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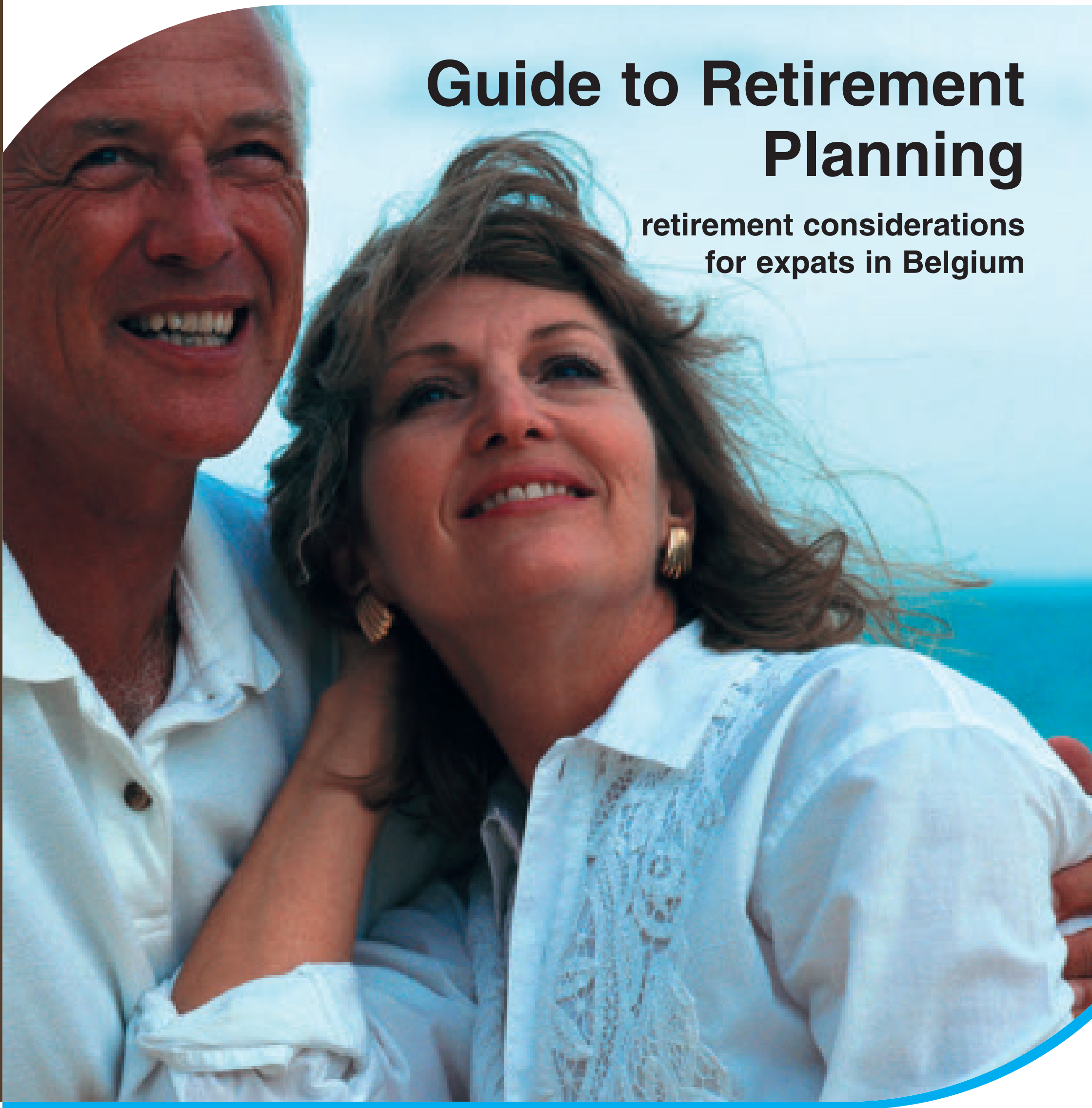


# Guide to Retirement Planning

## retirement considerations for expats in Belgium

**IN ASSOCIATION WITH FULCRA. THE PREMIER PROVIDER OF RETIREMENT SOLUTIONS.**

INTERNATIONAL FINANCIAL PLANNING
FULCRA

# Foreword by Marc Quaghebeur

The period 1955-2015 will go down in the history books as the golden age of solidarity between humans. Unfortunately, it is a period in the world history that will never be repeated.

Solidarity between workers is the basis of our social security system. Solidarity between those who can work and those who are too ill or too old to work. What you (and your employers) pay into the social security system today goes to the sick and the elderly now.

Social security is the opposite of occupational pension schemes for the private sector. The contributions you pay to your scheme are invested and capitalised. What you save now builds up the capital that will see you through your old age.

The money that the social security fund distributes today is the money it collects today. And where to get the money it will spend tomorrow is a problem for those that will be running the system then.  When the first old age pension systems were set up, that was not really a problem. The chances of living until 65 were slim. And the chances of enjoying retirement benefits for a long period of time were even slimmer.
Things have changed.  Only 40 percent of the population is working. Some 14 percent of the population between 20 and 59 is inactive and do not contribute to the social security system.  And by 2015 one in five Belgians will be over 65. The conclusion is simple: fewer workers are paying the social security provisions for ever more retirees.

The pension question is (more or less) on the top of the political agenda in all European countries.  In Belgium it has been kept on the back burner for far too long. We will have to work longer and early retirement will be discouraged.  At the same time the government cannot afford to make the cost of employment more expensive for fear of losing jobs. The burden of financing the social security system will shift from employment income to other fiscal sources.

At the same time there will be bonuses for employees and self-employed who keep working until 65. If they do, they will be entitled to take up their occupational pensions and pay only 10 percent tax. And to encourage contributions to pension saving plans, the tax deduction will be raised. However, when it announced that a tax would be levied on SICAVS, the government forgot that these were the preferential investment vehicle of small investors.

The solutions are not as bold as they could be; the main problems are not tackled yet. Whether it is a question of 'too little too late', only the future can show. In any event the trend is set.

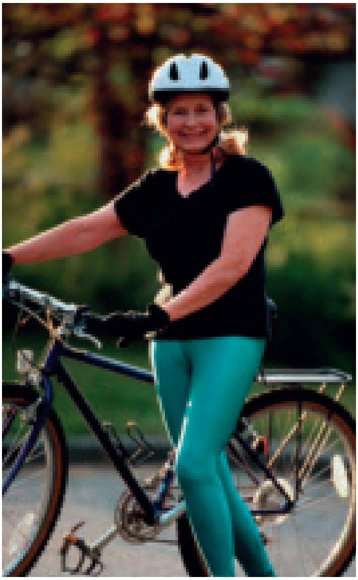
Marc Quaghebeur, October 2005

# Contents

# Introduction

**Planning for retirement can be a worry anywhere.**

**Certainly, if you spend your entire adult life in one country, paying into a single company's pension scheme, you probably feel fairly secure.**



**But for many ex-pats living in Belgium, with a ragbag of State and company pensions here and in other countries (some perhaps only recently started, others possibly curtailed or with gaps), the future is something you can scarcely bear to think about. It's a financial jigsaw, with too many pieces whose future size and shape aren't even known yet.**

**And of course there are those somewhere in between who have some solid pension provision but who aren't quite sure if it will be enough to provide them with sufficient income in retirement and what this level of income should be.**

**This *Guide* is not a pension guide, it is a guide tailored to those who know they ought to be thinking about retirement as a whole, but don't know where to start...**

On balance most people look forward to retirement - hopefully with no mortgage, children's education complete and paid for, and enough in the retirement fund to allow them to relax.

And on the basis that we are all living longer we should, in theory at least, have longer to enjoy and reflect.

But there are many obstacles on the way. Whilst there are a few who will be beneficiaries of pensions linked to salary combined with a good number of years of service (defined benefit schemes) and who will be able to make retirement the holiday of a lifetime, there is an ever growing number of people whose pensions will be linked to a level of savings into a fund and that fund's performance. And there is one invariable question - "how much will I need?".

There are a number of factors to take into account, such as fund growth rates, interest rates, tax and inflation levels and as one financial planner indelicately noted, “planning would be a lot easier if we knew the date of death”. All these imponderables can affect the standard of living that can be expected after retirement and we will reflect on these later in the *Guide*.

To cap it all, our cheerful financial planner who wants to know the date of death will have to add on as many as five additional years of life, which is the rate at which life expectancy has increased over the last 25 years due to advances in medical science and improved diet.

## What is a Pension?

## TO QUOTE CHAMBERS DICTIONARY A PENSION IS:

**pension** noun **1** a government allowance to a retired, disabled or widowed person. **2** a regular payment by an employer to a retired employee. **3** a regular payment from a private pension company to a person who contributed to a **pension fund** for much of their working life. **4** an allowance paid as a bribe for future services. **5** a boarding house in continental Europe. See also **en pension.** verb ***(pensioned, pensioning)*** to grant a pension to (a person). **pensioner** noun someone who is in receipt of a pension.

Let’s ignore the references to “bribes” and the European “boarding house” and recognise that in our context a pension is the payment of an income, whether regular or not, often paid in retirement.

When we discuss pensions we are also talking about the “fund” that pays this income and increasingly we must include within this fund not only formal pensions provided by the government, the employer or accrued by an individual but personal assets as well.

### The Three Pillars

It is usual to refer to the three pillars of pension funding:

- **I.** **The State pension,** the pension paid by the State(s) where you have paid social security.
- **II.** **The company pension,** whether defined benefit or defined contribution (also known as money purchase).
- **III.** **Personal assets** which will be earmarked to provide supplementary income in retirement.

# Getting started

**Pillar I.** ***A familiar question: what can we expect from the State?***

Whilst for many this may be an exact science, for others with a mobile career and employment and thus social security contributions in more than one country the calculations are anything but straightforward.

What is clear is that in the future, payments will be nowhere near as generous as they have been in the past. And of course pension ages are slowly creeping upwards. For women, 65 will shortly become the norm, and 70 is a distinct possibility in many of our lifetimes.

The main criteria for the amount of State pension differ from country to country but in a pan-European context the pension paid is related to contributions made over a certain amount of time.

The pension that can be expected is based on the number of years of contribution.

In Belgium it is not easy to get an official estimate of what you might expect other than when you are close to retirement - and the same applies to many other EU countries.

**Calculating your State pension**

The legal retirement age in Belgium is 65 (until 2009 women can retire one or two years earlier). You can receive a full pension if you retire at that age and have been employed for 45 years, (though for women the maximum period is still 43 years). Any less is worked out on a pro rata basis. The pension is then calculated on the accumulated earnings over the entire career but only up to a defined income ceiling and this ceiling changes on an annual basis. The ceiling in 2005 is €41,564.11.

The pension paid is 75% of the ceiling for a married couple and 60% for a single pensioner. For employees the maximum state pension in Belgium is just over €20,000 for a married couple or around €16,000 for a single pensioner.

In theory the pension calculation is simple and is based on a formula as follows:

$$\frac{X \text{ (years of service)}}{45} \quad \times \quad \begin{matrix} 60\% \text{ (single person)} \\ 75\% \text{ (married couple)} \end{matrix}$$

In practice the actual calculation of your pension is complex, and because the income ceiling changes each year (and is indexed annually thereafter) the calculation involves a year by year analysis of income.

**N.B.** For the self-employed the pension is significantly lower – somewhat less than <u>half</u> the amount an employed person will receive for the same number of years of work. This reflects significantly lower social security contributions.

**Claiming your State pension**

The amount of your state pension will depend on where you have been building up your pension rights. If you have been working in one country it is relatively straightforward to calculate your pension rights. But if you have worked in several countries, you will have to claim part of your pension from each of these countries.

Within the EEA (the EU, Iceland, Liechtenstein and Norway) everything has been done to keep things as simple as possible, in theory at least! You apply for your pension with the pension institution in your country of residence.

If you live in Belgium at the time when you retire, the National Pensions Office (NPO) administers the payment of pensions (www.onprvp.fgov.be). You must file an application via your commune. You should ask a year in advance.

In the application form, you must record your entire career (within and outside Belgium). This application form is transferred to the NPO.

The NPO will then contact the pension offices in order to calculate your state pension entitlements in each of the countries where you have paid social security during your career. They in turn will inform the NPO of your pension entitlements under their own law.

Each country will pay its part of your pension directly to you, wherever you live within the EEA. The NPO will also pay your Belgian pension anywhere in the world.

Upon the death of their spouse, dependent widow(er)s can receive a survivor's pension if they are over 45.

**Taxation**

Under most double tax agreements, Belgium has agreed to the principle that state pensions are liable to tax in the country of residence.

In Belgium, this means that your State pension entitlements are liable to Belgian income tax at the progressive rates starting at 25 % with a maximum of 50 % (plus a local municipal tax of between 5 and 9 % of the tax). However, Belgium does grant a tax credit on state pensions which dramatically reduces the tax on the state pension.

So, based on the maximum levels of pension available you then have to estimate how much of this you may be entitled to, and secondly gauge whether this will be enough on which to live in retirement. Our assumption is that those reading this *Guide* are seeking ways of accruing additional assets to provide supplementary income in retirement, and not those who wish to spend what might be the final quarter or more of their lives struggling to get by on less than half the national average wage. That is the "do nothing option". This *Guide* is for people who want to enjoy rather than endure their retirement and are willing to plan and take action to achieve that objective.

**Pillar II.** ***What can I expect from my company?***

Once again, it isn't necessarily easy to work out one's retirement income from current or previous employers because you may well be presented with the proverbial apples and pears syndrome whereby you have different types of pension, each giving very different types of information.

For example you may have a few years pension from an employment that had a defined benefit scheme which generates a reasonably easy to calculate income; perhaps another from a money purchase scheme which will also provide an income, though one which is far less easy to assess. And finally, if you are in Belgium there is a reasonable chance that you will have a pension scheme which will pay a lump sum and the information you are given gives no indication whatsoever as to what the income may be.

For those with Belgian company pensions, an up to date annual pension statement should provide you with the basic information. If not, a trip to your company HR department (if you have one) or a letter to the pension provider can also be helpful. The statement is likely to provide simulations or projections though these can only be considered as a guideline. For example they will be based on a projected growth rate and take no account of potential salary increases. For those with a few years to retirement this may be all you require but if you have three or more years then you may have to dust off the calculator or open up an Excel spreadsheet.

Even an accurate and detailed statement may not necessarily help because the projection will show a lump sum value often before any tax has been deducted and may not indicate the income one can expect from it.

For help in working out income from a lump sum, see Chapter Five which talks about retirement income.

**Final Salary (Defined Benefit)**

If you will benefit from a final salary pension and have many years of service then it may be that you do not need to worry about your pension any further. However, do not make assumptions - check it out carefully rather than leaving it until it's too late to do anything.

To benefit fully from a final salary scheme one needs continuous service in just one scheme. Changing employers and therefore moving from one final salary scheme to another leads to a significant reduction in the level of benefit achieved because invariably one moves to a higher salary and the pension left behind is based on the old (and lower) salary.

**Defined Contribution**

There are an increasing number of company pension schemes in Belgium, either bespoke pension funds or insurance based schemes (***assurance groupe/groepverzekering***). They are a very tax and cost-effective way of rewarding staff - but not everyone has access to them. Often employer contribution levels are not as high as might be expected as employers feel that they already pay high levels of social security which fund the current generous levels of state pension. As most will agree, whilst the level of State-funded pensions will reduce due to the change in European demographics, it almost certainly will not lead to a dramatic fall in social security contributions for employers. However contributions to company pensions will invariably need to increase.

Legislation regarding company pension schemes in Belgium was reviewed in the early 2000s (*Loi Vandenbroucke*) and in all honesty this hasn't made an opaque situation much clearer. Nonetheless pension contributions continue to enjoy some of the most generous levels of tax relief and social security reductions available for the employer, the employee and the self employed.

**Taxation on Pension Funds built up in Belgium**

If an employer contributes on behalf of his employees to a pension fund or a group insurance scheme, these contributions do not constitute taxable income for the employee. And if the employee is in a scheme which allows him to top up his pension with personal contributions to the pension scheme (in addition to his employer's contributions) the premiums do not attract employee social security and they are tax deductible, up to 44% (including local municipal tax).

However, because no tax was paid when the pension was built up, the employee will pay tax when he takes up his pension.

In Belgium, the rules are, in general, as follows:

If you take your pension directly from the pension fund or insurance company in the form of a monthly or annual annuity, you have to declare these and pay full tax on them. This tax is just like earned income and is the same as income from the State pension (See page 5).

Contrary to some countries, Belgium allows the pensioner to take up his entire pension capital in one go. If you redeem the pension capital at the age of 65 or between the ages of 60 and 65, you will only pay 16.5 % on the capital built up by employer contributions (and 10 % on the part that has been built up with your personal contributions). On top of this comes the local commune tax calculated at a rate of between 5 and 9 % of the income tax.

The same tax rate applies if a widow(er) receives the lump sum.

If you are not planning to retire in Belgium then you need to refer to the rules of your new country of residence. In some case these can be favourable, in others there may be little difference, and of course there are those which are more penal. You should seek specialist advice in this area even if you think you know what tax rules apply.

**Pensions built up outside Belgium**

Different rules may apply to pension funds built up outside Belgium. This will depend upon whether they have been tax deductible in the country in which contributions have been made, whether the benefit is taken as capital, paid as an income or in the form of an annuity, and whether it is a private or occupational scheme.

As a general rule, assuming there have been no tax deductions or tax exemptions in Belgium, any pension capital taken should be tax free. If an income is provided by the pension, how (if at all) and where this income will be taxed is surprisingly complex, though as a general rule, an employer's pension scheme will be taxed in the country of residence, unless it is a government employee whereby it is taxed in the country where it is paid.

We would recommend very strongly that specialist tax advice is sought in this area to avoid any nasty surprises.

**Assess and calculate your pension**

In theory, by finding out how much can be expected from your State pension and adding to this what you can expect after tax from your company pension scheme, you will be able to tell whether you have sufficient on which to live or have a shortfall which needs to be addressed.

Some "guestimating" may be required and if you do this, make sure you apply realistic criteria.

**The impact of illness on your retirement plans…**

Very few people can rule out the possibility of unexpected early retirement. Everyone, including the self-employed and those running their own businesses can encounter the unexpected. This may include illness, as well as redundancy.
Whilst this is not a guide to protection insurance, it would be wrong to ignore the issue altogether.

Make sure that your income is protected as much as possible if you are incapacitated longer-term. Many companies will provide incapacity cover as part of their employment package. With the more modern "cafeteria" system it is up to the individual to choose from a menu, and incapacity is one of the areas all too often neglected. However, what everyone should have – it costs very little – is waiver of premium (*exoneration de primes/ premie-vrijstelling*) which ensures, in the event of incapacity, that the pension premiums are paid as if you were working right up to retirement. Thus your pension is protected.

**...and of your death on the retirement of your spouse**

Make sure too that you have adequate life assurance. It may be that your spouse has been at home looking after the children for numerous years, or that your career has taken precedence and your spouse's career has suffered. Clearly, in the event of the death of the main breadwinner, the surviving spouse is unlikely to be able to duplicate that level of income and thus their pension will be badly affected. If this is the case you should consider life assurance which need not be expensive but will ensure that the survivor's longer term prosperity is not jeopardised.

# The years before retirement – accumulating an asset base

**Pillar III.** ***Supplementing your pension income using personal assets***

An issue in Belgium is that if your employer does not have a pension fund or an ***assurance groupe/groepverzekering,*** there are very few opportunities for personal tax deductible savings.

An individual who is working and paying tax in Belgium is allowed to invest a maximum of €620 per annum (2005) into a personal pension. This is known as the *epargne pension /pensioensparen.* The personal pension is even available for non-working spouses, with tax deduction via the working spouse.

In addition to this an annual amount of €1,870 can be saved (by those with taxable income) into a similar life-insurance-related long-term savings plan known as *épargne à long terme/langetermijnsparen.* If you know that you will be in Belgium for a number of years you should certainly consider taking advantage of these tax deductible options. Each year you will receive a tax benefit of between 30 % and 40 % of the premium. Your money is normally invested in a very secure way and you will receive a lump sum though there will be some tax to pay on that lump sum.

**Delay can prove to be expensive**

Procrastination – the temptation to put things off to another day – has been called the thief of time but it also robs many people of their retirement income. For example, €100 paid into your pension early in your working life will produce more income in retirement than €100 paid in later because of the way compound interest works. This means that investment returns can accumulate on investment returns. Over long periods of time, the effects can be quite dramatic.

To illustrate, if someone pays €100 per month into their retirement fund for 20 years and investment returns of 6 % per annum after costs are achieved, then they can expect a maturity value of €46,200. However, if they delay starting saving for just five years and save the same sum each month for 15 years, achieving the same net rate of investment return, then the maturity value will be just over €29,000. So, by failing to save a total of €6,000 in those first five years, the value of the pension on retirement has been cut by more than €17,000.

## How much will I have? How much do I need?

## Not very easy questions to answer!

How much you will have will depend on a number of issues. Firstly, what will comprise your “retirement fund”? There are still many who see their company pension and their State pension as the only source of income in retirement, but an increasing number now have share options, property and/or personal assets that have been acquired and earmarked as an asset to provide supplementary income in retirement.

## Factors to consider include:

- how much has been saved/accumulated?
- by how much may it grow?
- how long is there to retirement?
- are there any tax consequences?
- what may inflation be between now and retirement which will erode real returns?

This will be addressed in more detail in Chapter Four.

Having established that you may well have a shortfall in your pension requirements, action is now required. No guide can tell you exactly what to do as every individual has to adapt to their own circumstances. There are those who will wait for an inheritance, those who have piles of stock options and those with their own accumulated wealth that is invested for capital growth now and will be used to provide supplementary income in retirement. There are also those who will have to compromise their life style and start saving hard, or... work longer.

### Saving from income

In Belgium, for many, saving from income is difficult because it means saving from net income. As we all know, after social charges and taxation we are not always left with a huge amount in our pocket.

Step one is to consider investing into the tax deductible schemes previously mentioned. If this is appropriate and you have more income to save there is a huge array of savings plans to choose from. There are “cheap and cheerful” low-cost plans and those which offer more choice but often come at a price.

**Different asset classes and risk**

It is worth pointing out that whilst shares have historically provided the best long term investment return they also provide some of the higher risk investments available.

Risk is something that needs to be considered by all investors and as one approaches retirement the appetite for risk may well change.

Some people may be willing to take a certain risk with investing their retirement savings in order to increase performance to achieve a specific goal, whether a higher level of retirement income or an earlier retirement age. However for those who wish to balance or remove risk there is a wide variety of asset classes in which savings can be made. These range from equities (shares), cash, bonds and property through to hedge funds, wine or other collectibles such as art. Now is not the time to study each of these in detail; needless to say, there is a huge variety of choice in each asset class.

Unless you have the time and inclination to devote yourself to this, advice in selecting appropriately must be sought. It is important not only to consider the potential gain from an investment but also what might be an acceptable level of loss. This will help determine your risk profile more closely. Risk as a concept will be covered in more detail in Chapter Four.

It is worth pointing out that in Belgium, tax-deductible pensions and savings plans, including many company pension schemes, have modest levels of fund growth. Current levels of return are 3.25% in some cases and lower in others. Taking this into consideration there may be a case for being more aggressive with other savings and investments.

# Entering retirement

The children have left home and have completed their university education. The mortgage is paid off and money is building up each month from your salary and each year from the annual bonus and, perhaps, share options. This is the period when many people are able to put the icing on the cake.

The closer you get to retirement the more important it is that you are confident of your personal financial facts, i.e. your pensions (State and corporate), have a good idea of what the net (after tax) income will be and so on.

In other words, make sure that you have all of the information you need – and allow plenty of time to get it – such things inevitably take longer than you expect.

**Pensions shortfall?**

As previously discussed, most people from an international background will have State pension entitlement from two or more countries. They will almost certainly also have at least as many second pillar pensions, i.e. those provided by an employer. It is important that you understand their true worth and assess whether you will have a pension shortfall.

**Your retirement destination**

By now you may – or may not – have decided where you will live in retirement. Some people who have perhaps been in Belgium for many years delay a decision on where they will live permanently. Initially they remain here (which for so many years has been the centre of their work and social lives) to see if they enjoy living here as much in retirement.

If this is the case, make sure that your financial arrangements are compatible here and in the country in which you may retire.

**Estate planning**

It is not possible to cover such complex issues as estate planning in detail in a guide of this kind, but most people will be concerned about the implications of estate planning. Belgium applies forced heirship rules, meaning that you will not have a free choice as to whom you can leave your money on death. Remember too that if you have been employed by such organisations as the European Commission, or if you have been part of the expatriate (non-resident) tax regime, your status will change when you retire and if you remain in Belgium it is very likely that you will be considered to be domiciled in Belgium for inheritance tax purposes.

It is advisable to consult your notary or a private client lawyer and make sure that they are fully conversant with any international implications which may apply as a result of having assets outside of Belgium.

# Retirement Solutions

**Certainty of income and the security that it brings will be the priorities for most people in retirement.**

Most people make the most important financial decisions of their life when they retire – and some of them get it wrong. Remember too that investing doesn't stop at retirement; neither should it then be starting.

Many readers will receive a lump sum from their employer's or private pension. Most, other than the lucky few, will be relying on this lump sum to generate an income.

## Investing a lump sum for retirement

It is important to have a realistic knowledge of the income one can take from capital.

What should you do with that lump sum? Invest it, and if so where? Buy an annuity? Put it under the bed and just spend it, month by month?

It is important to strike a balance which achieves the following:

(i) provides an acceptable level of income now,
(ii) preserves capital value and
(iii) ensures that the income generated keeps pace with inflation as far as possible.

Retired investors will generally seek a "balanced" portfolio. This means the invested money will be spread widely in shares, bonds and as is more common now, alternative assets such as hedge and absolute return funds, and not forgetting property, wine, art, antiques and other collectible items.

It is not possible in a guide of this nature to examine each asset class in detail and give thorough explanations. Suffice to say that each asset class carries a particular level of risk and a sensible level of diversification using a combination of asset classes will enable you to invest to suit your own personal risk profile.

It is vital to ensure that your capital is invested into assets which should grow with inflation. Cash on deposit is unlikely to do this so you must invest into assets which are, in effect, inflation proof. A balanced portfolio as mentioned above should achieve this over time.

Most retirees will need to achieve an annualised return of 7-9% (from their portfolio). If one considers drawing an income of 5% per annum of the capital value, this should meet all of the above aims of ensuring that you also preserve capital value and thus income keeps pace with inflation, if between 2% and 4%.

To illustrate this last point, with capital of €100,000 from which one is drawing an income of 5% one could reasonably expect to receive €5,000 per annum.

To look at it another way, anyone who wishes to generate €50,000 per annum will require capital of €1,000,000.

If you are retiring quite young, and with life expectancy ever-increasing, the level of income needs to be watched so that capital erosion doesn't kick in. Now that many people spend decades in retirement, it is worth emphasising that even today's low levels of inflation can pose a threat to fixed incomes.

**The rule of 72**

You can find out how long it will take to decrease the value of your money by half at a given rate of inflation by dividing 72 by the annual inflation rate. For example 72 divided by 3.5% (the official rate in Belgium for 2004/2005) gives 20.57. So in just over 20 years and 6 months the purchasing power of your money will be halved.

Statistically, one of a couple retiring at 60 or 65 could have a life expectancy of 30+ years, so ensuring your investments keep pace with inflation is vital.

**The appropriate retirement vehicle**

Choice of a retirement vehicle is very much the consideration of investments, not just the buggy for the golf course!

The ideal retirement investment vehicle should provide:

- Centralised administration
- Cost effectiveness
- Security
- Investment diversification
- Tax efficiency
- Ability to generate an income

**Annuities**

Annuities normally provide a guaranteed regular income for life and are sold by a wide variety of authorised providers, normally life assurance companies and banks.

The most common criticism of annuities is the loss of control of one's capital and the fact that with a lifetime annuity, on death, the asset dies with it. There is no legacy for the next generation.
Pensions in Belgium must now offer an annuity, though with current low interest rates the return is not terribly attractive.

**Investing in property**

Many people invest in property as a secure and reliable means of building capital and producing an income. As many will be aware, in Belgium the first investment property one owns is highly tax efficient.

Remember, though, that the all-important investment principle of avoiding putting too many eggs in the same asset basket – whatever that asset may be – most certainly applies to property.

The vast majority will wish to rid themselves of the administrative burden of chasing tenants for rent arrears and arranging to have boilers and roofs repaired. Many people who have a lump sum to invest either prior to or at the point of retirement are seeking a vehicle that will reduce administration and allow them time to enjoy this period of their lives.

## Retiring in Belgium

**Belgium as a tax haven…**

Despite the penal tax regime during our working lives, Belgium offers excellent opportunities for capital investment. There is no tax on capital gains arising from the sale of shares and most pooled investments such as SICAVs (*Société d'investissement à capital variable* - the French term to describe an open-ended investment company).

However, the EU has recently introduced the European Savings Tax Directive (ESTD) which applies mainly to cash deposits and interest-bearing securities but also includes other collective investments which hold a high proportion of cash or interest-bearing securities. For the time being this tax is only 15% but will increase to 35% by July 2011.

Certain insurance company based structures allow a virtually limitless range of different investments and provided certain conditions are met, there will be no tax on withdrawals from the portfolio.

It is important that one considers all aspects of one’s retirement portfolio. Performance is important, but so are diversification, value for money and (the one to which many people fail to pay sufficient attention) administrative simplicity and efficiency.

Investment policies provided by life assurance companies can play a big role in the retirement portfolio. A Belgian Branch 21 policy will offer a guaranteed rate of return, though rates are relatively low. As with cash deposits the investor has to weigh up the value of the guarantee against any need for higher returns which come with an increased level of risk.

**Insurance Wrappers – a comprehensive solution**

One product which can provide all of the earlier mentioned benefits is a Branch 23 life policy. These can be bought on the domestic market for as little as €5,000, though with a limited range of funds provided by the life company. Of far greater interest are offshore life wrappers which provide a wide range of investment options, offer the vital centralisation of administration and allow one to take withdrawals of capital which are not taxable in Belgium.

A wrapper is essentially an "investment warehouse" through which a virtually limitless range of underlying investments can be purchased. Whilst they will be provided by life assurance companies, it is important to note that you are not paying a premium to purchase additional life assurance. It is, to all intents and purposes, an investment.

Life insurance wrappers are widely recognised in Belgium, the UK, France and many other European countries and to be an authorised product in Belgium such wrappers should come from EU countries such as Belgium, Luxembourg or Ireland.

Remember too that value for money is important. Don't forget also that a wrapper is only as good as the investments in it.

A wrapper need not hold investments limited to those offered by the life company providing the administrative wrapper. You could choose from:

- Stocks and shares, as well as most fixed interest and bond issues on almost any recognised global exchange.
- Various collective investment funds such as SICAVs.
- Eurobonds and currency deposits.

And you can transfer in existing assets if you want complete centralisation of administration.

So by using the full range of assets available you can construct a retirement portfolio to suit your needs now and in the future. You can make additional investments, change from growth to income and make withdrawals to help you supplement your retirement income.

**Retiring in another country**

Despite the fiscal attractions of Belgium, there will be many amongst you who will be seeking the sun, or wishing to be closer to home – or just fancying a new adventure.

It is impossible to give comprehensive advice about retiring in any one country in a guide of this kind, let alone several potential destinations. The virtues of wrappers have been extolled and these are highly effective in a few favourite retirement destinations, including the UK, France and Spain.

## Security and certainty

It is worth emphasising that most people's priorities in retirement are certainty and security. Given the varying degrees of risk entailed in investing great care should be taken when considering what is suitable for your needs and aspirations.

Specialist independent financial advice should more than justify the cost in analysing your needs and the advantages and disadvantages of the many structures available and investments therein.

# Conclusion

**When it comes to retirement planning it is really a case of "fail to prepare; prepare to fail."**

For the younger reader, with today's lower rates of interest and investment returns, substantial sums of capital must be accumulated to provide a worthwhile income in retirement, and the sooner we start saving, the better the chance we have of achieving a satisfactory result.

We have already illustrated in Chapter Three that the cost of delay could be much higher than you might expect.

Specialist advice can also help you make the most of pension savings and other investments you have already accumulated. Independent financial advice in conjunction with specialist tax advice should give you access to the most suitable structure available.

Remember too, that many readers who are living outside their home country will need to tie together benefits and savings from more than country, and more than one employer. Good advice is paramount.

## Build a relationship with an adviser sooner rather than later

Evidence shows that only a minority of people cultivate a relationship with an adviser well in advance of retirement. In Belgium, with pension schemes distributing a lump sum on retirement, it really is vital to develop a relationship with a trusted adviser in advance so you can invest that lump sum with confidence.

With the best will in the world, it is not easy for the individual to cover the vast number of permutations and considerations facing one at the point of retirement. The problems are exacerbated for those living outside their home country or for those who may be retiring to a different country.

A quality adviser will help you identify what your financial objectives should be during these important years. He/she should help with issues such as:

- *How much will my State pension(s) be?*
- *How much income will I need?*
- *How much income can I expect from my various assets?*
- *Balancing wealth: avoiding being too overloaded in one asset class.*
- *Avoid being too fragmented.*
- *Where will I live and thus what currency will I be spending?*
- *What can I do in advance to optimise tax planning opportunities?*

- *How can I optimise other benefits, such as share options?*
- *Is my employment structured in the most tax-efficient way?*
- *Administrative considerations: how much time will you have or wish to spend on administering your investments?*
- *Will my partner/family be financially disadvantaged if I die?*

Talk of pensions and retirement plans these days is often surrounded by doom and gloom. It is easy to overlook the fact that new legislation and product innovation have improved customer choice substantially. Competition has also improved value-for-money on many pensions and investments and you have a wider range of solutions to consider than ever before.

We hope this *Guide* helps you make the most of all you are working for.

# REQUEST FOR INFORMATION

If you would like to be contacted by a Fulcra adviser, please complete all of the details below and fax to 0032 (0)2 639 4567 or return in an envelope to:

**Fulcra International Financial Planning**
**Avenue de Tervurenlaan 168, bte 14**
**1150 Brussels, Belgium**

**Or visit:**
**www.fulcra-international.com**

Title ______ Full name ______

Address ______

______

______ Nationality ______

Daytime telephone number ______

Evening telephone number ______

E-mail address ______

Date of birth ______ Anticipated retirement date ______

Probable Country/Countries of retirement ______

I am interested in the following (please tick):

- ☐ Retirement planning review
- ☐ Assessment of my existing pensions in Belgium
- ☐ Assessment of my existing pensions in ______ (Country)
- ☐ Asset allocation review
- ☐ Tax deductible Belgian Pensions
- ☐ Other (please specify) ______

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