of the scheme. This is known as a Transfer Value Comparator (TVC). The way this is calculated is subject to strict FCA rules.

We also look at your income needs in retirement and whether, based on what you have told us, your pension pot is likely to run out too soon if a minimum level of growth can't be achieved – and the realistic likelihood of that growth being sustainable, given what you have told us about the amount of risk you are comfortable with.

These various analyses and comparisons are illustrated for you in a report known as the TVAS report. It forms the major part of the APTA report.

As part of this process, we conduct research across the market to identify suitable investment solutions and investment providers. We consider the extent to which these are likely to meet your needs and the costs to you of managing those investments.

Sometimes it is clear once the Transfer Analysis is completed that a transfer is not going to provide for your needs in retirement. If this is the case, we will finalise your APTA report, meet with you to explain our findings and issue you with our written recommendation to remain in your DB scheme.

### Stage 3: Due Diligence

If the Transfer Value Analysis demonstrates that a transfer is advisable, we then look at the proposed investment solutions and providers in more depth.

This is known as due diligence. Its purpose is to ensure that we (and you) fully understand the investment process, contract structure, terms and limitations of your investments as well as associated risks, charges and fees.

Depending on the size of the fund you are transferring, this may include a face to face meeting with a Discretionary Fund Manager to discuss the proposed investment strategy and risk controls.

Once we have done our due diligence, we will finalise your APTA report, including details of the retirement solution and provider(s) we are recommending. We will meet with you to explain our findings and present our written recommendation to transfer your pension out of your DB scheme.

We will also explain to you what the costs will be to you of proceeding.

### Stage 4: Execution

If you decide to proceed with your pension transfer, we will manage the transfer through to completion, ensuring policy documentation is complete and investments are established correctly. We will keep you informed throughout this process.

After the transfer has completed, we will, in conjunction with your investment provider(s), regularly monitor and review the performance of your funds.

We will arrange ongoing review meetings with you to discuss how the investment solution is performing, whether there are changes to your needs or circumstances that we need to plan for and whether you are happy with your retirement solution overall.

## Costs

NB: We do not currently charge VAT on our fees

### **The cost of researching and compiling the APTA report is £1750.00**

This is inclusive of one hour of the adviser's time which is given at the company's expense. As stated above, this sum is payable whether there is a recommendation to transfer or not.

### **If the transfer proceeds, we will agree a fee with you for managing the process through to completion.**

This is usually between 1% - 3% of the value of the fund being transferred, which is deducted from the fund and paid directly to the firm by the provider.

### **Ongoing advice**

We charge an ongoing advice fee, typically around 0.5% of the value of funds, which is paid to us directly from the investment fund manager or product provider. This covers the cost of providing you with ongoing reviews, as well as administration and compliance requirements.

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### What Next?

If you would like to arrange an appointment with an adviser with a view to obtaining a Pension Transfer Analysis report, please complete our Transfer Advice Request form and send it in to us.

Our pension specialist, Paul Wallis will then contact you to arrange your first appointment.

### Further information you may find helpful

The Pension Transfer Gold Standard is a new initiative launched in April 2019 that aims to improve consumer awareness of what good advice looks like and raise professional advice standards in the Pension Transfer arena.

You can find out more about the Gold Standard and access further information on the Personal Finance Society website: [www.thepfs.org/ptgsconsumer](http://www.thepfs.org/ptgsconsumer)