

# TRAFALGAR

GLOBAL RETIREMENT SOLUTIONS, INNOVATIVE THINKING

GIBRALTAR QROPS



**Boal & Co**

Actuaries & Consultants

# TRAFALGAR

Whatever our age, and wherever in the world our lives have taken us, we all want to make the most of what we have. It's right to look at our options, to make the most of the assets that we have and to maximise the opportunities we are given.

For many of us, our pension will be one of our largest financial assets. For some people, particularly those with **Defined Benefit** schemes, their pension may be worth even more than their house.

If you have built up a UK pension fund and are no longer UK resident, you may not realise that your pension is still subject to UK tax. You might have moved abroad to escape the UK, but if your pension has not, it is still subject to constantly changing restrictive UK taxation rules, which may lead to you paying a lot more in tax than is necessary.

There is an alternative. Imagine an overseas pension scheme that can provide:

- more tax-efficiency, both during your life and on your death
- more investment choice, before and after retirement
- the option to change the currency of your pension fund and your retirement pension, to match your local currency
- a scheme especially designed for UK pension transfers that fully recognises and satisfies the relevant UK rules, but maximises the opportunities you have as a UK non-resident for your spouse, children or nominated beneficiaries to receive your pension fund when you die.

**TRAFALGAR - IS THIS THE SOLUTION YOU HAVE BEEN LOOKING FOR?**

# WHAT IS TRAFALGAR?

THE TRAFALGAR PENSION SCHEME (“TRAFALGAR”) IS A PENSION SCHEME ESTABLISHED UNDER TRUST AND TAX APPROVED IN GIBRALTAR.

Trafalgar is listed with the UK tax authority HM Revenue & Customs (“HMRC”) as a [Qualifying Recognised Overseas Pension Scheme \(“QROPS”\)](#). This means that pension transfers made from UK pension schemes to Trafalgar are termed [Recognised Transfers](#) and so are permitted transfers under UK pension legislation introduced by the Finance Act 2004. Provided the transfer value of your UK pension is less than the UK [Lifetime Allowance](#) (currently £1 million), there is no UK tax payable when you transfer your pension into Trafalgar.

# WHY TRAFALGAR?

TRAFALGAR IS BUILT UPON STRONG FOUNDATIONS:

**Location** - History may tell us that Gibraltar proved its value as an important naval port in the Battle of Trafalgar (1805), when the British Navy proved its supremacy by routing the combined fleets of France and Spain off nearby Cape Trafalgar. Today, more than 200 years later, Gibraltar still stands firm as a British Overseas Territory, and it now also provides a welcome overseas, but distinctly British, port for transferring UK pensions.

**Flexibility** – Trafalgar is designed to fully satisfy the rules applicable to [QROPS](#). Whilst fully observing all HMRC requirements, Trafalgar aims to optimise the position for members. The result is a scheme which delivers more benefits, and less tax.

**Innovation** – Boal & Co is an established leader in the [QROPS](#) business. Our awards testify to our tireless drive for progression. We respect and welcome the innovation of the Gibraltar authorities in creating a special taxation regime for [QROPS](#) business, ensuring that it meets all of HMRC’s requirements and fully complies with them.

**Expertise** – At Boal & Co, we have over 20 years’ experience of international pension transfers. We are advisers to pension schemes for more than 20 “FT Global 500” companies and other world-leading corporations, and are responsible for more than \$10 billion of pension fund assets. Industry accolades include winning “Best International Specialist Pension Provider” at Professional Adviser’s 2012 awards and, most recently, “Best International Pension” at Professional Adviser’s 2015 Awards.

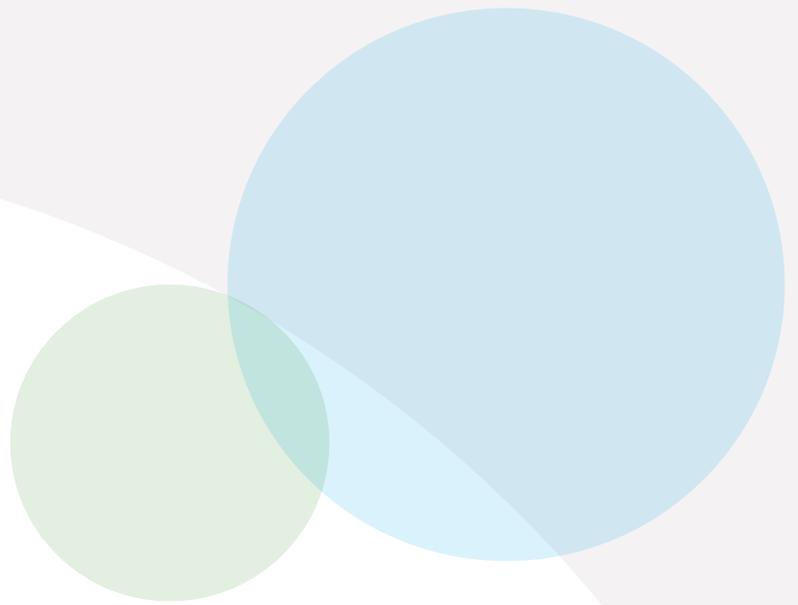
Boal & Co (Gibraltar) Ltd is the [Trustee](#) and administrator of the Trafalgar Pension Scheme.

# WHAT IS A QROPS?

**Qualifying Recognised Overseas Pension Schemes** are special overseas pension schemes which satisfy rules and regulations laid down by UK legislation. The Finance Act 2004 made it possible, from April 2006, for UK pensions to be transferred to any overseas pension scheme which has notified HMRC of its status as a **QROPS**.

Before 2006, it was only possible for a person to transfer his or her UK pension to an overseas pension scheme located in the person's new country of residence. Modernisation and simplification of UK pensions legislation removed this restriction. This not only enables an individual to freely transfer a UK pension overseas, it also gives choice over where it can be transferred to. Trafalgar has been designed to optimise this choice.

The **Trustees** have notified HMRC that Trafalgar is a **QROPS**, and HMRC have given the scheme the reference number 504757.



# WHAT ARE THE KEY BENEFITS OF TRAFALGAR?

If you have a UK pension scheme or a UK personal pension, there are a number of benefits from transferring your UK pension to Trafalgar, particularly if you have been, or will be, UK non-resident for at least 5 complete tax years (we will refer to this as not "UK resident/recently resident"):

## 1. TAILORED PENSION PAYMENTS

- a range of payment levels are calculated by our actuaries and personalised to your situation
- consideration of how your Trafalgar fund is invested and your individual life expectancy
- payable to you by annual, half-yearly or quarterly [Drawdown](#)

## 2. INHERITANCE PLANNING

- a lump sum payment on death from a UK pension scheme will be subject to a tax charge based on your beneficiary's marginal tax rate
- Trafalgar can be used to provide a pension for a spouse or dependant
- Trafalgar can pay out as a lump sum and no Gibraltar tax is due or payable on this distribution on death

## 3. ELIMINATE LIFETIME ALLOWANCE TAX CHARGE

- UK pension [Lifetime Allowance](#) limits are steadily reducing
- a transfer to a [QROPS](#) is a one-off [Benefit Crystallisation Event](#)
- if your fund grows in a [QROPS](#) beyond the [Lifetime Allowance](#), no [Lifetime Allowance](#) excess tax charge is due

## 4. INCREASED RETIREMENT LUMP SUM

- majority of UK pension schemes are only permitted to pay 25% of the pension fund (or 25% of the [Lifetime Allowance](#), if lower)
- Trafalgar enables you to take a lump sum of up to 30% of fund value

## 5. PENSIONS PAID FREE OF UK TAX

- UK pensions are usually subject to UK tax at source
- UK tax is not applied to Trafalgar pension payments, they are only subject to 2.5% Gibraltar Tax at source
- your residency at the time of payment will determine if further tax is applicable

## 6. INVESTMENT CHOICE

- a wide range of collective investment funds are available, held either directly or through investment wrappers
- ability to appoint an investment manager

# WHAT PENSIONS CAN BE TRANSFERRED INTO TRAFALGAR?

Transfers into Trafalgar can be made from most forms of UK tax approved pension schemes, including:

- occupational pension schemes, both [Defined Contribution](#) and [Defined Benefit](#)
- [SIPPs](#) and other personal pension schemes
- additional voluntary contribution (AVC) schemes
- section 226 retirement annuity policies.

Transfers from a [Defined Benefit](#) pension scheme can be made but not if the pension has already commenced from that scheme, or if the scheme in question has entered the Pension Protection Fund. Please note that it is not possible to transfer State pensions such as the Basic State Pension or the State Second Pension (formerly SERPS).

Just because it is possible to transfer a UK pension does not necessarily mean that it is advisable to do so. Independent financial advice should be taken by any individual in connection with any pension transfer, and particular consideration should be given when contemplating the transfer of pensions from either a [Defined Benefit](#) scheme or from a pension policy with guaranteed annuity options, when a pension transfer might be inadvisable. Transfer values can vary widely from one [Defined Benefit](#) scheme to another, and UK legislation now requires that any transfer from a UK [Defined Benefit](#) scheme be formally advised by a UK FCA regulated individual, in addition to any local advice you have received in your country of residence. Please ask your financial adviser for advice.

Boal & Co, as a firm of Actuaries and Consultants, are also able to provide an actuarial calculation for your [Defined Benefit](#) transfer value which uses pension [Drawdown](#) as the income in retirement, and which may be more suited to your needs. Please ask your financial adviser if you would like us to prepare this for you.

# HOW IS MY TRAFALGAR FUND INVESTED?

Investment management can either be self-directed by you or delegated to an investment manager. Investment can be made into any of the following asset classes:

- collective investment funds
- private portfolio bonds, investment bonds and other life assurance policies

As Trafalgar is an “open-architecture” scheme, insurance bonds and investment funds can generally be selected from any product provider. Please note that investment in residential property is not permitted in any circumstances because of HMRC regulations applicable to UK tax-relieved pension funds, including [QROPS](#). Loans to members or connected persons are also not permitted.

For avoidance of doubt, Boal & Co does **NOT** provide investment advice. Responsibility for investment decisions rests with you, or your appointed investment manager.

Please remember that investment values will inevitably fluctuate. Investment involves risk. The value of investments and the income from them can go down as well as up, and may be affected by fluctuations in exchange rates. Past performance should not be viewed as a reliable guide to the future. The value of your Trafalgar investment cannot be guaranteed.

**PLEASE REFER TO BOAL & CO’S INVESTMENT GUIDELINES FOR A FULL LIST OF ASSET CLASSES AVAILABLE UNDER TRAFALGAR.**

# WHAT BENEFITS ARE PAID AT RETIREMENT?

Trafalgar is a [Defined Contribution](#) pension scheme, which means that the amount of benefits received by you, in the form of retirement lump sum and pension, is entirely dependent on the following:

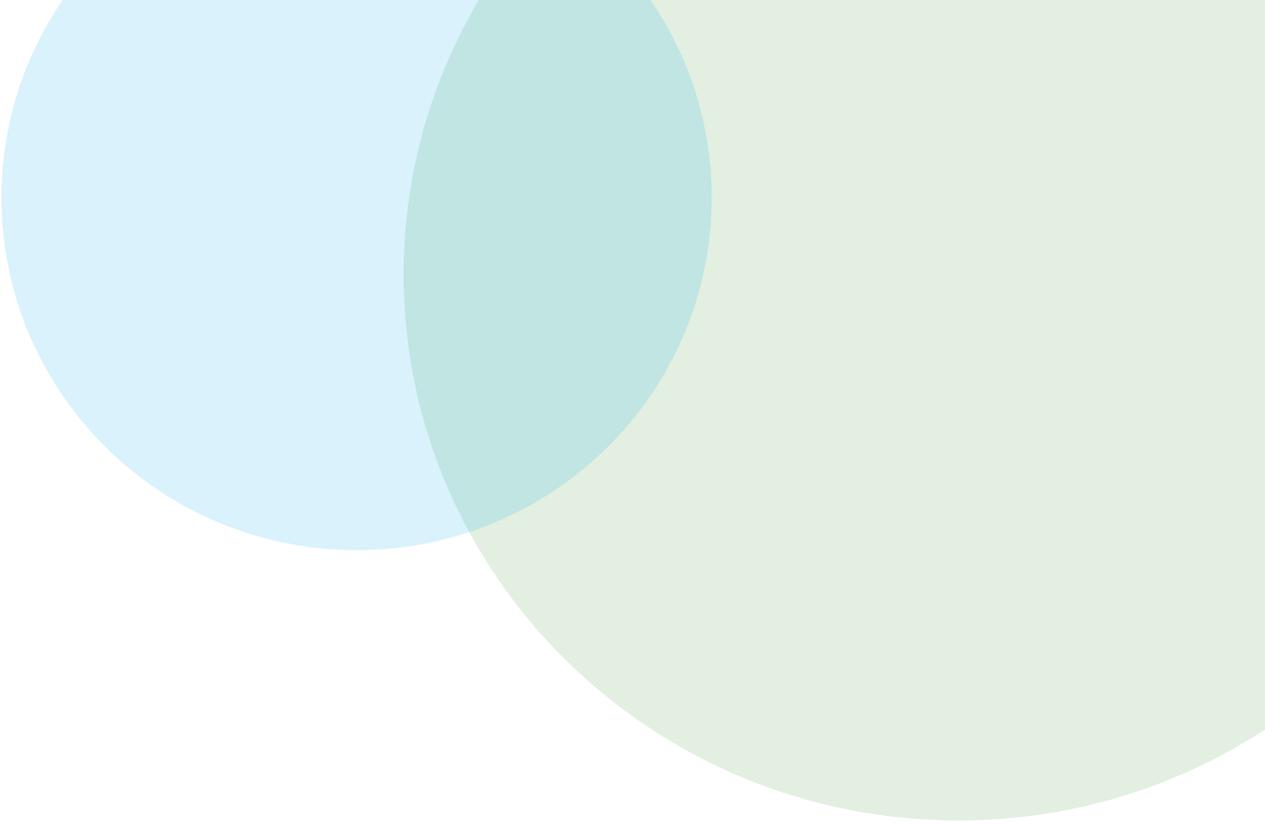
- the amount of money paid into your Trafalgar fund (for example, by way of transfer values from UK pension arrangements), and
- the investment performance (which may be positive or negative) of your Trafalgar fund

Therefore, there are no guaranteed retirement benefits of any form. Retirement benefits from Trafalgar can be taken by you from as early as age 55 and no later than age 75. Your pension in retirement is provided via [Drawdown](#), which means that each year a proportion of your Trafalgar fund is drawn down and used to provide the pension, whilst the balance of your fund remains invested. Pension payments are payable to you by annual, half-yearly or quarterly [Drawdown](#) of income and capital from your fund. As such, it is to be expected that your Trafalgar fund will gradually reduce after retirement, through the effect of regular pension payments to you.

The amount of pension, i.e. the rate of [Drawdown](#), is flexible within limits. Provided you are not UK resident/recently resident in retirement, the amount of pension you can draw from your Trafalgar fund will be within a range of amounts calculated by our actuaries and personalised to your situation, taking into account how your Trafalgar fund is invested (and the range of associated target future investment returns) and your individual life expectancy. We will be able to advise you prior to retirement of the range of permitted pension [Drawdown](#) relevant to your individual circumstances.

After retirement, the amount of pension payable to you is normally reviewed every 3 years in line with the investment return achieved by your Trafalgar fund. If your fund earns more than anticipated, this can result in an increase to your pension. If your fund earns less than was assumed, this can result in a reduction to your pension. Failure to implement the recommendations of any regular pension review, or sustained poor investment performance, could lead to your Trafalgar fund running out before death.

At retirement, Trafalgar members can opt to take up to 30% of their Trafalgar fund as a retirement lump sum, compared to the 25% maximum from UK pension schemes. If you are UK resident/recently resident at retirement, UK tax rules apply.



## WHAT HAPPENS ON MY DEATH?

Even if you have left the UK, your UK pension fund continues to be subject to UK tax laws and restrictions. With a UK pension scheme, a lump sum payment on death after reaching age 75 will be subject to a tax charge based on your beneficiary's marginal UK tax rate.

There is no requirement for your Trafalgar fund to wind up on your death. If you have a surviving spouse or dependant, your Trafalgar fund can be used to provide a continuing pension for them. You can nominate family members (children for example) to come in as new members of your Trafalgar scheme, and benefit in the future from pension and other retirement benefits payable from your fund. Any spouse or dependant's pension income would be subject to 2.5% Gibraltar tax at source as normal, and may also be subject to tax where the recipient is resident.

If you elect for your Trafalgar fund to be wound-up after your death, any remaining balance can be paid out by the Trustee to your nominated beneficiaries. No Gibraltar tax is due or payable at source on this lump sum distribution. Please note, if you are UK resident/recently resident on death, there may be UK tax applicable to this lump sum distribution. In addition, the recipient could also be subject to tax on this distribution depending on their residency.

For added succession planning, your Trafalgar fund can be transferred to a separate Trust on your death giving you the opportunity to plan for your family's future in the most efficient manner. Your financial adviser can help you with this if it is something you require.

You are able to indicate your preference in the Expression of Wish section of the Trafalgar application form.

# WHAT IS THE TAXATION POSITION?

- investments held within Trafalgar accumulate free from tax (apart from any taxes deducted at source)
- at retirement, pension benefits are paid after deduction of 2.5% Gibraltar income tax
- at retirement, up to 30% of your Trafalgar fund value can be taken as a retirement lump sum benefit, free of Gibraltar tax at source. (If you are UK resident or recently resident at retirement, then lower UK limits will apply.)
- if your Trafalgar fund is wound up on death, no Gibraltar tax is payable, and the fund will be paid to your beneficiaries without deduction of Gibraltar tax at source.

Even though pension benefits are paid to you net of 2.5% Gibraltar income tax, you may have a liability to tax on Trafalgar benefits in your country of residence. Tax rates vary widely from one country to another, and you are advised to take local tax advice and to declare Trafalgar pension income on your annual return. If you are UK resident in retirement, you may be able to claim this 2.5% overseas tax paid against your UK income tax.

It is a legal requirement and obligation of any [QROPS](#), including Trafalgar, that the [Scheme Administrator](#) reports to HMRC in certain situations when your benefit begins to be paid. The reporting obligation currently applies for the first 10 years following transfer regardless of residence, and then ceases unless you are UK resident at the time of payment or have been UK resident in any of the preceding 5 tax years.

Please note that the information given in this document is based on our understanding of current pension law and taxation practice, which may change in the future. No liability can be accepted for any personal tax consequences of this scheme or for the effect of future tax or legislative changes.

# ARE THERE ANY LIMITS ON THE SIZE OF MY PENSION FUND?

UK pensions are subject to ever increasing tax restrictions, designed to reduce the possible use of pensions for tax relief. Where previously there was no limit to the size a pension fund could grow to (only a limit on how much was paid in as contributions), UK tax law introduced in 2006 created an upper limit to the size of a UK pension fund, namely the **Lifetime Allowance**. Any excess of a UK pension fund above the **Lifetime Allowance** is subject to UK tax, at 25% (if benefits taken as a pension) or 55% (if benefits taken as a retirement lump sum) on what is termed a **Benefit Crystallisation Event** (for example, the commencement of a pension), even if the member is UK non-resident.

The **Lifetime Allowance** has reduced in steps in recent years from £1.8 million down to £1 million, bringing more and more UK pensions into the catchment of the excess 25%/55% tax. The possibility of further reductions to the **Lifetime Allowance** creates considerable uncertainty.

More and more individuals who, through their own hard work and financial success, have accumulated larger UK pension funds face the prospect of excess UK tax, even if they are no longer UK resident.

The good news though is that it is possible to eliminate this uncertainty by transferring to Trafalgar. A transfer to a **QROPS** is a one-off **Benefit Crystallisation Event**. If at the time of transfer the transfer value is less than the **Lifetime Allowance**, there is no **Lifetime Allowance** excess tax charge.

After transferring to Trafalgar, even if the Trafalgar fund increases to an extent where it exceeds the **Lifetime Allowance**, or even if the level of the **Lifetime Allowance** is further reduced, the crystallisation event has already occurred at the date of transfer and no further tax is payable in relation to the **Lifetime Allowance**. In short, transferring to a **QROPS** brings greater certainty for larger pension funds which might otherwise be subject to future UK tax. Exporting a UK pension overseas means that the pension is tested against the **Lifetime Allowance** once, and thereafter is not subject to changing UK allowances.

# WHO OFFERS TRAFALGAR?

The Trafalgar Pension Scheme was established and is administered by Boal & Co (Gibraltar) Ltd. Boal & Co ([www.boal.co.uk](http://www.boal.co.uk)) is a leading firm of offshore consulting actuaries, with operations in Gibraltar, Jersey, Ireland and the Isle of Man.

Boal & Co is an award-winning firm, having won several prestigious awards for innovation in pensions.



Boal & Co is a member of Abelica Global ([www.abelicaglobal.com](http://www.abelicaglobal.com)), a leading international organisation of actuarial consultancy firms.

All Trafalgar assets are held under trust for members by the scheme's **Trustee**, which is licensed as a Professional Trustee by the Gibraltar Financial Services Commission under the Financial Services (Investment and Fiduciary Services) Act, 1989.

# WHAT ARE THE COSTS OF TRAFALGAR?

The charges for Trafalgar take the form of an initial fee, when you transfer in, and an annual fee for ongoing membership. Both fees are taken from your Trafalgar fund. The applicable fee scales are set out in the separate Fee Schedule document.

Investment management charges are agreed between you and your appointed financial adviser or investment manager, and are also paid for out of your Trafalgar fund.

Normal underlying charges, if any, associated with the investments in your Trafalgar fund will apply in the usual way, subject to any discounts that are obtained. All such discounts will be credited in full to enhance your Trafalgar fund. In some cases, a financial adviser may charge clients an initial transfer fee in lieu of commission from the underlying investments. In this case, the amount of the adviser's fee must be agreed by the financial adviser with you in writing.

# AM I ELIGIBLE FOR TRAFALGAR?

Trafalgar is an overseas pension scheme designed for individuals who currently have UK pensions or existing [QROPS](#) arrangements. Trafalgar is open to Gibraltar residents and non-residents alike, though please note that there are some countries from which we are unable to accept business (please contact us for details).

The minimum investment into Trafalgar (for example, by transfer value from existing UK pension schemes) is £50,000.

For smaller investments Trafalgar 'Lite' is available, with a reduced minimum total transfer of £25,000 up to a maximum of £100,000, and a more restricted investment choice.

Please contact your financial adviser for details.

# SERVICE ASSURANCE

If at any time you believe that our service could be improved, or if you are dissatisfied with any aspect of our services, please write to our administration office:

Boal & Co (Gibraltar) Ltd  
Suite 1.2.08  
Second Floor  
Block 1  
Eurotowers  
Europort Road  
Gibraltar

In this way, we will be able to ensure that any concerns are dealt with carefully and promptly.

Any matters relating to the investments in your Trafalgar fund should be raised with your financial adviser or investment manager.

## HOW DO I JOIN TRAFALGAR?

If you have read the Trafalgar brochure and accompanying material, are eligible and have decided that you would like to transfer your UK pension or existing [QROPS](#) to Trafalgar, you can apply for membership using the application form. The information collected in the application form will enable us to contact your UK pension company or existing [QROPS](#) provider and authorise them to arrange for transfer of the value of that pension into Trafalgar.

The application form also enables you to tell us who your financial adviser is, and the rate of investment management fees applicable.

**ONCE COMPLETED, THE APPLICATION FORM SHOULD BE SENT BY POST TO OUR HEAD OFFICE.**

# GLOSSARY

**Benefit Crystallisation Event** is a defined event or occurrence that triggers a test of the benefits 'crystallising' at that point against the individual's available lifetime allowance.

**Defined Benefit** pension scheme (also known as a final salary pension scheme) means a scheme where pension is calculated by reference to salary and length of pensionable service.

**Defined Contribution** pension scheme means a scheme where the benefits are dependent entirely on the amount of contributions paid into the scheme and the investment return achieved on them.

**Drawdown** means the regular withdrawal of money from a member's Trafalgar fund in order to provide the member with a pension in retirement. The funds paid out in drawdown will typically include a return of both capital and interest.

**Lifetime Allowance** is an overall ceiling set under UK legislation to limit the amount of an individual's UK pension funds. The current lifetime allowance is £1 million. When you initially transfer UK pensions into Trafalgar, their value is tested against the lifetime allowance and, if it exceeds the lifetime allowance, a UK tax charge will arise unless you have registered your UK scheme for protection. This is a one-off test.

**QROPS** or **Qualifying Recognised Overseas Pension Scheme** is a non-UK pension scheme which satisfies certain HMRC requirements as to benefits and reporting, and HMRC have been notified of its compliance with these requirements. A list of Recognised Overseas Pension Scheme notifications is available on-line at [www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops](http://www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops)

**Recognised Transfer** means the transfer of a UK pension to another UK-approved pension scheme or to a QROPS. A recognised transfer is an authorised member payment and so does not incur a tax charge. (Note, see separate reference to [Lifetime Allowance](#))

**Scheme Administrator** means Boal & Co (Gibraltar) Ltd.

**SIPP** or **Self-Invested Pension Plan** is a form of personal pension arrangement with the widest possible investment choice.

**Trustee** means Boal & Co (Gibraltar) Ltd as the trustees of the Trafalgar Pension Scheme.



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Boal & Co (Gibraltar) Ltd, Suite 1.2.08, Second Floor,  
Block 1, Eurotowers, Europort Road, Gibraltar

Email: [qrops@boal.co.uk](mailto:qrops@boal.co.uk)

Tel: +350 200 68022

[www.boal.gi](http://www.boal.gi)

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