



# What Does the New Pension Freedom Mean for You?

by Bradley Warden, Partner, Blevins Franks



The new UK “Pension Freedom” was a welcome development, but it has created a bewildering array of choices for expatriates in France. Pension funds play a key role in determining your lifestyle and financial security through retirement, so care must be taken to ensure you make the choice that is right for you and that there are no unexpected consequences.

The freedom only applies to defined contribution (money purchase) schemes. It does not apply to defined

benefit (final salary) schemes, public sector or state pensions.

You can transfer from defined benefit schemes to defined contribution schemes or QROPS, but may lose valuable benefits so need to consider carefully. You can only transfer if you have advice from a pension transfer specialist regulated by the UK Financial Conduct Authority.

## What does “pension freedom” mean?

You can leave your pension as it is and continue to take income drawdown. Alternatively you could take it all as cash in one go, or make withdrawals as and when you want with the balance remaining invested, or take a lump sum now and start income later. You could also buy an annuity.

Not all schemes offer the new flexibility. Transferring to a plan that does could involve a loss of guarantees or other valuable options. Only certain providers accept non UK residents, so choices are limited.

It is important to think about the tax implications. French residents will pay French tax according to the local rules. State retirement pensions, pensions derived from professional activities and private pensions are taxed at the income scale rates up to 45%. Most government service pensions remain taxable in the UK. Lump sums from UK pensions are taxed at a fixed 7.5%, provided there is no possibility of taking another in future. So if you take your entire pension at once as a lump sum, having not drawn benefits beforehand, it will be taxable at 7.5%; otherwise it will be taxed as income.

Pension income is additionally subject to 7.4% social charges, unless you have EU Form S1 or do not yet have access to the French health system.

Many QROPS cannot yet provide full flexibility. The rule where 70% of the transfer value to a QROPS must provide an income for life currently remains in place for non-EU QROPS.

This is a brief, generalised summary. It is important to have all the facts and take personalised, expert advice. Getting it wrong could be costly.

*Summarised tax information is based upon our understanding of current laws and practices which may change. Individuals should seek personalised advice.*

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