Am I stuck with poor pension?

The problem

JACK B has always been a firm believer in pensions as the best way to fund his retirement. But a decision he made 21 years ago has come back to haunt him.

Jack, 58, had a frozen pension from his company dating from the time he was made redundant in 1983.

He returned to the company just two years later and joined its final salary scheme. In 1987, Jack was persuaded to transfer his first pension and join a CIS scheme.

"The agent's illustrations at the time were so good: it was predicted I would get £20,000 a year when I retired," he told Your Money. But it wasn't to be.

Latest forecasts have sunk to £4,500 and it could be even less by the time Jack retires.

Jack transferred just before new consumer protection rules came into force in 1988. He thinks he was given poor advice but the timing means there is nothing he can do about it now. Far more urgent is what he does now.

He cannot transfer the ailing CIS pension directly back into his current final salary scheme. He could put it in a separate AVC (additional voluntary contribution) plan offered by the company, but the terms are complex and may involve loss of rights. Jack is also running another AVC, currently forecast to give him £2,300 a year in retirement.

"It has all got so difficult. Please help," he says.

Maisha Frost gives hope to a 58-year-old who regrets being tempted to leave his firm's scheme back in the Eighties

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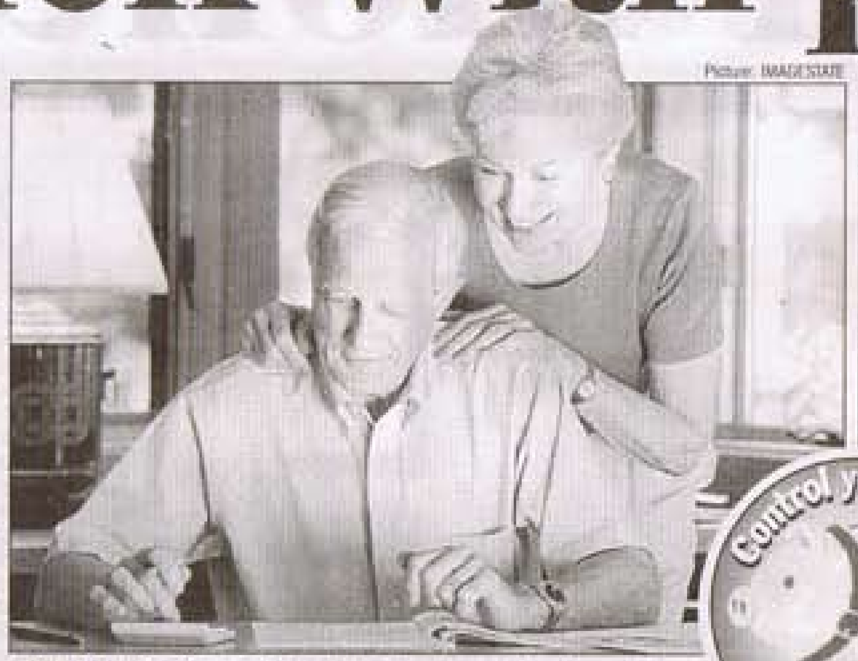

DOING SUMS: You need to check what benefits plans give

The solution

INDEPENDENT pensions expert Nicola Downs is seeing growing numbers of confused savers in a similar boat to Jack. "These are people who moved plans in the Eighties and are feeling increasin desperate as they near retirement she says.

"They are victims twice over: of poor performance and outrageous complicated rules."

Jack's first plan had guaranteed minimum pension rights on some parts of it. They were very valuabl and he has lost a lot of money by transferring, Downs adds.

It is a situation that Downs says some of those who transfered sma pensions after having served spells with the services ar police are now encountering as well.

But there is hope f Jack's money, howe he will be cheered t know.

"He has still got a few years before retirement and this could be the time to revamp the two other plans," comments Downs.

But first Jack has to get so detailed answers to key questions ones all pensions savers should kn about their own affairs (see below left). "Never move a pension plan, however bad it is doing, until you know exactly what all its benefits are," says Downs. "I cannot stress enough that people must do their research and get the details from their provider.

"If they don't understand the answer, ask again until they do."

If the case is as Downs suspects going on the information so far, she proposes a bold new growth strategy.

As long as Jack has the green light to transfer, he should not necessarily put it into his firm's AVC plan: he should see exactly what this allows and offers.

However, Downs so far thinks: "This has limited funds and does not allow the transfer of protected rights. And he would also have to take an annuity with this plan.

"But given Jack will get a good income from his final salary scheme, he may want flexibility elsewhere in the form of drawing down his fund.

"A scheme that would allow him to put his protected rights into drawdown as well would kill two birds with one stone."

Depending entirely on all the figures, Downs thinks a detailed assessment might reveal Jack would do better to transfer his CIS fund, along with his other AVC, into one modern personal pension plan with the maximum flexibility now possible since reforms in 2006.

"He should take a scheme with wide choice — 500 funds such as Skandia's," says Downs, who adds she probably would not choose a Sipp (self-invested personal pension) in this case as the size of Jack's combined pot might not justify the higher charges usually imposed.

"But if the plan is regularly reviewed and managed, it should ensure better growth than he is getting now," she says. "It would also guarantee he gets a choice about how and when he takes his money eventually.

"Transferring would take about three months to go through but Jack has time. Now he just has to find out the facts so we can judge if it is worth it."

● *Nicola Downs: 01306 881999, www.trenthaminvest.co.uk*

If you have a problem, write to Maisha Frost, Sunday Express, 10 Lower Thames Street, London EC3R 6EN or email maisha.frost@express.co.uk. Please only send copies of documents, not originals and always include your phone number.

Find out details before moving

BEFORE transferring a pension, you need to know what kind you have — for example: What funds is it invested in? Is it with-profits? Have any bonuses been paid and when? And is the fund closed?

If it is closed, this means it is not accepting new business. "This is a good indicator of whether or not it is an investment with a future by taking new money, or treading water," explains independent pensions expert Nicola Downs.

Other key points to consider are the benefits, including those on death.

"These could include a return of contributions or a return of the fund, which could certainly matter to your family," continues Downs.

You also need to check if your plan has potentially precious guaranteed annuity benefits. This is unlikely but it is worth getting a firm answer in writing.

Then you must get a precise figure for the value of your pot and the tax-free cash lump sum rights.

"Some plans can be more valuable than they first appear because of the larger amount of tax-free cash that can be taken," points out Downs.

Lastly, you need to check the cost of transfer, and if there are any penalties.