



The Spectrum IFA Group

Independent Financial Advisers

QROPS – Is it an option for expats living in France

Recent changes to UK pension legislation means that many expats who have moved to France can benefit from much greater flexibility at retirement using Qualifying Recognised Overseas Pension Schemes (QROPS).

Many UK Expatriates who have retired in France are still unaware of the changes to pension rules that were brought in by the British Government, which allow greater flexibility for expats wishing to transfer their pensions out of the UK. However in April 2006 HM Revenue & Customs introduced QROPS which allows a non-UK resident to transfer their frozen pension outside of the UK system, which is a big step forward as previously UK pensions were traditionally frozen when the holder retired overseas.

So now those who have moved to France to retire or are thinking about moving to France in the future and have private or work pension benefits that would have normally been left behind can benefit from a QROPS Transfer. Pension transfers out of the UK system under a QROPS are a tax-efficient way to greatly enhance pension opportunities, however in some circumstances it may not be appropriate to transfer your pension so each case needs to be treated on its merits and be fully reviewed by a professional advisor.

So does QROPS apply to me?

If you can answer yes to one or more of the following questions then it is worthwhile seeking a full expert appraisal of your pension benefits:

- Do you intend leaving the UK to Retire in France or somewhere else outside of the UK ?
- Have you left the UK and are working in France?
- Have you retired in France and still have pensions in the UK?
- Would you like to understand more about QROPS?

What are the key benefits?

Annuities

Annuities are generally unpopular because it means that you give up your capital, the amount that you have built up in your pension, less any tax-free cash you are allowed to an annuity provider who will guarantee you a lifetime income. The annuity rate however reflects interest rates, and current rates are extremely low which has meant that many people have received much smaller pensions than they might have hoped for. If you were being forced to buy an annuity in the current climate you would definitely see why they are unpopular...

By transferring to a QROPS, there is no requirement to purchase an annuity and income can be 'drawn-down' from the fund as and when required. The following example illustrates the point simply:

	UK pension	Post QROPS
Value of pension fund at retirement	250,000€	250,000€
Cost of annuity purchase	250,000€	Nil
Capital remaining on death	Nil	250,000€

The Spectrum IFA Group - TSG Insurance Services S.A.R.L. Siège Social: 34 Bd des Italiens, 75009

« Société de Courtage d'assurances » R.C.S. Paris B 447 609 108 (2003B04384)

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I N D E P E N D E N T F I N A N C I A L A D V I S E R S

Tax-free lump sum

With a QROPS approved scheme the amount of tax-free cash available at retirement can be up to 30 percent, compared to the 25 percent allowed with a UK pension however this does depend on which one of the 40 approved jurisdictions is used.

Inheritance tax planning

Most people would like to think that, upon their death as much of their assets as possible would be passed on to their heirs. It is a complex issue, however, by transferring to a QROPS the taxation of pension benefits on death can be much less punitive. With a UK pension scheme for example, there could be a tax liability of up to 55 percent of the fund value before being passed on. By bringing the pension out of the UK and using a QROPS approved scheme, this tax liability can be greatly reduced or in some cases even wiped out completely.

Investment choice

By moving an arrangement out of the UK there can be a much wider choice of investments available to the pension fund, with a more global focus which is particularly important in the current market conditions as some existing pension schemes can even be limited to just UK investments.

Currency risk

This is a very important consideration for expats who have retired in France with UK pensions that will pay their pension benefit in sterling, because this means they not only run an exchange rate risk but also will incur charges for converting their pension benefit payments into Euros. By putting your pension into a QROPS you can receive your pension benefit payments in Euro's and therefore eliminate any exchange rate risk, currency conversion charges and have peace of mind that the amount of income you receive each month will be the same.

Can any pensions be transferred into a QROPS?

Not all pensions can be transferred into a QROPS with the main exclusion being UK State pensions, and in most cases final salary schemes although in the current market conditions it would be worthwhile exploring a QROPS in more details.

However above all, getting professional advice is crucial, as well as choosing the right jurisdiction in which to hold the QROPS and a suitably approved scheme provider.

This information is only provided as a guide and is based on our understanding of current QROPS regulations, if you need assistance in this area you are strongly advised to seek the help of a specialist in this field as each individual case is different. If you have a question, want to arrange for a free financial review or just want further information I can be contacted on +33 (0)325461631, via my website www.financialexpat.com or via e-mail steven.grover@spectrum-ifa.com

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