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INTERNATIONAL **RETIREMENT SOLUTIONS**



“ With expert knowledge and proven products we offer professional advisers and intermediaries the ability to help clients achieve their retirement objectives. We bring together **a range of global retirement solutions** that are tailored to the individual client’s requirements. This guide is aimed at professional advisers and intermediaries and is not to be construed as advice. ”



This booklet is published only as a basis for discussion between clients or potential clients, their professional advisers, and STM Group PLC. The information contained herein is of a general nature and should not be treated as tax, legal or other advice. Every client’s circumstances differ and you should take specific advice from a professional before acting. This literature is not for distribution in the USA.

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WHAT IS A QROPS?

A QROPS is a pension plan designed for non-UK resident individuals with UK pension assets who are looking to transfer their funds to a location which better suits their circumstances and financial planning objectives.



A QROPS can accept a UK pension transfer just like any UK-based scheme, although it must meet certain HM Revenue and Customs (HMRC) criteria. The benefits of transferring your fund into a QROPS include portability, increased tax efficiency, and investment flexibility. As the benefits of a QROPS can lead to an improved lifestyle in retirement, their popularity continues to grow among expatriates and individuals considering a move overseas.

WHO IS **ELIGIBLE** FOR A QROPS

Many clients will be eligible for a QROPS. There isn't any hard and fast rule regarding the minimum or maximum transfer limits to a QROPS, however the suitability of a transfer is determined by a number of factors. As a general rule, transfers under £40,000 may not be cost effective.



WHAT IS THE 5 YEAR RULE?

The 5 year rule is a term that refers to the length of time the member has been resident outside of the UK.

It is measured in tax years and not calendar years. So, if a member departs the UK halfway through a tax year, the clock only starts ticking from the start of the following tax year - which commences on the 6th April.

During the first 5 years, benefits mirror those available in the UK:

- Benefits taken after age 55
- 25% Pension Commencement Lump Sum (PCLS)
- Income only up to GAD limits if capped drawdown
- Death benefits – generally taxed only after age 75 and at recipient's marginal rate
- If returning to UK within 5 years, UK income tax can be due on payment received in non-resident period

After being non-UK resident for five full tax years, no UK income tax should be due on any income payments and generally there should be no UK tax on death benefits.

BENEFITS OF A QROPS

A QROPS can offer significant taxation and investment advantages, allowing many UK pension holders to get more out of their UK pension. As an independent, multi-jurisdictional Administrator and Trustee offering a wide range of HMRC recognised QROPS, STM offer a unique and compelling choice for anybody thinking of retiring abroad.

If used in accordance with the spirit of HMRC rules, a QROPS can be a great way to help your clients achieve their retirement objectives. The greatest benefits are achievable once your client is outside the 5 year rule.

GREATER TAX EFFICIENCY

Using a range of international investments, funds within a QROPS can grow with no UK tax deducted (depending on the investment chosen). If the member is a non-UK tax resident, no UK income tax is deducted at source on pension income. By carefully selecting the jurisdiction for the pension, maximum advantage can be taken if Double-Taxation Agreements (DTAs) are available.

Malta has DTAs in place with over 70 countries worldwide. Gibraltar does not have DTAs but applies a flat rate tax of 2.5% on QROPS income. The best jurisdiction for your client isn't necessarily the country with the lowest headline tax rate on pension income as a range of other factors need to be taken into consideration. Tax in your clients' country of residency should always be considered.

FLEXIBLE INVESTMENT OPTIONS

In addition to mainstream investments such as unit trusts, portfolio bonds, investment platforms, and discretionary fund managers, a QROPS can also invest in international commercial property and other approved assets.

MAXIMISING BENEFITS TO BENEFICIARIES

Under current UK pension legislation, generally benefits paid to a beneficiary are not subject to tax if the member dies before age 75 and are taxable at the recipient's marginal rate if the member dies after age 75. However, it is possible for benefits from a QROPS to be paid out with no UK tax, therefore passing on more of the fund to a member's beneficiaries. Certain conditions apply and rules can vary depending on each jurisdiction.

FIXED PRICING

Many UK pension schemes, including Stakeholder pensions, have a percentage-based charging structure. A QROPS from STM has fixed, all inclusive, initial and annual fees, which could offer a significant saving to your clients as the costs are not linked to the value of the fund.

QROPS JURISDICTIONAL COMPARISONS

We regard Malta and Gibraltar to be the key players in the QROPS market, between them offering pension solutions that complement each other and provide for the majority of clients' circumstances.

GIBRALTAR

Following HMRC review, Gibraltar legislation was amended in June 2012 to be compatible with HMRC rules. Up to 25% pension commencement lump sum can be taken from age 55.

Income is taxed at a flat rate tax of 2.5% and declared as income in the client's country of residence. There are a wide range of investments available and self-investment is permitted.

MALTA

Malta has over 70 DTAs, a sound financial services framework, good corporate governance, and solid regulation.

VAT is not applicable to Trustee services in Malta. Withholding tax of up to 35% on pension income is levied where the individual is resident in countries that either have no DTA or a limited/remittance based agreement which may allocate or share taxing rights with Malta.

Up to 25% pension commencement lump sum can be taken from age 55.

QROPS KEY DIFFERENCES



RETIREMENT AGE:	55 - 75	55 - 75
TAX ON PENSION INCOME:	2.5% Flat Rate in Gibraltar Consider Tax in Country of Residence	DTA between Malta and country of residence may allocate taxing rights to country of residence, so no tax in Malta, but relevant DTA should be considered. If no DTA, or DTA gives Malta taxing rights, Maltese tax rates up to 35%
PENSION INCOME:	Up to 150% GAD	Flexi-Access
LUMP SUM:	Generally up to 25%	Up to 25%
TAX RETURN FOR PENSION INCOME:	Required	Required
BORROWING ON PROPERTY (COMMERCIAL ONLY):	Allowed	Not Allowed
CONNECTED PARTY INVESTMENTS:	50%	Not Allowed
CONNECTED PARTY LOANS:	Not Allowed	Not Allowed

STM QROPS PRODUCTS

As innovators in the QROPS field, STM has developed its products over time through client feedback and a thorough understanding of the QROPS market. We provide solutions to clients and intermediaries that we believe are lacking from competitor products. Our solutions are geared towards flexibility and provide our clients with a choice of QROPS jurisdictions to suit the tax laws of their country of residence.

A QROPS & THE USA*

Due to the additional complexities involved with dealing with the USA from a pension, investment, and taxation perspective, many advisers and providers shy away from dealing with any clients resident in, or connected to, the USA.

However, thanks to the DTA between the USA and Malta, there is a solution available to clients with UK pensions who have emigrated to the USA, or US nationals resident outside the UK.

STM Group have many clients in the USA and can help professional advisers with US clients to understand the potential solution.

A US QROPS must meet certain conditions and the client may have no involvement in the selection, management, or ownership of the pension's underlying investments. However most features are similar to a regular QROPS and the funds can be invested in a similar way. Thanks to the multi-currency options available from a QROPS, clients can have some or all of their pension payments in retirement paid in US Dollars, if they wish, to mitigate currency exchange rate risk.

* This literature is not for use in the USA.

QROPS SMART

As the only QROPS provider with an EU Life Assurance business within the same Group (STM Life), we are able to provide a 'one-stop-shop' packaged product for those advisers looking for a QROPS and bond solution.

ONLINE FUNCTIONALITY

The SMART Bond provides an online facility for both advisers and clients, ensuring valuations and statements can be produced with minimum fuss.

PRICING OPTIONS

The SMART Bond offers a simple, competitive charging structure with all custody and dealing fees included, resulting in an efficient and transparent product without any additional charges.

TAILORED SOLUTIONS

STM Group PLC is listed on the London Stock Exchange. We tailor solutions that deliver value, both now and in the long term. This equates to a large pensions and product development technical team working hard to ensure that STM and our intermediary partners have cutting-edge products that set us apart from competitors when it comes to writing new business and opening up new markets. For example, we produce QROPS country briefs with detailed tax notes that have been reviewed and signed-off by local tax advisers from a Big Four accounting practice in over 70 countries.

A COUNTRY SPECIFIC QROPS

In addition to our USA solution, we have also invested significant resources in opening up, and finding solutions for, markets that are not well served by existing pension trustees. With over 5 million UK expats across the globe, there are some obvious markets that traditionally haven't equated to a straightforward QROPS solution. One of these markets is the Australian market. This is one such market in which STM has been at the forefront. We have now established a QROPS with Foreign Superannuation status for Australian Tax Office purposes affording entry into a market of over 1 million UK expats.

While the above mentioned solutions are by no means exhaustive, they provide an overview of the STM commitment to providing our intermediary partners and their clients with unique international retirement product solutions.

INTERNATIONAL ANNUITIES

International Annuities, sometimes called Open, Deferred, or Variable Annuities, combine the advantages of drawdown and the benefits of an annuity all in one. Like drawdown, the capital remains invested throughout retirement. Whilst capital erosion is inevitable, this can be largely offset by positive investment performance.

Income is flexible and reviewed every three years so, unlike most annuities, the rate at the point of retirement does not determine the income you will receive for life. However, like drawdown, the rate can be increased or decreased, depending on the value of the fund and current long-term gilt rates.

Unlike drawdown, the rate of income is not linked to Government Actuarial Department (GAD) rates. Whilst GAD rates are low this can be viewed as a strong advantage. Instead, rates are determined by comparing

the average of three annuity rates available in the UK. The member can then select a minimum rate of 50% of the average rate, or up to 120%. For example, a client aged 60 with £250,000 in their retirement fund could take drawdown at £12,000 per year, or (based on current rates), draw income from the annuity up to £17,800 per year. Obviously the more income one takes, the faster the fund value will depreciate.

Just like drawdown, any remaining assets can be passed on to the nominated beneficiaries on death. The assets inside the annuity are outside of the estate of the member and may not be subject to UK Inheritance Tax.

Investments are flexible, members can appoint a discretionary investment manager (DFM), or invest in a range of insurance company portfolio bonds, property, company shares, corporate bonds, unit trusts, and many other options.

International annuities are available in a range of currencies which can be altered at any time. It is possible to have one annuity but hold several currencies - particularly important if a member doesn't want to expose all of their pension to one currency.

Unlike drawdown, the annuity can be set up on a joint life basis, which can be beneficial to members that wish to make adequate provision to support their spouse's lifestyle following their death.

Charges are similar to drawdown but, unlike some annuities, the charges are clear. With many traditional annuities fees are unclear as they are built in and there is a mortality subsidy. There is no cross subsidy for international annuities as the insurance company does not retain the fund on death.

The tax treatment of annuity income can be more beneficial to the member compared to drawdown income. Several countries, in particular Spain and Portugal for example, will tax 100% of drawdown income, however, only a small fraction of annuity income is subject to tax and the balance is considered to be a return of capital. Rates and allowances vary significantly from one country to another and it is important that members seek local tax advice when deciding on their retirement income options.



| STM LIFE

STM Life Assurance PCC PLC provides a wide range of offshore bond “life wrappers” which in many client circumstances can form part of a diligent financial planning strategy. For financial advisers, this long-standing life product can interplay perfectly with other types of tax wrappers such as a QROPS to add significant value to the process and act as an underlying investment solution for clients.

WHAT SETS US APART?

- A European-based life insurance company operating out of Gibraltar’s highly regulated and long-established financial centre
- Part of STM Group PLC, listed on the Alternative Investment Market of the London Stock Exchange
- An innovative and independent wealth planning solutions provider offering bespoke product solutions for affluent and high-net-worth clients
- Independent from, and therefore not tied to or in competition with, any bank, asset manager, investment adviser, law or accountancy firm

KEY BENEFITS OF AN STM LIFE BOND MAY INCLUDE:

- **GROSS ROLL-UP** – investment growth not subject to tax at source (other than applicable withholding tax, depending on investment selection) so investors typically only pay tax when cash is taken out of the bond and based on their circumstances at that time
- **INVESTMENT FLEXIBILITY** – a very wide range of allowable assets and the ability to select your own investment strategy or asset manager
- **BOND ASSIGNMENT** – between spouses/civil partners or into trust may give inheritance and/or income tax advantages in some countries

INVESTOR PROTECTION

- STM Life is a Protected Cell Company (PCC) that affords a high level of policyholder protection
- A PCC is subject to the provisions of specific Gibraltar PCC Law
- A PCC creates legally recognised “cells” within the company in order to segregate and protect each policyholder’s assets from other policyholder’s and STM Life itself
- Licensed under Gibraltar Insurance Legislation, which incorporates the provisions of the EU’s Third Life Insurance Directive
- Meets the capital and solvency rules laid down by the Directive



| STM SOLUTIONS



WHY CHOOSE STM

Where a QROPS is concerned, it's true to say that one size does not fit all. Our people maintain up-to-date knowledge and technical understanding of the ongoing issues faced by clients and advisers, both in the UK and further afield. Our dedicated QROPS teams in Gibraltar and Malta work closely with intermediaries to provide the right solutions, relevant marketing materials, and the correct amount of contact to ensure you are kept informed at every stage of the process. This level of expertise enables us to continue to deliver innovative and tailored solutions.

At STM, we handle large volumes of QROPS transfers every year. As an independent financial institution we do not provide investment advice, leaving you free to continue to act as adviser to your clients. With HMRC recognised schemes in Malta and Gibraltar, a QROPS from STM Group ensures a bespoke solution tailored to your clients' needs, ensuring that their QROPS is held in a jurisdiction that best complements the tax legislation of their new country of residence.

HISTORY

STM was formerly known as BDO Fidecs and prior to its flotation on the London AIM, it was the Gibraltar member firm of the BDO International Accountancy Network. The origins of the business date back to 1989, with many of our original clients and intermediaries still continuing to do business with us 25 years later.

LISTED ON THE ALTERNATIVE INVESTMENT MARKET OF THE LONDON STOCK EXCHANGE

As a listed company, STM Group is required to abide by strict financial and corporate governance guidelines, giving clients and intermediaries comfort in the knowledge that the administration of their pension is in safe hands.

EXPERTISE

As one of the first multi-jurisdictional QROPS providers we are experts and pioneers in our field. We have worked closely with HMRC, the Gibraltar FSC and the Malta FSA to produce recognised overseas pension schemes that will stand the test of time and meet regulatory changes. The STM Malta (US) Retirement Plan, for example, was developed after extensive analysis of the Malta US Double Taxation Agreement helping to reaffirm our position as a QROPS innovator.

INDEPENDENCE

We do not provide investment advice or management. As a truly independent multi-jurisdictional Administrator and Trustee our concern is only for our clients and intermediaries who are free to choose who looks after their investments.

CLIENT FOCUS

We are at the forefront of developing best practice in the administration and delivery of a QROPS. The service we deliver to our clients is at the heart of everything we do. Our business model and processes are built around our clients to ensure we deliver only the highest standards of client care.

NO HIDDEN CHARGES

We provide a high quality service with all fees included and made clear from the onset.



Find out more about
OUR COMPANY SERVICES
www.stmgroupplc.com



Find out more about
INTERNATIONAL RETIREMENT SOLUTIONS
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STM Malta Trust and Company
Management Limited is registered as a
Retirement Scheme Administrator with the
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authorised to act as trustee or co-trustee
to provide fiduciary services in terms of
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STM Life Assurance PCC PLC is a Gibraltar
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