



UK TO NEW ZEALAND

MIGRATION AND RETIREMENT PENSIONS

BEST ARTICLE WRITTEN BY AUTHORISED FINANCIAL ADVISER IAN JORDAN AFA, DipFA, Cert PFS, CeMAP

Tēna Koutou. As an Englishman who has been living in New Zealand with my wife Carol and our youngest child Olivia for the past five years, we all know only too well that making the decision to emigrate to a new country is not an easy one. Often you will be leaving family and friends behind and you will essentially leave everything you have ever known behind in order to live in a new country that is relatively unfamiliar.

Everyone has their own motives for choosing to emigrate, whether it be to secure better employment opportunities, better quality of life or just to try something new in life.

So why is New Zealand such a highly sought after place for migrants from all over the world to want to come and live?

Without doubt New Zealand is one of the most popular places to which to emigrate because it is truly a beautiful country, one which has fantastic scenery and views.

Also by comparison with a lot of other countries, the cost of living is good and the crime rates are low. Furthermore, the

weather conditions are mild throughout the year which also makes New Zealand a very attractive destination.

The high quality of life in New Zealand is also one of the most attractive factors for migrants and generally New Zealand has very reasonable working hours, and its tax rates are favourable which is very appealing for many.

New Zealand has a vast expatriate community with estimates of up to 750,000 people and it is an important part of the country's economic prosperity.

New Zealand's population reached four million for the first time in 2003, which was assisted by the growth in immigration. Its population will have grown to an estimated 4,466,000 by May 2013.

New Zealand has a low population density – there are just 16 people per square kilometre. The United States has 30; United Kingdom, 252; India, 380; Netherlands, 490; and Singapore, 6669 people per square kilometre.

According to the most recent published immigration censuses carried out in 2006 (results from the 2013 Census are not yet released) the top 10 migrant nationalities in New Zealand's immigrant population were:

| Country of Birth | Number of Migrants |
|------------------|--------------------|
| 1. England | 202,401 |
| 2. China | 78,117 |
| 3. Australia | 62,742 |
| 4. Samoa | 50,649 |
| 5. India | 43,344 |
| 6. South Africa | 41,676 |
| 7. Fiji | 37,746 |
| 8. Scotland | 29,016 |
| 9. South Korea | 28,806 |
| 10. Netherlands | 22,101 |

In 2012, the top five source countries for migrants coming to live in New Zealand by countries were:

| Country of Birth | Number of Migrants |
|------------------|--------------------|
| • United Kingdom | 5,500 |
| • China | 5,100 |
| • India | 5,100 |
| • Philippines | 2,000 |
| • Germany | 1,600 |

When emigrating to New Zealand, one of the most important things to consider is the effect on your personal finances. Many people do not understand the complications of leaving one financial system and entering another and are therefore unable to make informed financial decisions.

In addition, many people do not have the time to undertake the required research to ensure their position is optimised financially.

This lack of time and information can mean significant and unnecessary tax bills due to changes in tax residency status,

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DO YOU HAVE A UK PENSION SCHEME?

Anyone with a UK pension scheme who is a resident in NZ, can now transfer their existing pension provisions into a QROPS (Qualifying Recognised Overseas Pension Scheme).

The benefits can be huge if planned correctly. As with any form of financial advice, we would only recommend that you work with **qualified professionals**.

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different tax years, visa and residency rules.

Further, the related hassle involved in undertaking the move itself, means in many cases the decision on how and when to act with regards to your finances tends to be put on the back burner and left behind in the rush.

One specific area of financial information I am frequently asked questions about by migrants or Kiwis returning from their big O.E. is on the topic of retirement provisions and their overseas pension schemes. As a UK qualified Independent Financial Adviser, I particularly get numerous requests for information about the UK's Basic State Pension benefits and entitlement to the New Zealand Superannuation Scheme.

So I thought it would be helpful if I outline some basic UK and New Zealand pension/superannuation facts.

THE UK STATE PENSION

Entitlement to the UK Basic State Pension is based upon the number of years you worked and paid National Insurance (NI) or received certain benefits if you were not working.

Basically, an individual needs 30 years' worth of contributions or credits to get the full UK Basic State Pension. These are known as your 'qualifying years'.

If you have fewer than 30 years, your State Pension will be less than £110.15 per week (tax year 2013/14), but you might be able to top up by paying voluntary National Insurance contributions*. (*if you are living/resident in the UK)

The Basic State Pension Age (BSPA) is presently 65 for men. Under the Pensions Act 1995, the BSPA for women is in the process of being increased from 60 to 65.

The Pensions Act 2011 will raise the BSPA to 66 for both men and women by October 6, 2020. Under the Pensions Act 2007, the BSPA for both men and women will be raised to 67 between 2034 and 2036, and to 68 between 2044 and 2046.

On top of the basic state pension you can receive the "Additional State Pension" which is an extra amount of money you could get with your Basic State Pension and is based on your National Insurance contributions.

How much you get depends on your earnings and whether you have claimed certain benefits. There is no fixed amount like the Basic State Pension.

You get the Additional State Pension automatically, unless you have previously contracted out of it.



The Additional State Pension is paid with your Basic State Pension. It normally increases every year by price index – the percentage growth in prices in the UK as measured by the Consumer Prices Index (CPI).

THE NEW ZEALAND SUPERANNUATION (NZ SUPER):

You may get New Zealand Superannuation if you:

- Are aged 65 or over
- Are a New Zealand citizen or permanent resident

- Normally live in New Zealand at the time you apply.

To be eligible for the New Zealand Superannuation Scheme (Government Pension Scheme), you must have lived in New Zealand for at least 10 years since you turned 20. And five of those years must be since you turned 50.

Current New Zealand Superannuation rates for a single person, living alone is \$410.32 gross per week (as at 01/04/2013).

Any time spent overseas in certain countries may be counted towards the New Zealand Superannuation Scheme.

New Zealand has social security agreements with the following countries:

- Australia
- Canada
- Denmark
- Greece
- Ireland
- Jersey/Guernsey
- The Netherlands
- United Kingdom

UK PERSONAL PENSIONS AND UK EMPLOYER PENSION SCHEMES:

Another big question relating to Retirement Planning that I am frequently asked is: "Should I transfer my UK Pension Scheme to New Zealand?"

Again, I will outline some facts about transferring UK Pension Schemes to New Zealand.

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Anyone who has a UK pension scheme who now permanently lives overseas, or is planning to leave the UK can now transfer their UK pension funds to a Qualifying Recognised Overseas Pensions Scheme (QROPS) here in New Zealand.

WHAT IS A QROPS

QROPS is probably the biggest piece of jargon to come out of pensions' legislation in recent years and it stands for Qualifying Recognised Overseas Pension Scheme. What this means; is an overseas pension scheme that meets certain requirements set by HM Revenue and Customs (HMRC). A QROPS can receive the transfer of UK Pension Benefits without incurring an unauthorised payment and scheme sanction charge. The QROPS programme was launched on April 6, 2006 as a part of new legislation with the objective of simplifying pensions.

Typically this occurs when a UK resident leaves the UK to permanently emigrate (or to retire abroad) having built up a pension fund within a UK pension scheme approved by HMRC or when a person born abroad who has built up benefits in a HMRC approved UK Pension Scheme, decides to return to their home country with an expectation of retiring there.

TYPES OF UK PENSIONS THAT CAN BE TRANSFERRED TO A NZ QROPS:

- Personal Pensions (including Stakeholder and Group Personal Pension Schemes)
- Final Salary Company Schemes (often called Defined Benefit Schemes)
- Executive Personal Pensions
- Self-Invested Personal Pensions (SIPPs)

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- Defined Contribution Company Schemes (often called Money Purchase Schemes)
- Public Sector Service Schemes (i.e. Doctors, Nurses, Police, Armed Forces, Teachers, Local Government and Civil Service)
- Retirement Annuity Contracts (RAC) and Section 32 buyout plans
- Appropriate Personal Pension (SERPS – Protected Rights)
- Pension funds where income is in drawdown but an annuity has not been purchased.

TYPES OF UK PENSIONS THAT CANNOT BE TRANSFERRED TO A NZ QROPS:

- UK State pensions
- Pension Funds where a pension has been taken as an annuity.

THERE ARE TWO DISTINCT TYPES OF NZ QROPS:

- Regular New Zealand Superannuation Schemes that have applied for and become QROPS.
- KiwiSaver Schemes that have applied for and become QROPS.

THE KEY DIFFERENCES BETWEEN A KIWISAVER QROPS AND A STANDARD NZ QROPS ARE:

- KiwiSaver schemes are only open to New Zealand residents or New Zealand nationals overseas.
- An individual can only have one KiwiSaver scheme at any time.
- KiwiSaver schemes can only be transferred to other KiwiSaver schemes.
- KiwiSaver schemes currently have a standard retirement age of 65 (after having been invested for a minimum of five years) which cannot be brought forward.

WHAT'S THE STORY ON TRANSFERRING MY UK PENSION SCHEME TO NEW ZEALAND:

In most cases, migrants and returning Kiwis can transfer their UK Company and Personal Pension Scheme (if they are not already in payment). This includes pension schemes from previous employments. In some cases,

transferring pension abroad to a QROPS can create significant tax benefits and also will protect pension funds in the event of a death of the pension scheme member.

Example: On the death of a pension member of a QROPS, the residual value of their plan passes to their beneficiaries, unlike a traditional insurance annuity where any remaining assets become the property of the annuity issuer. There are however a number of downsides which mean a pension transfer may not always be in your best financial interests.

There are a multitude of other benefits that make New Zealand an attractive QROPS destination including:

- Most schemes will allow members access to 30 per cent of the funds at age 55 years.
- Some schemes offer funds denominated in UK Sterling, thereby reducing the currency exposure of members to the New Zealand Dollar.
- The ability to easily and transparently set fees between the financial adviser and the client.

UK Pensions are usually transferred with no UK tax deductions, provided they are transferred to a QROPS, and New Zealand Personal Superannuation Pensions are paid out tax-free.

However, you may have tax to pay in New Zealand on any fund growth of your overseas pension, once you are outside the New Zealand four year transitional residency tax exclusion period, if you decide to leave your pension in the UK.

Consequently, there are usually New Zealand tax advantages by transferring your UK Pension Scheme within four years of migrating to New Zealand.

If you transfer your pension to a New Zealand QROPS, you will not have the worries of currency exchange rate issues as your pension will already be in New Zealand dollars when it is time to enjoy your retirement years. Also you will avoid the additional expensive bank transaction charges and exchange rate fluctuations when receiving your pension benefits.

From April 6, 2012 the UK HMRC issued New QROPS rules and New QROPS guidance for overseas transfers of UK Pension funds to QROPS schemes.

You can still gain all the benefits of transferring your UK Pension to New Zealand; however the UK QROPS changes mean no pension withdrawals will be allowed by the HMRC before the UK minimum retirement age of 55, and then any withdrawals will be restricted to a maximum lump sum of 30 per cent, with the 70 per

cent balance remaining used to provide an 'income for life' in retirement.

When offering financial advice on UK Pension transfer to a QROPS, I will only recommend a transfer to New Zealand QROPS providers that are approved by the UK HMRC.

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As with any form of financial advice, you should only work with qualified Authorised Financial Advisers and given the wide range of factors that need to be considered, most financial commentators would say it is sensible and prudent to consult with a UK qualified Financial Adviser who understands the complexities of UK Pension schemes and QROPS when doing any financial retirement planning involving a UK Pension Scheme.

Personally, I have over 30 years' experience as a UK Independent Financial Adviser dealing with UK Pension Schemes and Pension transfers.

If done correctly the benefits of transferring your UK pension scheme to a QROPS can be very advantageous. If done incorrectly, then you could potentially be liable for an unauthorised tax charge of up to 55 per cent of your UK Pension transferred amount. Ouch!

Finally, I think the goals most people hope to achieve in their retirement years are to be able to maintain their lifestyle, afford to live in and maintain their home, go on holidays, run a nice car, treat their family members and enjoy their hobbies and pastimes.

These aspirations can be realised by careful planning and obtaining good financial advice, so good luck in your endeavours for a happy and prosperous retirement.

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These are generalised comments only and should not be taken as personalised advice. Disclosure Statements are available on request and free of charge.