

News from Louis Letourneau.

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Louis Letourneau asks if it's worth transferring your pension.

Alistair Campbell, Carole Caplin, Tony Blair and pensions. What on earth have they all got in common? Well, rightly or wrongly, they have all had more than their fair share of negative publicity.

[Pensions](#) seem to have been in the doldrums for so long now that I, for one, am struggling to remember the last good news story about them. Let's face it, you can't really say that the small annual increases to state pensions are much of a good news story. From Robert Maxwell, to mis-selling scandals, to the Chancellor taxing pension funds, and many final-salary schemes being wound up, good news has been very thin indeed.

However, one small light at the end of an otherwise very gloomy tunnel has been the introduction of stakeholder pensions in April 2001. Is that a unanimous cry of joy I hear? Maybe not, but you may have benefited without realising it. What makes a stakeholder a stakeholder, is the charge cap of 1 per cent per annum annual management charge with nothing else to pay. Why is this relevant? Well, it's very relevant if you have a personal pension with a provider that is still deducting plan fees and possibly a raft of other sneaky charges.

To be fair, many of the top personal pension providers have altered their charges for plans taken out prior to April 2001 so that many are enjoying the lower charges. However, if you have a personal pension with either [AMP NPI](#) or [Scottish Equitable](#), you might be shocked to discover that you are still paying relatively high charges unnecessarily. It doesn't matter whether you're still making contributions or not. If you have a paid-up pension you might be surprised to learn that a monthly plan fee of approximately £3 could be deducted. Even if you have a plan to which you still make contributions, the charges may be higher than they should be.

Some of you with plans that are more than around 15 years old may also be shocked to discover that, in the event of your death before your planned retirement age, the return to your loved one may be a fraction of the plan value. This is because some older style plans just return the premiums paid, sometimes with interest, but sometimes not. In some dramatic and fortunately rare cases, there may be no return on death at all. The difference in premiums paid and fund value can be huge, and how do you feel if a pension provider benefits from your untimely death, rather than your partner?

That brings me to another issue, the subject of who benefits in the event of your death. Pay attention if you haven't made a [Will](#). All pension funds are payable in the event of death prior to retirement outside of an estate; in other words, free of [Inheritance Tax](#). However, you must ensure that the pension provider has a record of your current wishes.

If you don't update their records your pension fund might end up with the partner you had when the plan was taken out – and who knows where he is now? Worse still is making no nomination at all, in which case the plan proceeds would find their way into your estate and could end up being taxed. If you haven't made a Will, your hard-earned pension could end up with someone you loathe – Auntie Flo, perhaps?

Many of you will have paid-up pension in employer-sponsored schemes, some perhaps with very attractive guarantees. There is more of a dilemma with these. Often, the return on death from an occupational scheme may be limited to a refund of your contributions only. Some occupational schemes will recognise your partner in the event of death, and I am pleased to report that this is an ever improving situation. However, the new [partnership proposals](#) make no provision for it to be compulsory. You could have the situation where the return on death may be £10,000, but the true value of your pension, the transfer value, might be £50,000. It would be tempting to take funds away to an alternative plan simply to improve this situation but I would urge great caution. In transferring, you could be giving up valuable guarantees and if you and your partner are financially independent, the return on death could be of little or no concern to you. Rather than rush to move your pension fund, why not lobby the pension fund trustees so that, in the event of your death, a partner's pension would be payable – this could be much more constructive.

It is definitely worth consulting an [independent financial adviser](#) to find out if your plan has high charges and/or has a poor death return. Pensions are a complicated subject and great care is needed. Ideally look for an adviser with the important [G60 qualification](#) – if your IFA doesn't have this, find [one that does](#).

Louis Letourneau is a Director of Isis Financial Planners Limited. Isis offers truly independent specialist advice to the gay community and can be contacted on 0845 1300 778 and email postbox@gayfinance.info . You can also visit the new website at www.gayfinance.info

Louis Letourneau, MA is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

For further advice on [Wills](#), [Life Assurance](#), [Tax](#), [Investments](#) and [Pensions](#), contact Isis Financial Planners:

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