

Benefits of a Guernsey pension

The Channel Islands are an option for retired couples who want flexibility about how to use their pension pot

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You could spend it on a boat. Photo: EDDIE MULHOLLAND

British expatriates whose financial advisers recommend them to move their pension plans offshore will find the Channel Islands, and Guernsey in particular, high on the list of domiciles suggested.

Since 2006, the UK Government has allowed expatriates and would-be expatriates to move their UK pension plans to Qualifying Registered Overseas Pension Schemes (QROPS). The main benefit is that, compared with UK pension plans, they offer greater flexibility on how to spend the pension "pot" on retirement.

The rules in Guernsey allow 25 per cent of the "pot" to be taken as a lump sum and an additional 25 per cent can be borrowed back. Income drawn from the QROP is exempt from any Guernsey tax. The UK tax authorities have approved such arrangements after consultation with the Guernsey authorities.

Manx-based consulting actuaries Boal & Co last month launched a new QROP, which is held in trust in Guernsey. This arrangement avoids Manx income tax, which is levied on

income drawn from a Manx-domiciled QROP.

Guernsey's Royal Bank of Canada offshoot RBC cees (corporate employee and executive services) launched two more QROP products last month, for individuals and companies who want to set up plans for internationally mobile employees. The scheme, branded "Fermain", allows trustees to choose from a menu of funds, while "Havelet", allows a range of investment options, including direct holdings of property.

Lisa Barnett, director RBC cees, Guernsey, said: "We know charges are an issue with regard to QROPS. Charges for Fermain are reasonable compared with the advantages. Charges for Havelet can be higher, depending on the investment mix; for example, they will be higher if the fund invests directly in property."

The plans are suitable only for UK long-term expatriates or UK residents who plan to leave the UK permanently. UK expatriates should take impartial advice, as the plans are not suitable for everyone living overseas.

Issues include possible return to the UK and the tax regime of the country in which expatriates are resident, and the nature of the QROP and the safety of its jurisdiction and that of the provider
