CASE STUDY

DECISIONS FOLLOWING A DB TRANSFER

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This case study is from Meet the Joneses – Series 1. Information about the family and further case studies can be found on our website, www.curtisbanks.co.uk. All characters in the Jones family are fictional and intended for demonstrative purposes only.

The Challenges

Karolina Jones (49) has two pensions. One is worth £50,000 and is an auto-enrolment scheme from her current job working for a legal aid charity. The other is worth £200,000 and came from a transfer out of a former employer's defined benefit scheme in 2017.

Karolina had always preferred the idea of defined contribution pensions: even though she understood the value of defined benefit pensions, she's always preferred the idea of having greater control over the funds and greater flexibility for accessing them. Despite this, she still probably wouldn't have considered the transfer if she hadn't heard from her former colleagues that her old employer was suddenly closing down and there were rumours that the pension scheme was in trouble.

Karolina was aware that defined benefit transfers were big news in 2017. She'd seen some of the high profile cases of defined benefit schemes going wrong, and started to feel like she'd stepped straight out of one of those stories. On the other hand, she'd also seen stories of people transferring out of schemes when it wasn't in their best interests. One of her close friends, who Karolina knew to be very cautious and financially savvy, had lost a large portion of his pension savings after he was convinced to transfer to a new product and investment which turned out to be a scam.

Given her conversations with her former colleagues Karolina was still convinced that transferring was the right decision, but she was equally determined to do her research and make things go as smoothly as possible.

The Actions

Karolina's research showed that she would be required to take financial advice before transferring, as her transfer value would be above £30,000. Karolina did not mind paying for the advice, and made sure that she researched a reputable FCA registered firm to work with. Karolina also researched pensions and decided where she would like to transfer: to a well-known firm with a low-cost product which seemed to meet her requirements.

Karolina met with her chosen financial adviser, but after reviewing Karolina's circumstances, the adviser confirmed that she could not recommend the transfer. Karolina understood the adviser's reasons, but after considering the matter further she decided that she still wanted to transfer. She knew from her research that while she had to take advice before transferring, the advice didn't have to result in a recommendation to transfer. However, she also knew that many providers wouldn't accept a transfer without a recommendation.

She checked with the provider she had selected and found that they would accept the transfer, so arranged for the funds to be moved.
Karolina had planned to research her investment options in her new pension and choose some appropriate investments. She knew that unlike her workplace pension, this product did not have default investments and her pension would be in cash until she made a decision. However, there was so much uncertainty about Brexit at the time that Karolina struggled to make a decision. Her father Harald's health also began to decline, pushing the pension further down her list of priorities. Despite her best intentions at the beginning, Karolina's pension has now been sitting in cash for years.

Harald has recently gone into care, which has freed up some of Karolina's time. She's now taking a serious look at her pension again. She's thought more about the types of investments she'd like, and has decided she'd like to explore a number of ethical investment funds. However, looking more closely at her chosen pension, Karolina realises that she won't be able to access the range of investments she's considering. Prompted by her family's recent challenges sorting out the death benefits from her mother-in-law's pension, she also looks more closely at her provider's death benefits options and finds that it's more restrictive than she'd thought.

The Results

While Karolina is still happy with her decision to transfer away from her defined benefit scheme, she realises that on closer inspection, the product she chose isn't the best fit for her requirements. Now that she has some time to commit to organising her affairs, Karolina plans to consult a financial adviser again. She wants to discuss her planned investment choices, and explore possible products which will suit her retirement needs, and the needs of her beneficiaries when the time comes.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

Contact details

If you'd like to speak to us about anything in this case study, please contact us on:
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