# Consolidating your pension

Should you have your pensions in one place?

Many people have multiple pension plans in their career, and these can become difficult to maintain if left unattended over time.

One option is to consolidate these pensions into one combined pension pot, theoretically making it easier for you to manage your retirement savings by having everything in one place.

While consolidating your pension undoubtedly makes it easier to keep track of your pot and how it's invested, this approach does not suit everyone.

You can merge any pension plans into one place at any age, although it makes more sense if you do this before the plan has increased significantly as any potential exit penalties may be larger.

If you're fortunate enough to be in a final salary scheme, which can provide a set level of income based on your annual salary when you retire, it usually makes no sense to head for the exit.

For those of you who don't have the luxury of a defined benefit scheme, is it worth consolidating your pensions into one place, and where do you start?

## Tracking down lost pensions

The first thing to do is to sit down and work out how many workplace pensions you may have accumulated over the course of your career as well as any personal pensions.

Research from Aegon suggests one in five people have lost track of a pension plan, and 67% of respondents would be interested in consolidating their pensions in one convenient place.

There is more than £400 million languishing in unclaimed pensions, which prompted the Department for Work and Pensions to launch its most recent Pension Tracing Service (PTS) website in 2016.

This free service was set up to help people trace their hard-earned savings using a database containing the details of more than 320,000 workplace and personal pension schemes.

## Details you need

You'll need the name of your former employer or pension provider to trace your lost pension, while it's also handy to have your national insurance number and the dates you started and stopped work.

Armed with these details, you can phone 0845 600 2537 or submit a tracing request online by visiting findpensioncontacts.service.gov.uk

The PTS will check your information against its database and usually provide you with contact details of the administrator who handles the pension scheme.

The service will only give you the details to get you started – it will not tell you the pension's value or if you have a pension with that scheme.

Once you have all the necessary details, your former employer should be able to provide you with details of their pension provider, even if they provided access to a personal or stakeholder scheme.

## Benefits of consolidation

It's obviously convenient to have all your pension savings in one place as it's easier to monitor them, but this is one of several advantages.

Not only will it be easier to manage your various pots if they're held with just one provider, it can also give you more choice on how you invest it, depending on the pension you choose.

For instance, you could transfer your entire pension pot into a self-invested personal pension (SIPP) to give you a range of investment options, such as:

- shares
- unit trusts
- open-ended investment companies
- investment trusts
- gilts and bonds.

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This provides more options than merely being restricted to pension funds on offer from pension providers.

Consolidation may also reduce the charges you pay as some older pension schemes carry higher fees than newer ones.

## Drawbacks of consolidation

Despite consolidating your pensions making your life easier, there are risks that come with it and you could lose certain benefits by exiting a pension scheme early.

### No more guarantees or benefits

If you were to transfer out of a defined benefit pension or a pension with what are known as 'safeguarded' benefits, the main drawback would be losing valuable guarantees or benefits you may not be aware of.

These include but are not limited to final salary benefits, enhanced tax-free cash rates, guaranteed interest rates, guaranteed minimum pension rights or life cover.

Outside of the final salary benefits, many people are unaware of other benefits they have, so be wary of losing these.

### Pension scams

Living in an increasingly digital age, it comes as no surprise that con artists are trying to trick savers out of their retirement savings when it comes to deciding how they are invested.

Unsolicited phone calls, text messages or emails from scammers claiming to be from government-backed bodies should be treated as scams.

These bodies, such as Pension Wise, would never use these methods to communicate with you.

You should also be wary of unregulated deals offering guaranteed returns, such as options to invest in things like hotels, vineyards and overseas ventures.

These are often offered as time-limited deals in an attempt to rush people into investing. Don't – do your due diligence and take all the time you need to make checks.

### Exit fees

Another possible pitfall is your provider may impose an exit charge when you transfer funds out of a pension.

Early exit charges for pension policies are capped at 1% of the value of the benefits being taken, converted or transferred from your scheme.

Your pension provider cannot increase these charges to 1% if under the terms of your pension scheme your exit charge is less than 1%.

### Employer contributions and bonuses

If you transfer funds from a workplace pension you're still a member of, you may lose the ongoing employer contributions that come with it.

You may also have to give up any loyalty bonuses you may have qualified for, while you run the risk of losing a spouse's pension offered in an old pension scheme if you consolidate your pension.

## Consolidate or not?

Pension consolidation is the process of bringing multiple pensions into a single pension pot. It could save you money, while also making it easier to manage your savings in one place.

If you've got several workplace pensions from previous jobs over the course of your career, consolidating your pensions may be an attractive proposition.

Having numerous pensions could mean paying multiple charges, such as annual management fees or investment charges.

It can make it easier for you to keep tabs on how your savings are performing, and also potentially simplify the process of buying an annuity or placing your money into income drawdown or a SIPP when the time comes.

While pension consolidation has its obvious pluses, one size doesn't fit all.

For example, transferring out of a final salary scheme or a scheme with other guarantees or enhancements could mean you lose significant financial benefits.

For pension benefits of this type worth more than £30,000, it is a legal requirement to take advice before transferring them.

Therefore, it's wise to seek expert advice if you're considering transferring an old pension into one place to fully understand all your options.

We can discuss your savings strategy.


**Important information**

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change.

Pension eligibility depends on individual circumstances, while pension benefits can usually only be taken from the age of 55.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation. You should not make any investment decisions based on its content. The value of pensions can fall as well as rise and you may not get back the amount you originally invested.

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