

# Independent Financial Advice

## Pension Guide – Information for members

**BAE SYSTEMS**

If you require guidance on financial matters, whether that is in relation to advice regarding your pension, investments, mortgage or insurances, finding the right support is hugely important. This guide includes links to a number of useful websites offering general information and guidance free of charge. If these sources do not meet your needs, you may look to pay for the services of an Independent Financial Adviser or 'IFA'. This guide sets out a number of things you may wish to consider before selecting and appointing the right IFA for you.

### **Where can I look for information before I consider appointing an IFA?**

In the first instance you should consider the range of options that are available free of charge which will provide you with general information and guidance (but not advice) in relation to pensions. MoneyHelper was launched in June 2021 and brings together three legacy consumer brands into one (Money Advice Service, The Pensions Advisory Service and Pension Wise).

MoneyHelper provides joined up money and pensions guidance to make it quicker and easier to find help. MoneyHelper aims to cut through the complexity, explain what you need to do and how you can do it. It provides impartial guidance that's backed by government and it recommends further, trusted support if you need it.

Pension Wise continues as a named service under the MoneyHelper umbrella and provides guidance to those over the age of 50 with a personal or workplace defined contribution pension, and this includes Additional Voluntary Contributions (AVCs).

Further information on MoneyHelper and Pension Wise can be found in the appendix to this Pension Guide. By using the free public services that are available to acquire as much knowledge as possible this should help you to tailor appropriately any advice that you require from an IFA.

### **What is an IFA?**

An IFA is a professional who offers independent advice on financial matters (not just pensions) to their clients and recommends suitable financial products from the whole of the market.

To offer financial advice an individual must represent or be an appointed representative of a firm registered with the Financial Conduct Authority (FCA). The FCA require that firms ensure that individuals acting for them have appropriate qualifications. IFAs should also be able to demonstrate to the FCA that they review all the suitable financial products in a market and that they give fair, unbiased and unrestricted advice. As well as providing details of authorised firms, the FCA website ([fca.org.uk](https://www.fca.org.uk)) also provides a list of unauthorised firms to avoid.

IFAs will set their fees based on the services they offer and agree those fees with their client before providing any services. IFAs can no longer receive commissions from financial services companies on new sales of investments.

You may wish to appoint an IFA for either a short term (a point-in-time decision) or a long term engagement. Either way an IFA will typically conduct a detailed survey of a client's financial position, preferences and objectives; this is sometimes known as a 'fact find'. The

adviser will then recommend appropriate action to meet the client's objectives and if necessary recommend a suitable financial product to match the client's needs.

### **How do I find an IFA that is right for me?**

Alongside your own research, personal recommendations from family and friends is sometimes one of the best ways to find an IFA that might be right for you.

Citizens Advice ([citizensadvice.org.uk/debt-and-money/getting-financial-advice](https://citizensadvice.org.uk/debt-and-money/getting-financial-advice)) provides some helpful information on getting advice covering such matters as how to check you are getting the right advice, what to think about before you see an IFA and what the IFA should tell you.

If you do not know where to start in relation to finding an IFA there a number of organisations that can help you find an IFA that is local to you. A couple that you may wish to consider using are:

- ❖ MoneyHelper ([moneyhelper.org.uk](https://moneyhelper.org.uk)) has a Retirement adviser directory that can help you find the right financial adviser for you.
- ❖ Unbiased ([unbiased.co.uk](https://unbiased.co.uk)). This service is available online or over the phone (**0800 023 6868**). You can also find mortgage advisers and accountants on Unbiased.

The above services do not cost anything and they check that the advisers they list are properly qualified, are regulated by the FCA and are not tied to any particular providers. You can double-check that advisers are qualified on the FCA's website ([fca.org.uk](https://fca.org.uk)).

It is important to recognise that these organisations do not check the quality of the service provided by the firms they list. In the absence of a personal recommendation, you may prefer an adviser who has additional qualifications for further reassurance that he or she is able to meet your needs. You should therefore ask for confirmation of the qualifications that the adviser holds.

Once you have short-listed two or three potential IFAs speak to them on the phone to find out if they are someone you think you can work with. It might also be beneficial to do some internet searches on any potential IFA to see what other individuals may have reported about their experiences.

Following an initial discussion you should set up a meeting with the IFA. If the IFA is free to meet with you within hours or days this should potentially ring alarm bells – good IFAs are in demand and often have a waiting list. Typically there should be no cost associated with this initial meeting. The aim of the meeting will be to have all your questions about the IFA and their services answered and to get in writing what charges would apply if you did appoint the adviser and what would be delivered for that cost. Some of the key questions you might like to ask at a first meeting are:

- ❖ Can you give me a summary of the services you provide? Are you independent?
- ❖ Do you offer personalised advice, or do you use generic planning models?
- ❖ Who exactly will be advising me? What experience and qualifications do they have? Will the same adviser be handling my financial affairs for the long term? What will happen if they leave?

- ❖ Can you provide me with testimonials from existing clients?
- ❖ How regularly will you review my financial affairs/portfolio?
- ❖ Will you update me on any changes that affect my financial situation, and how?
- ❖ What will your services cost me?

### **What is the likely cost of financial advice?**

It will be important that you are clear on the cost of receiving any financial advice. The nature of financial advice is that it is bespoke and therefore costs will differ. Fees for preliminary financial planning will often be higher than for ongoing monitoring and reviews. The payment options usually include hourly rates, fixed fees, percentage charges applied to a portfolio, or a retainer cost. Any potential IFA should talk you through the charges that will apply and they should also provide this information to you in writing. Remember: Good financial advice should cost less than the benefits that stem from that advice in the long run.

MoneyHelper has produced a helpful guide to financial adviser fees: ([moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/guide-to-financial-adviser-fees](https://moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/guide-to-financial-adviser-fees)).

### **When might it be beneficial to use an IFA in relation to my pension?**

- a) Transferring your pension scheme benefits (from a defined benefit arrangement to defined contribution arrangement)*
- b) Choosing how much to contribute and where to invest your defined contribution benefits*
- c) Prior to retirement*

#### ***a) Transferring your pension scheme benefits (from a defined benefit arrangement to defined contribution arrangement)***

The view of the Pensions Regulator and the FCA is that transfers from defined benefit (DB) to defined contribution (DC) schemes are unlikely to be in the best interests of most members, although there are certain circumstances where they may be appropriate. If you are considering transferring your DB benefits you will need to engage an IFA who will be able to help you understand your options. Indeed, if the transfer value of your benefits is more than £30,000 **you must** take advice from an appropriately qualified and FCA authorised adviser before any transfer value can be paid to a DC arrangement.

Whilst there is no statutory requirement to obtain financial advice if you are transferring benefits between two DC schemes, you may wish to take advice in order to ensure that you fully understand all the possible implications of transferring your benefits. This would cover such matters as exit fees (if any), loss of protections, charge implications etc.

In the event that you wish to consider transferring your benefits you will want to know that you are not going to be drawn into a pension scam. Pension scams are sadly on the rise but you can learn how to spot the signs of a scam at: [fca.org.uk/scamsmart](https://fca.org.uk/scamsmart).

In relation to appointing an IFA to provide you with pension transfer advice you should also take on board the following:

- ❖ Only individuals qualified as a Pension Transfer Specialist can give advice on pension transfers. The adviser will need to be authorised by the FCA to carry out regulated activity in accordance with article 53E of the FCA's regulated activities order (advice on the transfer of safeguarded benefits). You should check the adviser has this qualification.
- ❖ Ask them how many transfers from DB pension schemes they have advised on, how many they recommended proceed compared to those that they recommended should not. If they have recommended to all their clients that they should proceed with a transfer of their benefits this should ring alarm bells.
- ❖ Are you clear on how the IFA will charge for this advice? What would be the fee if you do not go ahead with the transfer, compared with the fee if you do go ahead with the transfer? Will there be any ongoing supplementary fees after the transfer is made?

Take your time to make all the checks you need and ask all the questions you need to ask. The FCA and MoneyHelper also have information on their websites on the questions you should ask your IFA: [fca.org.uk/consumers/what-ask-adviser](https://www.fca.org.uk/consumers/what-ask-adviser) and [moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/key-questions-to-ask-your-financial-adviser](https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/key-questions-to-ask-your-financial-adviser).

Before proceeding with a transfer, it will be important for you to understand all the options that are available to you. For example, you could buy an annuity, take all your pension savings as a one-off cash sum, or choose to take income over a period of time. Your adviser should provide you with a written recommendation as to whether you should transfer, and if they think that you should do so, which option they recommend for you, along with details as to how they have reached their recommendation.

You are also encouraged to look at a video produced by the FCA which outlines the process that financial advisers should follow when providing transfer advice. It highlights the key information that you should be provided with and the questions you should ask. You can view the video at: [fca.org.uk/news/news-stories/fca-publishes-video-help-consumers-understand-pension-transfer-advice](https://www.fca.org.uk/news/news-stories/fca-publishes-video-help-consumers-understand-pension-transfer-advice)

You can also refer to the separate Pension Guide, *Transferring out of a defined benefit pension scheme* which can be found on the BAE Systems pensions website under [Pension Guides](#).

### ***b) Choosing how much to contribute and where to invest your defined contribution benefits***

If you are a member of a DC scheme or a member of a DB scheme and pay AVCs which are a type of DC saving, you choose how much you pay, where you invest and when you aim to access your DC account to suit your circumstances and future plans. It is therefore important that you take control of your pension savings by thinking about these things and you may wish to enlist the help of an IFA in this regard.

More information about the investment fund options and paying AVCs can be found via the BAE Systems Pension website at [baesystems.com/pensions](https://www.baesystems.com/pensions). You should refer to the relevant section that reflects your membership of the Scheme.

### *c) Prior to retirement*

You may wish to seek independent financial advice to help you consider fully your pension options and also to consider your pension options and retirement planning in the context of all your other savings and investments (if applicable). In addition to MoneyHelper other useful sources of information to help you are set out below.

#### For BAE Systems employees only: Pre-retirement workshop and Countdown to retirement video

If you are a BAE Systems employee, to prepare for your retirement you may ask via Success Factors to attend the Pre-Retirement Workshop (course code 9741), which is designed for employees who have already made a clear decision to retire and have a future retirement date in mind.

A video produced in partnership with the IFA Close Brothers is available for BAE Systems employees to access at any time via the employee app which focuses on: key aspects of financial planning; an overview of the world of investments; making good pension choices; tax hints and tax efficiency and the pros and cons of seeking advice versus 'do it yourself'.

#### Hargreaves Lansdown – Retirement Service (DC benefits)

Hargreaves Lansdown has been appointed to provide a Retirement Service for members with DC and AVC benefits, to help them make an informed choice about their retirement options. This service is provided on a non-advised basis (i.e. Hargreaves Lansdown will not make any firm recommendations but will leave you to decide how you wish to proceed). For further details please go the [retirementservice.co.uk/baesystems](https://retirementservice.co.uk/baesystems).

#### Receiving your Company pension

A separate Pension Guide, *Receiving your Company pension* is available on the BAE Systems website under [Pension Guides](#) and provides an overview of the processes and timings associated with the setting up of a BAE Systems pension, for those retiring immediately on leaving the Company.

#### **Remember.....**

Your pension is likely to be one of your most valuable assets. The trustee of your pension scheme will always recommend that you make use of the valuable sources of information that are available free of charge provided by such organisations as those set out in the attached Appendix. If you need advice rather than guidance to support you in relation to your retirement or financial planning then you will need to seek financial advice. It is important to recognise that those involved in the BAE Systems pension schemes can give you information about your pension benefits, but they cannot give you financial advice.

## APPENDIX

<b>MoneyHelper</b> <b><a href="http://moneyhelper.org.uk">moneyhelper.org.uk</a></b>
<b>Role:</b> To make your money and pension choices clearer. To put you in control with impartial help that's on your side, backed by government and free to use.
<b>Scope:</b> MoneyHelper is there to help you with: <ul style="list-style-type: none"><li>❖ Benefits</li><li>❖ Everyday money</li><li>❖ Family &amp; care</li><li>❖ Homes</li><li>❖ Money troubles</li><li>❖ Pensions &amp; retirement</li><li>❖ Savings</li><li>❖ Work</li></ul>
<b>Coverage</b> (in relation to pensions & retirement): <ul style="list-style-type: none"><li>❖ Auto enrolment</li><li>❖ Building your retirement pot</li><li>❖ Pension problems</li><li>❖ Pension basics</li><li>❖ State Pension</li><li>❖ Taking your pension</li><li>❖ Tax and pensions</li><li>❖ Pensions &amp; retirement</li></ul>
<b>Contact MoneyHelper:</b> <ul style="list-style-type: none"><li>❖ Phone: 0800 011 3797</li><li>❖ <a href="#">Web chat service</a></li><li>❖ Use their <a href="#">online enquiry form</a></li><li>❖ Follow them on Twitter, Facebook, LinkedIn and Instagram to keep up-to-date with all things pensions related!</li></ul>

## APPENDIX

<b>Pension Wise</b> <a href="https://moneyhelper.org.uk/en/pensions-and-retirement/pension-wise">moneyhelper.org.uk/en/pensions-and-retirement/pension-wise</a>
<p><b>Role:</b> Pension Wise is a government service from MoneyHelper that offers free, impartial guidance about your defined contribution pension options.</p> <p>An appointment with Pension Wise is free and will help you understand what your overall financial situation will be when you retire. It will talk you through your options to help you make the right decision. You will also find out about the other factors you need to consider when deciding on your options before retirement.</p>
<p><b>Scope:</b> Pension Wise is there to help if you:</p> <ul style="list-style-type: none"><li>❖ Are aged 50 or over</li><li>❖ Have a personal pension or workplace pension (defined contribution and AVCs but any defined benefit pension benefits are excluded)</li><li>❖ Want to make sense of your options</li></ul> <p>Pension Wise offer a range of appointments:</p> <ul style="list-style-type: none"><li>❖ Specialist pension guidance</li><li>❖ 45 to 60 minutes in duration</li><li>❖ Conducted over the phone or local to you</li></ul>
<p><b>Coverage:</b></p> <ul style="list-style-type: none"><li>❖ Things to think about when considering your choices. For example, your plans to continue working, your personal and financial circumstances, and leaving money after you die</li><li>❖ All the payment options available, and how they relate to your circumstances</li><li>❖ The tax implications of accessing your pension</li><li>❖ What you should check before you make any decisions</li><li>❖ How to look out for scams</li><li>❖ Your next steps</li></ul>
<p><b>Contact Pension Wise:</b></p> <ul style="list-style-type: none"><li>❖ Phone: 0800 138 3944</li><li>❖ Phone: + 44 20 3733 3495 if you're outside the UK</li><li>❖ Book <a href="#">online</a></li></ul>