

GUARANTEE DATE RISK DEFINED BENEFIT PENSIONS



Guarantee dates – an explanation: If you have an old Defined Benefit pension scheme, you are normally entitled to a free Cash Equivalent Transfer Value (CETV) once every 12 months.

This CETV is the amount you would be able to transfer into another pension arrangement, and the amount is 'guaranteed' not to change for three months from the date of calculation – the precise date being known as the 'Guarantee Date'.

This calculation is often made by a scheme *before* any other information needed to analyse the pension is provided – meaning the three month 'window' to provide advice and make a decision is already reducing before the enquiry can even progress.

How much time do we need to provide you with full advice? It typically takes up to three months to gather all the information required and provide a full recommendation. This is because we need to check the scheme's information, request any missing information, consider your personal information and what you want to do, order transfer illustrations, discuss your options with you, compile and analyse all this together, order further illustrations and then finally make our recommendation – all of which is individually checked by our compliance team.

If you proceed with a transfer, this usually takes up to a further three months **after** the transfer application forms have then been submitted.

As you can see, given the complexity and volume of the work required it is difficult to provide Full Advice and secure the original CETV within the 3-month guaranteed date initially provided.

What are the risks of missing a guarantee date? If a transfer is not completed by the Guarantee Date, the transfer value will need to be recalculated. Scheme administrator's will normally charge you a fee for this, typically around £350, but sometimes more. You can decline to proceed at before this and a recalculation fee will not be charged.

In addition to this, it is also likely your transfer value will change; meaning it is likely to go down or up in value. If it does go down, this will mean you will have less money *if* a transfer proceeds. Of course, where we may have previously made a 'positive' recommendation to transfer, any drop in value could change this to 'negative', meaning we don't think that you should transfer any more.

However, this will only affect you if you go ahead with a transfer of your pension. *If you don't go ahead and decide to leave your pension benefits where they are, your retirement benefits are not diminished in any way.* In other words, losses will not be crystallised and therefore no loss suffered since you could normally transfer at a later date when the value has potentially recovered.

Full Advice Fee Warning: Following rule changes that lengthen the process of advice, as well as increased scrutiny by our regulator, the Financial Conduct Authority, the time it now takes us to provide Full Advice has inevitably increased. Unfortunately, at the same time the three months guarantee period provided by most schemes has not, meaning this is more likely to be missed.

Due to the potential of transfer values decreasing upon re-calculation, once you have received Abridged Advice and prior to committing to paying our Full Advice fee, you may prefer to delay proceeding further and pay for your scheme to re-calculate your transfer value at this stage, this will ensure there is sufficient time for Full Advice without missing the guarantee date – you should discuss this option with us once you have received your abridged report.

Only continue with our services if you are prepared to accept these risks. We cannot be held responsible for the cost of any recalculation fee or the resulting decrease in transfer value if there is one.

