Lisa's story

I had a call from Lisa, who wanted to speak to me about her financial situation. She had been offered a redundancy package from Boots and was planning to take it and move to a new role.

She had enjoyed a senior position there and although she was sad to move, she was looking forward to a new challenge.

As part of our conversation about her future plans, we discussed her Boots pension. She had been a member of their 'final salary' scheme for 15 years. She also had £50,000 in a personal pension that had built up since the main scheme closed a few years ago.

'I've been told it's a very good scheme,' she said. 'This letter says I'll get £22,500 a year when I retire, increasing with inflation.'

‘The great thing about the Boots scheme’, I said, ‘is that it pays you a pension for life which goes up every year with inflation.’

I added, ‘And when you pass away it will continue paying a proportion of your pension to your husband’. ‘In short, what they offer is a secure and stable income, and so long as Boots are in good financial health, that won’t change’. Her benefits would also be protected by the Pension Protection Fund.

‘But there is another option’, I said. I told Lisa she could transfer the value of her final salary pension benefits to a personal pension.

Boots had told me they valued her benefits at £900,000 and would pay this to a personal pension if she wanted to move.

Lisa was stunned. She had no idea it was worth that much. I could see the cogs whirring and that she needed to know more.

I reminded Lisa that the Boots scheme was guaranteed by them. And if she transferred that £900,000 into a personal pension there would be no guarantees at all. But there were some real benefits that we would need to carefully consider.

A key benefit was flexibility. Lisa couldn't imagine not working. She thought that she would probably move into consultancy at some point and cut down her work days.

The personal pension would allow her to draw as much income as she wanted, to fit around her other earnings. This would mean she never paid income tax unnecessarily. She could also easily change the amount she took out. This was the complete opposite of the Boots pension, with its fixed monthly income.

Lisa would also be able to take extra withdrawals from the personal pension if she needed extra money.

'I could use that to help my daughter with a deposit for her first house' she said, sounding excited.

I knew from our conversations that Lisa wanted to pass all her and her husband's wealth to their daughter on death. I pointed out that the Boots pension income would only continue paying out to her husband (if he outlived her) and could not go to her daughter.

In contrast, if she transferred to a personal pension, she could choose to leave the whole pot as a lump sum to her husband or her daughter.

Lisa saw immediately that this was a much more attractive option for her. 'I love the idea of the money passing on to my daughter when I'm gone', she said.

'But what if it runs out? I don't want to be left with nothing in my old age!'

We took a look at the figures. I explained that if we she took take the same level of pension as the Boots scheme was offering, and the pension grew modestly every year, this pot was very likely to last her whole lifetime. And there would be a nice lump sum to leave to her daughter.

Lisa called me a few days later. She had read a detailed report I had written for her, explaining everything in detail. She was pleased that she now properly understood her options, and could see how they could give her the flexibility she wanted.

Over the next few weeks, we started the process of moving Lisa's pension, as well as reorganising the rest of her finances, and will continue looking after everything until her situation changes.

And in the meantime, Lisa has started her new job, with a much clearer idea of what the future holds for her and her family.

This story has been written based on the experiences of several clients, to maintain privacy. Please be aware that it can be in your best interests to move a final salary pension scheme but that is not always the case. Each scheme is different and your own circumstances will be a large influence on what the right course of action is. When money is invested, it can go down as well as up and there are no guarantees. Balance: Wealth Planning Limited is authorised and regulated by the Financial Conduct Authority reference 629329.

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