
Press information

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£30,000 DB transfer threshold 'illusory', Nucleus pension panel finds

The requirement for consumers to take advice where a proposed transfer involves a DB pension or other safeguarded benefits worth more than £30,000 has been described as 'illusory' by a panel of leading pension experts brought together by Nucleus, the adviser built wrap platform.

Tim Eadon, a director at the independent financial advice firm Tuto Associates, said that in his experience the £30,000 threshold for advice is not always the true limit as increasingly pension scheme trustees are insisting members take advice before transferring pension pots worth less than that amount.

"We are seeing this happen more and more as schemes insist consumers take advice for pension pots smaller than £30,000," Eadon said. "The schemes are worried about liability and are hiding behind that now, saying members must take advice and they have to prove it too."

The discussion was part of a roundtable Nucleus hosted on DB pension transfers, featuring experts from across the pensions industry. The debate was filmed, with educational content for advisers provided through Nucleus' best practice website Illuminate.

The panel also looked at whether the £30,000 threshold is appropriate for today's market as the impact of advice charges for those with relatively small pension pots is much greater.

Matt Connell, Director of Policy and Engagement at the Personal Finance Society, argued rather than raising the advice requirement from £30,000, policymakers should first put in place better guidance to help those with smaller pots.

He said: "Looking at pension freedoms as a whole, our feeling is the dial is still towards too much risk being taken on by consumers making their own decisions. The first step is designing a system so there is more default guidance.

"When you look at the issues involved, such as sequencing risk, running out of money and the lifetime allowance, throw any one of those factors into the mix and suddenly the whole thing is turned upside down."

Connell added: "From a public policy point of view, what we'd like to see first is more people getting guidance, rather than racing straight to raising the £30,000 cap. At that point, if there's evidence mounting that there's a particular group of people who are paying for advice when they shouldn't, then look at raising the cap at that stage."

Rachel Vahey, Product Technical Manager at Nucleus, agreed increasing the advice requirement was not the answer, and that the focus needed to be on evidencing client understanding.

She said: "Perhaps we need a solution for people who've received guidance to say they've understood what they are doing. This could be getting people to read something, and sign a statement saying they understand, and that the risks have been explained to them."

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For further information please visit www.nucleusfinancial.com or contact:

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About Nucleus

Nucleus is a wrap platform founded in 2006 by advisers committed to altering the balance of power in the industry by putting the client centre stage.

Since then, Nucleus has established itself as a major force for change. It is now one of the UK's fastest-growing platforms and the meeting point for more than 400 adviser firms in total seeking to create better customer outcomes.

As at 18 August 2017, assets under administration on the platform were £13.0bn.

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