Defined Benefit Pension Guidance Initial Risk Assessment Form

LONSDALE
Wealth Management

Should you take financial advice in respect of your Defined Benefit Pension Scheme?

The documentation you have already received* explains that a defined benefit (DB) pension, commonly known as a final salary pension is a workplace pension set up by your employer, which promises to pay you a specified income for life, and typically a one off tax free lump sum. The pension will last as long as you do, and when you die it will usually then continue to pay an income to your spouse, civil partner or potentially your dependents.

The income and lump sum offered by the pension is determined using a number of elements, typically; the length of time you worked for the employer, your salary at retirement, and the accrual rate (the proportion of earnings you'll get as a pension for each year you are in the scheme).

A DB pension is generally considered to be a safe and secure promised income to fund your retirement.

*A comparison of DB v DC pension schemes factsheet / a defined benefits transfer factsheet and a consumer guide to retirement options.

Benefits and drawbacks of staying in your DB Pension scheme

Benefits	Drawbacks
Security of income – Your pension lasts as long as you do, and you don't have the risk of the income running out before you die.	**Inflexible income** – Once in payment, it is not possible to vary the level of income you receive from the pension.
No investment risk – There is no investment risk to your benefits, and therefore you won't be subject to the ups and downs of the stock market.	**Investment performance** – As there is no investment risk, you will not benefit from investment growth.
Death benefits (active member pre-retirement) – If you die before you start to take your income, an income will usually be paid to your spouse, civil partner or dependents. The amount of the income is based on a number of factors, including the pension that you would have received at retirement age, and pensionable earnings at the date of death.	**Death benefits (pre-retirement and no longer an active member)** – If you die before you start to take your income, DB pensions will often refund your contributions to your spouse, civil partner, or dependents. Depending on how much you paid in whilst a member, this value could be significantly less than the value of the pension that would have been paid to you.
Death benefits (post retirement) – An escalating income is typically paid to your spouse, civil partner or dependents on your death, and will be paid for as long as they live.	**Death benefits (post retirement)** – If you do not have a spouse, civil partner or any dependents then your pension may die with you.
Lump sum withdrawal – The DB pension typically allows you to withdraw a tax free pension lump sum (subject to an upper limit) at retirement, and then take a reduced level of pension income.	**No further access to funds** – Once you have taken your pension lump sum and income, you do not have any further access to the underlying funds, other than the pre-set income.
Inflation – The DB pension generally provides increases to income in line with inflation.	**Life expectancy** – If you are in ill health and concerned with your life expectancy then your pension may offer a poor capital return.
No costs – No ongoing costs, or need for investment advice or ongoing reviews.	

Full details are provided within the 'Defined benefit pension transfer' factsheet you have already received.

Which of the above benefits are important to you?

(Select as many as appropriate)

- [ ] Security of income
- [ ] No investment risk
- [ ] Death benefits (post retirement)
- [ ] Death benefits (active member pre-retirement)
- [ ] Lump sum withdrawal
- [ ] Inflation protection
- [ ] No costs

In your own words, what are the reasons these are important to you?

Which of the above drawbacks concern you?

(Select as many as appropriate)

- [ ] Inflexible income
- [ ] Investment performance
- [ ] Death benefits (post retirement)
- [ ] Death benefits (pre-retirement and no longer an active member)
- [ ] No further access to funds
- [ ] Life expectancy

In your own words, note the reasons these concern you?

What can you do with your DB pension before the scheme's normal retirement age?

Typically you have a few options prior to your scheme's normal retirement age:

1. If you are over the age of 55, and your pension scheme allows it, you could take your pension early. This would be at a reduced level of the full income available at your scheme's normal retirement age. The reduction reflects the expectation that the pension will be paid to you over a longer period.
2. Leave your pension in situ, unchanged until your scheme's normal retirement date.
3. Transfer all (or potentially part of) your pension to an alternative type of pension known as Defined Contribution pension (see below).

What can you do with your DB pension at your scheme's normal retirement age?

Typically you will have three main options at retirement:

1. Take the full income on offer without any initial tax free lump sum payment.
2. Take a reduced level of income, alongside a tax free lump sum payment.
3. Transfer all (or potentially part of) your pension to an alternative type of pension known as Defined Contribution pension (see below) if the scheme allows. There is no requirement for schemes to allow a transfer within 12 months of its normal retirement age.

Full details are provided within the 'Consumer guide to your retirement options' document you have already received.

What is a Defined Contribution Pension?

In comparison to a DB pension, a Defined Contribution (DC) pension is a pot of money that can be accessed from age 55 in a variety of ways. It is not guaranteed to provide you with a set amount of income when you retire.

Unlike a DB pension, which promises a specific income, the amount you can draw from a DC pension depends on a number of factors including, the amount you pay in, investment performance and the choices you make at retirement. The monies in a DC pension scheme are not endless, and they can run out at any time depending on how much you draw, and investment performance.

Benefits	Drawbacks
Access to entire fund – From the age of 55, you can take your whole pension pot as a lump sum, or take income at any level and frequency, providing funds are available.	**Sustainability of fund** – There is no guarantee that the funds will last throughout your retirement. Your funds could run out at any stage depending upon how you choose to spend them.
Investment performance – The fund will typically be invested and you will be exposed to some level of investment risk, and therefore would benefit from investment performance should markets produce favourable returns.	**Investment risk** – The fund is likely to be subject to the ups and downs of the stock market. This will directly impact the level of funds available to you, and you could get back less than you originally invested.
Death benefits (pre-age 75) – The fund can be paid to beneficiaries completely tax free in a variety of ways such as a lump sum or a pension income.	**Death benefits** – There is no guarantee that the funds will be sustainable throughout the beneficiary's lifetime, and could run out at any stage.
Death benefits (post-age 75) – The fund can be paid to beneficiaries in a variety of ways such as a lump sum or a pension income, but taxed at their marginal rate.	**Cost** – Ongoing investment and adviser costs, and the need for ongoing reviews and management of the underlying funds, are generally paid for from the pension fund.

Full details are provided within the 'A guide to your retirement options' document you have already received.

Which of the above benefits are important to you?

(Select as many as appropriate)

- [ ] Access to entire fund
- [ ] Investment performance
- [ ] Death benefits (pre-age 75)
- [ ] Death benefits (post-age 75)

In your own words, what makes these important to you?

Which of the above disadvantages concern you?

(Select as many as appropriate)

- [ ] Sustainability of fund
- [ ] Investment risk
- [ ] Death benefits
- [ ] Cost

In your own words, why do these concern you?

Can you transfer your pension?

In the main, transferring a DB pension to a DC pension is not the most suitable course of action for the vast majority of people. As detailed above, they offer valuable benefits that often meet most people's retirement needs.

However, by law your DB pension scheme must allow a transfer if you are more than 12 months from the scheme's normal pension age.

Upon request the scheme will calculate a 'Cash Equivalent Transfer Value' (CETV) which is a lump sum value, intended to be equivalent to the cost of buying the same income that the scheme will provide. For any DB pensions with a CETV of £30,000 or more it is a mandatory requirement that you receive financial advice before transferring the pension. Without financial advice your pension scheme provider cannot, and will not, allow you to transfer to an alternate arrangement. Transferring your DB pension to a DC pension is an irreversible action, and you lose all associated guaranteed benefits of your DB pension upon transfer.

What does financial advice entail?

Based on the above information you may have decided that your DB pension is perfectly suitable for your own retirement needs, and therefore you are happy to keep it as it is. This is great news.

However, having read the above and the documentation* provided earlier, you may have decided that you wish to find out more about your options, and would like to receive financial advice in regard to your DB pension scheme.

*A comparison of DB v DC pension schemes factsheet / a defined benefits transfer factsheet and a consumer guide to retirement options .

In order to receive financial advice, there will be a cost incurred, which is a minimum of:

1) An upfront fee of £500 to commence the engagement
2) A fee of £5,000 payable on receipt of the advice
3) An implementation fee of £2,500 if the advice is to transfer and you decide to proceed.

Please note that the above fees are based on a minimum Cash Equivalent transfer value of £400,000. Fees would be higher for larger cases. Lonsdale will provide you with a formal proposal based on your individual circumstances as it may be the case that Lonsdale will not engage based on your particular needs.

For us to provide you with financial advice on transferring your DB pension scheme, we will take you through a process, whereby we will discuss your income needs throughout retirement, as well as gather information about your financial and personal circumstances and objectives. Alongside this, we will discuss other areas such as your attitude towards transferring and investments and the risks associated with these.

This will then allow us to provide you with suitable financial advice based on your own individual circumstances.

Important note

It is important to note that our advice will likely to be that your existing DB pension scheme is suitable to meet your needs and objectives in retirement and we would recommend that you remain in the scheme / do not transfer.

We will provide you with our rationale as to why we believe that remaining within your DB pension scheme is the best course of action for you in writing.

Our advice fee is payable irrespective of whether we advise you to remain within your DB pension scheme or to transfer.

Declaration

- ☐ I have fully read and understood the documentation provided, and I have decided that I DO wish to receive financial advice on my DB pension scheme.
- ☐ I acknowledge that the agreed fee will be payable irrespective of the outcome of the advice given. A formal engagement letter will be issued to confirm the advice being provided and the fee that will be levied.
- ☐ I acknowledge that Lonsdale Services may decide not to engage with providing advice for me based on the information supplied.

I have decided to seek financial advice for the following reasons:

Client name:	
Client signature:	
Date:	

23-04-2019

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