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FACTSHEET

Consolidating your pension pots

What you need to consider to ensure you don't lose out

Have you ever considered moving and consolidating your pension to another scheme or provider? There are a whole host of reasons why people might want to do this before they reach retirement. Some are looking for better fund performance, lower charges or better death benefits; others are simply changing jobs.

Most schemes will allow you to move your pension pot to another pension scheme, which could be a new employer's workplace pension scheme, a personal pension scheme, a self-invested personal pension (SIPP) or a stakeholder pension (SHP) scheme.

You don't have to decide straight away – you can generally do this at any time up to a year before the date that you are expected to start drawing retirement benefits. In some cases, it's also possible to move to a new pension provider after you have started to draw retirement benefits.

Before taking any action, it is essential you obtain professional, expert financial advice.

MOVING TO A NEW EMPLOYER

When you leave one job to move to another one, you are treated as having left the workplace pension scheme, but you do not lose the benefits you have accrued. At this stage, you may decide that you want to consolidate your pot to the scheme offered by your new workplace.

But if you are thinking about doing this, it is important to do it for financial – and not emotional – reasons. It's crucial that you don't move your pension pot out of a first-rate scheme simply because you want to cut all links with an old employer.

LOOKING FOR BETTER PERFORMANCE

Some people opt to consolidate their pension because they are in an underperforming scheme delivering poor – or non-existent – returns. If your scheme is performing poorly, you may well want to move your money elsewhere.

But once again you need to ask yourself whether you are prepared to invest your pension pot in higher risk funds to potentially obtain a better return. If you are approaching retirement age, you need to think particularly carefully before making such a decision.

SEEKING OUT LOWER CHARGES

You may want to consolidate your pension because your scheme comes with punitive charges which eat into your returns, leaving you with less money in retirement.

WANTING TO ACCESS A WIDER RANGE OF FUNDS

At the same time, consolidating your pension may sound like a good option if you want to gain access to a wider range of funds than those offered by your current scheme.

SEARCHING FOR BETTER DEATH BENEFITS

If you feel the death benefits on offer with your current scheme do not match up to those offered by more modern schemes, you may want to consolidate your pension to a different scheme.

You might, for example, want to move your money into a scheme that allows one of your relatives to inherit your pension when you die, rather than simply spouses or dependents. The same might apply if you are not married to your long-term partner but want them to inherit your pension once you're gone.

WANTING TO CONSOLIDATE SEVERAL PENSIONS

As people change jobs more frequently during their working life, they often accumulate a number of small pensions along the way. It can be hard keeping track of schemes, and difficult to really know how much your total retirement is worth.

For this reason, some savers may want to clean up their finances by consolidating their pensions into one pot.

THINK CAREFULLY BEFORE MAKING THE SWITCH

You need to be careful before moving your pension pot out of certain schemes – including public sector schemes, such as the nurses' or teachers' schemes – as these offer extremely generous benefits which can be hard to replicate elsewhere.

Equally, if you are thinking about moving your personal pension to another provider, you must check that the benefits are not outweighed by any exit penalties and entry charges. ■

PROFESSIONAL, EXPERT FINANCIAL ADVICE

If you're a member of a defined benefits pension scheme and the value of your benefits is more than £30,000, you will need to take professional, expert financial advice to ensure that the value you are offered represents good value and that this is in your best interests – you may be giving up guaranteed pension benefits, especially if you're moving your pension pot to a defined contribution pension scheme. Please contact us for more information.