



Historic article – illustration only

Retirement Annuity Trust Schemes – Jersey to follow Guernsey

Retirement Annuity Trust Schemes ('RATS') have become the pension plan of choice for Guernsey residents and the ABC Group Savings Plan has become the premier choice for many. In the near future, Jersey residents will also be able to take advantage of the huge benefits RATS have to offer. Joe Smith, MD of the ABC Group, explains how flexibility, cost and a wider range of investment options will soon see Jersey residents join their Guernsey counterparts in using a RATS as the focus for their pension planning.

Multi-member Retirement Annuity Trust Schemes have changed the face of personal pension planning in Guernsey over the last two years and, with the legislation already drafted, they are set to do the same in Jersey in the near future. Attractive features such as wider choice of investment options, cost and tremendous flexibility are just some of the reasons for their success.

In addition, their impact on the pension market of the Channel Islands will be even more positive given the current uncertainty in world markets and the threat of serious recession. It is during times such as these that individuals and corporations alike look for pension schemes such as RATS with a sound underlying structure, yet the flexibility to respond to such volatility.

So, what is a RATS and importantly, what are the key additional factors that make them more than just the traditional pension plan and that have made them so attractive to Guernsey residents that they will create serious interest among Jersey residents?

- **Familiarity** – it is important for clients to understand that although a RATS may have a strange acronym, the basic structure is essentially the same as a personal pension plan - contributions can be made by way of lump sum, monthly standing order or the transfer of an existing pension fund.
- **Wider choice of investment options** – Unlike an 'off-the-shelf' pension plan, there is tremendous flexibility when it comes to choosing investments. This makes it easier to tailor the investment strategies to retirement age, level of risk and the volatility within different sectors of the market – something crucial in the current climate.



- **Cost** – once only used by the wealthy because of the costs involved, the ABC Group Savings Plan is what is called a multi-member RATS. This opens up the benefits and flexibility to all Channel Islands residents (whether individual or corporate) at a cost that is more readily affordable
- **No need to purchase an annuity** – the flexibility allows the saver to simply draw an income, together with a tax free lump sum if they so wish
- **The member can borrow from the RATS** – under Guernsey schemes the member is able to borrow up to 25% of their pension fund at any one time, providing for greater flexibility in their ability to utilise their savings for larger projects. At the time of writing it was still not clear whether or not this option will be available to Jersey residents.
- **Pension age between 50 and 75** – this broad period not only allows for deferral of the start of the pension, but there is also provision that allows the benefits to be drawn while the member is still working
- **Residual fund remains available** – unlike most traditional pensions, on the death of the RATS member any residual funds are distributed by the trustees in accordance with the members wishes – perhaps to surviving spouse, children and other family members – and, if appropriate, via the members estate
- **Tax relief on contributions** – currently, in Guernsey, not only are contributions from earned income eligible for tax relief at the rate of 20%, but also, unused allowances for the last six years can be brought forward. Tax relief will be available under Jersey schemes, although the exact amount is yet to be confirmed

If there is one word that best describes a RATS it has to *flexibility* – of contributions, investment options, withdrawals, loans and distribution of the residual fund – and, because of this, within the next few years we will see RATS become the pension plan of choice for Channel Islanders.

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