

Should you **combine** your pensions?



10 minute read

Sometimes **less** is more

There's a good chance you'll have more than one job during your lifetime. Because of this, you may have several pensions tucked away; money you've worked hard for, which can play a key role in funding your retirement.

Combining pensions simply means bringing them together under one roof. This allows things to be easier to manage, resulting in less paperwork and a clearer view of what you've got for the future. You'll only have to deal with one pension provider instead of several, making things more straightforward when it comes to accessing your money.

Perhaps the most important thing to know about combining pensions is that it's not right for everyone. There are a number of reasons why this might be, and this guide will help you understand what you need to think about.

Just so we're on the same page...

You'll see the words 'combining' and 'transferring' used regularly throughout this guide. They're very similar, but refer to slightly different things. So here's what we mean by them:

Combining – the process of merging two or more pensions together. These can be pensions from different providers, or even the same provider if you have more than one pension with them.

Transferring – the process of moving a pension from one provider to another in order to combine them.

Key questions to ask yourself **before** combining pensions

Should you combine your pensions?

If you're not sure how any of these apply to you, check with your pension provider who'll be able to confirm.

Am I giving up valuable guarantees or benefits?

By transferring a pension, you might lose valuable guarantees or benefits you're entitled to. Think of these like promises a pension provider has made to you. Whatever the promise, you'd be giving it up if you transferred your pension elsewhere. This could leave you worse off, even if there are other positives to be gained. Some promises aren't worth breaking, especially when they involve your money.

Financial advice can help. We strongly recommend you seek financial advice if thinking about combining pensions. There's lots to consider and advice can help ensure you get things right.

There are three types of pension, which you may have a combination of:

1

The first promises a guaranteed income in retirement.

This is usually based on things like your final or average salary, and how long you've been a member for. There's a good chance of other benefits too, like the ability for your spouse or child to receive a portion of your retirement income if you die.

This type of pension is considered very valuable, and in nearly all cases they aren't worth transferring. If you have one which has benefits worth £30,000 or more, you'll need to seek advice by law if you're thinking about doing so. This is designed to protect you and your money, showing just how important it is to be aware of the possible risks involved. We'd recommend seeking advice regardless of how much your benefits are worth – it's better to be safe than sorry. This type of pension is known as a Defined Benefit (DB) pension.

2

The second type of pension works differently, in the way that their value is determined by how much you and your employer contribute into them, as well as investment performance. They're now more common than DB pensions, and typically what employers nowadays will set up for you. This type of pension is known as a Defined Contribution (DC) pension.

3

If you're self-employed you might have set up a personal pension yourself. These work in the same way as DC pensions, the only difference being that an employer won't be contributing too.

What am I paying in charges?

A big draw of combining pensions is the potential it has to save you money. There are various charges you pay for your pension to be run on your behalf. These cover the likes of investment management and day-to-day admin. Pension providers all charge differently, so it's likely you're paying various amounts depending on which provider each of your pensions are with.

By transferring from a pension with higher charges to a pension with lower charges, you could save money over the long term. This might mean you can retire earlier with a better lifestyle. Even a small difference in charges can have implications for how much your pension could be worth in the future. So it can pay to compare what you're paying.



What are my investment options like?

By combining pensions you may be able to access investments that are better suited to your goals and appetite for risk. These might have the potential to make your money work harder, generating better returns. Although there's no guarantee of this. Remember, your investment can go down as well as up in value, and you could get back less than you paid in.

Take time to review what investment options each of your pension providers offer, as some may have a broader choice to select from. Like charges, how your pension is invested can have a big effect on what it's worth further down the line, so this is a key area to think about carefully.

Can I pass money to family and loved ones?

Although the majority of modern pensions do allow this, there are some that don't. If this is the case, you might want to consider transferring your pension to another type of plan or provider which enables you to do so. If passing on money to family and loved ones is important to you, it's worth looking into.

Will I have to pay exit charges?

Some pension providers may charge a fee if you transfer a pension away from them. These are known as exit charges. Weighing up what you'll pay in exit charges versus how much you could potentially save by transferring is important.



How much are my pensions worth?

The most you, your employer and any third party can pay into all your pensions each year, and still benefit from tax relief, is £60,000 in the 2025/26 tax year. This is known as the pension annual allowance. As soon as you access a pension, this drops to £10,000 – a limit referred to as the Money Purchase Annual Allowance (MPAA).

However, for pensions under £10,000, you can withdraw your money in full without triggering the MPAA. So if you have a pension of this value, it might be beneficial to leave it as is. Whether this is right for you will depend on your individual circumstances, so take time to do some digging into the implications.

Let's take a look at a simplified example of how combining pensions can affect your pension annual allowance and MPAA:

Pension A is worth £7,000. Pension B is worth £150,000. If you combined them, the value of your new pension would be £157,000.

This means as soon as you access your combined pension you'll trigger the MPAA, limiting you to paying in £10,000 a year without facing a tax bill. If you'd left pension A as is, you could have taken the money from this in full without triggering the MPAA – allowing you to maximise use of the £60,000 pension annual allowance on pension B in the future.

Tax can be a complicated subject so take time researching how it applies to you. If you're a high earner and make £200,000 a year or more, you'll have a reduced pension annual allowance. Tax treatment depends on your individual circumstances including where you live in the UK. Tax rules may change in the future.

You can find out more about tax and pensions at moneyhelper.org.uk, a service from the government. Financial advice can also help you understand how tax affects your personal circumstances.

What's the service and experience like?

Pension providers will vary in the customer service and experience they offer. Some will have a mobile app where you can review your pension on the go, others won't. Some may respond to your queries quickly, others won't. Some might have a range of interactive tools and educational material for you to engage with, others won't.

Although service and experience won't necessarily have a direct impact on your money, it can still affect your peace of mind. After all, it can be frustrating dealing with slow or cumbersome customer service. This might be more important for some than others. But nonetheless, spend time looking into things, and for each pension provider, test the waters.



The **pros** and cons – at a glance

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| ✓ You could save money in charges | ✗ You could be giving up valuable guarantees or benefits, such as the ability to pass money to loved ones after you die |
| ✓ It can give a clearer view of how much you have for retirement | ✗ Pension providers may charge you to transfer away from them |
| ✓ You'll spend less time on admin | ✗ In most cases, transferring a DB pension isn't the right thing to do |
| ✓ It could give you access to more suitable investment options | ✗ Transferring a DB pension to the likes of a DC pension will mean taking more risk with your money, as its value will become reliant on investment performance |
| ✓ There's less chance of losing track of one pension, compared to having multiple ones | ✗ You could just as easily face higher charges and unsuitable investment choices, which might mean more risk |
| ✓ It can make things more straightforward when accessing your money | ✗ It's highly unlikely you'll be able to reverse your decision once your pensions are combined |





Tracking down lost pensions

After you move jobs, your old pension won't automatically follow you. Instead, it will stay put with the provider who set it up, where it will remain invested for your future. Because of this, it can be easy to lose track of different pensions. You might not even be aware you had one in the first place.

In fact, an estimated 3.3 million pensions are considered lost, worth a staggering £31.1 billion*. And there's a chance a slice of that could be yours. With a little work, it can be straightforward to find out – it's not a bad feeling finding money you didn't know you had, especially if it turns out to be a life changing amount.

Follow the simple steps below to see how:

- 1 Head over to the government's free [pension tracing service](#). By inputting the name of a previous employer, or pension scheme if you happen to know it, the service searches a database to try and find the contact details you need.
- 2 Using the contact details provided, get in touch with the employer or pension provider to see whether or not there's a pension with your name on it.
- 3 If you're lucky enough to find one, ask how you can find out more about it, including the type of pension it is, its value, investment performance, charges, and so on. It's common for pension providers to have a secure site where you can access this information yourself.

Source: Pensions Policy Institute, 2024.

How to combine pensions in five steps

You can combine pensions at any time, you don't have to be in or approaching retirement. And now that you know what to consider, the following steps can guide you on how best to approach things. Financial advice can be invaluable across all steps, helping you avoid any pitfalls along the way.

1 DB or not DB?

Your first port of call should be making a list of all the different pensions you have. Make sure you pay a visit to the government's free pension tracing service to track down any you may have lost.

Next, take note of what type each pension is – whether they're DB, DC or a personal pension. You can ask your pension provider or employer to confirm this. As outlined earlier, question if your pension has any valuable guarantees or benefits you'd be giving up by transferring it. These usually aren't worth losing, so think carefully about the implications. And remember, if you have a DB pension, we strongly recommend you seek financial advice regardless of the value of its benefits.

2 Do your homework

Now that you know what type of pensions you have, you'll need to think carefully about what you want to achieve from combining them. What are your goals? Is it to access more investment options? To save money on charges? This will be different for everyone, so having clarity on what's important to you is crucial. It can be a juggling act trying to balance everything though, and you might have to make compromises.

For example, just because you could pay less in charges with a certain pension provider, doesn't mean you should automatically jump at the chance. Although the thought of saving money is an attractive one, you might end up stuck with investment options that aren't suited to your needs.

So do your research. And for each of your pensions, compare everything side by side. Writing things down can help you weigh everything up. Keep this guide to hand as a reminder of what you should be considering.

3 Decision time

All your cards are on the table – you’ve done your homework and reviewed your pensions. Now it’s just a matter of deciding whether or not combining them is right for you. If you decide it’s not, perhaps because you’d be giving up valuable guarantees or benefits, then there’s nothing more for you to do.

But if you feel it’s right for you, and supports your goals, then it’s just a matter of starting the combining process. Remember, we strongly recommend you seek financial advice to make sure you’re doing the right thing.

4 Get combining

Once you’ve decided which of your pension providers to combine your pensions with, simply let them know you’d like to do so. This usually involves filling out an online form where you’ll provide details of the pension(s) you want to transfer to them. They’ll begin the transfer process, contact your other pension providers, and take care of things themselves. This might take a few weeks, but they should keep up to date on progress.

5 Stay on top of things

Once things are done and dusted and your pensions are officially combined, make sure to check in from time to time to see how your money’s performing. Think about retirement planning and the role your pension will play in this, as it’s never too early or late to start. Remember, there are actions you can take to give your pension savings a boost, such as maximising employer contributions. So make sure to explore your options.



Be wary of scams

It’s worth noting that pensions are a big target for fraudsters. And the ability to combine pensions can be a good way in. If someone contacts you out of the blue offering to transfer your pension with the promise of higher returns, it’s likely to be a scam. There are a few other telltale signs to keep a lookout for:

- High pressure sales tactics which refer to ‘time limited’ or ‘one off’ offers
- The ability to release money from your pension early
- Complicated investments where it’s not clear where your money will be

Visit the ScamSmart site for more information. Doing so could help you feel more confident that, should the time ever come, you’re well equipped to spot a scam.

Make the right move with financial **advice**

Deciding whether or not to combine pensions is a big decision, and shouldn't be taken lightly. Because of the possible negative consequences involved, it's important to get things right, especially if you're relying on your pension to be your main form of retirement income.

As you'll have seen from this guide, there's a lot to think about, so it's easy to feel overwhelmed. We can:

- let you know whether or not combining your pensions is appropriate for your needs and goals
- analyse the impact charges, tax and investments will have on your money
- review your individual circumstances and make a recommendation with your best interests at heart.

Having an expert weigh everything up on your behalf can give peace of mind that you've covered all bases.

Plan wisely, live confidently with expert financial advice.



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