

Partial Transfers

At LV=, we believe partial transfers should be a standard consideration for all members thinking about transferring out of their DB scheme. Partial transfers could be the 'best of both worlds' solution for many clients looking for security of income for basic needs, but with the ability to invest for growth.

Background

What's a partial transfer?

Since April 2015, DB scheme members over the age of 55 have had the right, subject to trustee approval, to transfer a proportion of their accrued benefit into a personal pension, whilst leaving the remaining fund within the scheme to provide a regular income in line with scheme rules.

Where are we now?

- An increasing number of schemes are coming round to partial transfers
- Schemes may be prepared to consider on a case-by-case basis.
- Most members are not aware of the option and therefore don't ask about it!
- Larger schemes are more likely to offer partial transfers.
- Awareness is increasing and requests are growing.



Who's it for?

Clients who could benefit from a potential partial transfer include those that:

- ✓ Want to structure income to meet variable future income needs but have one large final salary scheme and hence limited flexibility.
- ✓ Are looking for more flexible death benefit options.
- ✓ Wish to take flexible income within tax band limits or allowances.
- ✓ Want to defer a Lifetime Allowance Excess Charge which will apply when a large final salary pension comes into payment.
- ✓ Want to be able to pass on tax efficiently any unused pension funds on their (and their spouse's) death, to future generations. (An option not generally possible in a final salary pension scheme).

The benefits, risks and potential solutions are summarised on the next page



Actions to consider

- Start considering 'partial transfer' as an option for clients currently in DB schemes.
- Ask trustees of scheme if they allow partial transfers.
- Consider lobbying through professional organisations to raise awareness of partial transfers.
- Speak to your usual LV= Sales contact for more information or to discuss a specific case.
- Read our discussion paper – *Balancing Flexibility & Security – why partial transfers should be a standard option.*



Let us know what you think – we invite you to send us your questions or comments via [LV.com/adviser/insights](https://www.lv.com/adviser/insights)

LV= Insights



DB scheme comparison

Offers:

From scheme retirement age:

- ✓ A guaranteed taxable income for the life of the member.
- ✓ A guaranteed taxable (reduced) income for the surviving dependent of the member.
- ✓ Some form of inflation protection for the member and the dependent.
- ✓ No investment risk or complex decisions for the member or their dependent.
- ✓ It's a regular pay cheque, for life, without having to clock on for work, ever.

For many, these options are very valuable and should be considered as part of the advice process

Doesn't offer:

Any of the modern pension freedoms options:

- ✗ No option to vary income, up or down depending upon needs.
- ✗ No option to pay income to non-dependant beneficiaries.
- ✗ No inter-generational planning opportunities.
- ✗ No tax-free income options on death before age 75.
- ✗ No personal control of client's pension plan.

Attractive options, more control, more risk and more potential reward.



Risks of partial transfers

Scheme trustee issues

- Potential large outflows may disturb scheme's investment strategy.
- Selection against the scheme – transferring out of those in ill-health/smokers.
- Partial transfers may encourage more transfers out.
- Transfers will always be larger call on cash than scheme tax free cash.
- Partial transfer calculations may complicate administration.
- Greater risk of administrative errors.
- Still retain lifelong administrative costs despite partial transfer out.
- What if multiple transfers out are requested, below the £30,000 threshold for advice?



The benefits of partial transfers

- Provides a regular, guaranteed income for life to meet essential expenditure needs.
- Gives access to the flexible options provided by Pension Freedoms.
- Ability to pass pension assets to the next generation on death.
- Allows you to create a bespoke solution that's right for your client.
- Demonstrates you've explored the full range of appropriate options with your client.



How to calculate the partial transfer value

Carry out a robust cashflow forecast with the client to ensure that the fund remaining in the scheme should be sufficient to meet the client's needs and essential commitments – taking into account inflation. The balance is the amount that can then be transferred to a Personal Pension arrangement.



How LV= can help



- LV= Flexible Transitions Account (FTA) and Protected Retirement Plan (PRP) provide the full range of flexible options.
- Allow multiple beneficiaries
- Allow full flexibility of benefit choice between potential beneficiaries
- FTA and PRP standard charging structure and product entry conditions apply for beneficiary drawdown.
- Full FTA investment choice for beneficiary drawdown.
- Can accept transfers in of beneficiary drawdown funds.



If you'd like more information on partial transfers or the LV= solutions available, please speak to your usual retirement consultant or call the LV= Retirement Desk on **08000 850 250** or email them at retirement@lv.com

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