Press Release

What exactly is a PRB and is it a good idea?

My employer has just informed us that it is winding up its defined benefit (DB) pension scheme. One of the options open to me is to transfer the money in my pension into a Personal Retirement Bond (PRB). What exactly is a PRB and is it a good idea?

Answer: Mark Reilly, Pension Propositions Lead, Royal London

When a pension scheme is being wound up, the trustees of that scheme usually put a default arrangement in place that can accept members' funds upon wind-up. This is often a PRB, arranged on a group or bulk basis. One of the advantages of transferring your pension benefit to this type of PRB is that the charges may likely be lower than would be the case if you were transferring the benefit to an individual pension arrangement – because a number of your colleagues are also likely to be transferring their pension benefits to the same PRB.

However, check the other options open to you and choose the one that benefits you most. For example, if you are a member of another pension scheme, you could transfer your pension benefit to that scheme. If you have been in a DB scheme for under 15 years, you can transfer it to a Personal Retirement Savings Account (PRSA).

When comparing the various options, check the charges (such as the annual management charge, policy fees and any early encashment penalties); the investment choices available to you; and the benefit options after transferring (such as when you can drawdown your pension and what tax-free lump sum you can get).

It might be a good opportunity for you to talk to a Financial Broker to discuss your retirement planning goals overall and determine what the best option is for you based on your personal circumstances.

ENDS

Notes to the Editor:

About Royal London Ireland:

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04/2023 2294.1