UHY Hacker Young
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Should I consolidate my pensions?

Consolidating pensions into a single plan could help reduce the stress of managing multiple pots, while also giving you more transparency into their performance and the fees you are paying.

With people now having multiple jobs during their career, they will often be enrolled into a new pension at each workplace. This means you may end up with a number of pensions plans which may make it difficult to understand your retirement savings. By consolidating, you may also reduce charges and be able to access a wider range of investments.

Whether you consolidate or not depends on a number of factors and you should always seek professional advice.

The benefits of consolidating your pensions

1. Keeping track and managing pension savings can be easier with just one scheme

It can be difficult to keep track of your retirement savings. Consolidating your pensions can minimise the administration of your pension planning as you only need to manage one pension. It may also give you a better idea of what your retirement may look like and allow you to calculate any additional savings you may need to make before you retire.

Many older pension plans are outdated, with providers communicating mainly via post, and offering clunky online portals. In contrast, consolidating your pensions means you can choose a new plan that can be easily managed online which allows you to check your balance, make a contribution or a withdrawal, all from one device.

2. You may gain access to a greater choice of investments if you consolidate your pensions into a self-invested personal pension (SIPP)

Many people transfer their pensions because they are looking for a plan that offers a better return on their investment to boost their retirement savings. By having one pension to manage, this means you can choose a single investment strategy that matches your appetite for risk. However, returns are never guaranteed, and past performance isn't necessarily indicative of future results.

3. You may have lower fees

Consolidating your pensions can not only make it easier to monitor the administrative fees you are currently paying but could also help to reduce them. Many providers make their fees look lower than they actually are by sneaking extra charges like investment charges, contribution fees and inactivity fees into the small print. If you combine your pensions into a new plan, you may be able to save money on these fees - which could be eating away at your old pensions.

Things to check before consolidating

1. Some schemes may have exit penalties

It is always important to check with your pension provider about any fees you may be liable for, before deciding to transfer your pension.

Along with the pension management fee, some schemes (especially those started before 2001) may charge you an exit fee if you want to move your money away from them. The fee will usually be a percentage of your pension savings, although if your pension is in a 'with-profits' fund then your exit fee may come in the form of a Market Value Reduction (MVR).

2. Attractive safeguarded benefits or other enhanced benefits

Some pension providers offer safeguarded benefits or other enhanced benefits with your pension which may be lost if you decide to transfer out from their scheme. Therefore, it is always important to check whether you are entitled to any of these so you can determine if you still want to proceed with a transfer.

Examples of such benefits can include: early access to your pension, a guaranteed growth rate on your pension, a guaranteed annuity rate, a guaranteed level of income or a higher amount of tax-free cash than standard.

There are also other tax advantages of keeping pots separate. You can take up to three non-occupational pension pots and unlimited occupational pension pots of up to £10,000 each which are deemed to be "small pots" and don't count against your lifetime allowance or trigger a cut in your annual allowance due to the Money Purchase Annual Allowance rules.

3. Ill-health implications

If you are suffering from serious ill-health, there may be inheritance tax implications should you die within 2 years of the transfer.

How to consolidate your pensions

To consolidate your pensions into one single plan, you will need to provide information about your pensions to your new provider. This can include details like the provider name or a policy number. You can usually find this information through any old paperwork you may have, or by speaking to the provider directly and asking for the information.

If you are looking to transfer a defined benefit pension, (also known as a 'final salary' scheme) and it has a value greater than £30,000, then you will be required to seek independent financial advice before you can transfer it.

Amalgamating pensions into a single scheme can seem like a complicated process and we would recommend seeking professional financial advice before doing so.

If you are considering consolidating your pensions, UHY Hacker Young are here to help and advise you on the best course of action. Please contact our financial adviser, Andrew Lloyd-Owen, on 0161 236 6936 to discuss your options further.

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