



MES PENSIONS

Important Considerations
Before Transferring your
Defined Benefit Pension

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Before planning to transfer out of your defined benefits scheme (sometimes referred to as a final salary scheme) to a defined contribution scheme, there are important things you need to consider. It is important to understand you will be giving up future entitlement to a guaranteed pension and other associated benefits, and replacing them with a cash value, which will be invested in a pension scheme that provides you with greater flexibility and control.

This flexibility and control means that the value of your investments can go down as well as up, and you may not get back as much as you initially invested. The Financial Conduct Authority (FCA)'s view is that in most cases you are likely to be worse off if you transfer your defined benefits pension. However, there are potential benefits and risks when transferring out of a defined benefits scheme into a defined contribution scheme. The FCA has provided consumers with free-to access information about transferring your defined benefit pension. This can be found at www.fca.org.uk/consumers/pension-transfer.

Main features of a defined benefit and defined contribution pension scheme

Defined benefit

- Income in retirement is based on final salary and length of service
- You are guaranteed a certain level of income for life at the point you choose to retire
- Guaranteed safeguarded rights/benefits are provided
- It is sometimes possible to retire early on a reduced guaranteed pension
- Your defined benefit scheme may pay benefits to your beneficiaries in the event of your death
- Investment performance is not relevant to the level of income you will receive
- There is potential that your employer's business might fail, and you will not receive the pension promised
- You will have access to the Pension Protection Fund (PPF)

Defined contribution

- Greater control over your investments
- Flexibility over how and when you take your retirement benefits
- You may consolidate any existing pensions you have
- You can choose when you take your pension from age 55 onwards (57 from 2028)
- You can choose the level of pension income you take and when
- Your pension income will depend on the performance of your chosen investments
- You may not receive the amount of your pension contributions

Transfer advice

If the value of your defined benefit scheme is more than £30,000.00, you are required by law to have taken regulated financial advice before you can transfer. Information on this is provided by Pension Wise at www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise.

FCA rules require firms advising on pension transfers to have specific permissions. Advice on pension transfers must be given by a pension transfer specialist. The pension transfer specialist must follow the FCA's training and competency rules and have the appropriate qualifications and regulatory permissions to provide transfer advice.



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