

# What is a Defined Benefit Pension Scheme?

A defined benefit pension scheme, alternatively referred to as a final salary pension scheme, is one that promises to pay out a regular income based on how many years you have worked for your employer and how much you have earned.

This kind of pension is seen as a very desirable pension package to have as it gives those retiring a guaranteed lifetime income that increases year on year to match inflation. It may also continue to be paid to your partner after you die.

Yet, according to the FCA, 2 out of 3 savers that get advice about their DBP are told to abandon them.

Why is it that high-risk advice is being distributed so freely to pension holders in the UK when the repercussions can be so disastrous to people's futures and livelihoods?

Some of the downsides involved in transferring from a defined benefit pension include:

- Losing the guaranteed lifetime income from your DB scheme, for you and your dependents.
- Losing the inflationary protections offered by your DB scheme.
- Having to pay for a DC scheme and investment managers to manage your pension and the investments in it.
- Having to decide how to invest your money.
- You may see your pension pot fall in value.
- The value of your pension pot could fall in value.
- You may run out of money in your lifetime.

Many are being swayed into transferring their pension by the prospect of getting a large lump sum payment with more financial freedom and to receive inheritance tax advantages. However, the deal often falls short as people lose the protection that comes with a DBP, meaning their entire life savings can fall dramatically in value.

Megan Butler, executive director of supervision at the FCA, commented last week: 'We have said repeatedly that, when advising on defined benefit transfers, advisers should start from the position that a transfer is not suitable.'

‘It is deeply concerning and disappointing to see that transfers are still being recommended at the levels we have seen.

‘Deciding whether to transfer out of a defined scheme is one of the most complex financial decisions a consumer may have to make and it is vital customers get high quality advice.

‘Our ambition is for pension transfer advice to reach the same standard as that of the rest of the financial advice market.’

If you or someone you know has been mis-sold pension advice, please get in touch today for some free, impartial advice.