



## **Historic article – illustration only**

### **Retirement Annuity Trust Schemes – an excellent alternative pension scheme for Guernsey residents**

A new ‘multi-member’ Retirement Annuity Trust Scheme launched by ABC Group Insurance Brokers will assist Guernsey residents with planning, saving, investing and safely protecting their assets for their retirement.

In the second of a series of articles by ABC Group Insurance Brokers covering specialist areas of insurance, John Smith explains the new scheme and how it offers an excellent, cost effective alternative to all Guernsey residents wishing to establish a pension plan for their future.

Retirement Annuity Trust Schemes (known affectionately as ‘RATS’) offer a viable and secure alternative to a personal pension plan for those wishing to save for their retirement. Such schemes are governed by Guernsey law and administered in Guernsey, both of which provide added comfort to savers wishing to use them.

Traditionally, such schemes have tended to be individually tailored to meet the requirements of a single person, making them expensive and the preserve of the wealthy. However, with the full approval of the Administrator of Income Tax and the Guernsey Financial Services Commission, ABC has now established what is referred to as a ‘multi-member’ RATS. This opens up the opportunities and benefits provided by these schemes to all Guernsey residents at a very cost effective price.

So, what is a RATS? In essence, it is very similar to a personal pension plan into which a saver may pay premiums by monthly direct debit or by way of lump sums. In a scheme such as the ABC RATS this may be £100 per month or as large as the transfer in of an existing pension fund.

Importantly, such schemes offer several additional advantages over the traditional pension plan that are of great benefit to savers, both immediately and upon their retirement.

Key amongst these is a wider choice of investment options which allow the investments to be tailored not only for level of risk, but also for the time to retirement (typically, for





example, equity based in the early years and more fixed income as retirement approaches). Also, the member is able to borrow up to 25% of their pension fund at any one time, enabling them to make use of their savings before retirement.

On retirement, there is no need to purchase an annuity, the saver simply draws an income together with a lump sum if they so wish. Also, importantly, funds belonging to each member are held under a separate trust which has independent trustees and provides flexibility for the distribution of any residual funds on the death of the member.

Add to this the ability to select a pension age anywhere between 50 and 75, the fact you can draw the benefits while still working and, that on the death of the member, the residue is distributed to their nominated beneficiaries (perhaps spouse and/or other family members), and it becomes clear how flexible and powerful such schemes are when considering the options for saving for retirement.

The ABC Retirement Annuity Trust Scheme is approved by the Administrator of Income Tax which means that contributions from earned income will normally qualify for tax relief at the current rate of 20% and, also, that people without earnings can also invest up to certain limits.

When joining such a scheme the member also has the opportunity of using unused allowances from the last six years. There is also the ability to increase, reduce or suspend monthly premiums without penalty.

These are just some of the benefits and features, but it is clear that a Guernsey multi-member Retirement Annuity Trust Scheme offers a viable, cost-effective pension planning alternative for Guernsey residents. They are also proving increasingly popular because of the comfort the members gain from having a local scheme, founded on local legislation, administered locally, that they can discuss with a local consultant at any time.

For more information please contact.....

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