



Workplace Savings

An Isio blog

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What is the true cost of moving?

Who's this for: DC scheme Trustees, Governance Committees and Pension Managers

Scrolling through property apps is a guilty pleasure of mine and during lockdown has become even more consuming while I aimlessly walk around the local area for my daily exercise allowance (and trying to get my 1 year old to nap), spotting for sale signs and then playing guess the price with myself! I can't be the only one who does this can I?

Whilst we dream of a lovely new house and how big a savings account is required to buy it, in reality it isn't just the price of the property we need to contemplate. There are less obvious costs associated with the transaction that aren't always considered at the outset; legal costs, broker fees, moving costs and tax, all can burst the dream house bubble and make it prohibitive.

The same applies when implementing an asset transition for your pension scheme – the new arrangement may look attractive, but there are other costs that may be incurred during implementation that should be taken into consideration.

- Has the transfer been planned so that any transaction costs are minimised?
- Are all costs accounted for in any pre-transition estimates, including costs associated with trading the underlying assets of the funds members are invested in?
- Are outgoing and incoming assets aligned as closely as possible to minimise out of market exposure?
- Has the timeline been considered so that the transition is carried as quickly as possible to reduce any potential opportunity cost?
- Have market conditions been considered to avoid trading during periods of market instability, when transaction costs could be higher and prices more volatile. For example, during the peak of the pandemic, typical equity market spreads more than doubled!

Transaction costs to transfer a typical member pot are around 2%. If a member is invested in property funds, the round-trip transaction costs are around 7%. If a transition is not well managed, the costs could be much higher due to market impact and out of market exposure.

Much like appointing a conveyancer to conduct a survey on your dream house before purchasing it, the Asset Transition Team at Isio can bring transparency to the forefront and help trustees and employers plan the transition to manage the risks and costs involved so there are no unwelcome surprises for members when their pots move home. Get in touch!

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