



SELF-INVESTED PENSIONS (SIPP'S AND SSAS'S)

A traditional issue with pensions is that people feel that at times they have not performed as well as competing investment products. Indeed many people believe that their old employer scheme or personal pension is 'managed' by the provider. This is usually not the case and they will wait for a client (or their adviser's) direct instructions before changing investments.

A pension is essentially just a tax-efficient structure around an investment, and there is the ability to invest directly in a much wider range of assets than is generally appreciated. Self-Invested Pensions can enable you to do this, although they are not right for everyone – particularly those with smaller fund values.

Investment options that people often use with Self-Invested Pensions are as follows:

- Running a personally managed portfolio of individual shares or funds.
- Appointing a professional investment manager to make asset allocation decisions on their behalf.
- Investing directly in a commercial property.
- Holding monies in a bank account, for those who want very low risk.
- A combination of the above.

Subject to a review of the features of any existing arrangements and personal circumstances, SIPP's and SSASs can be used to consolidate previous pension funds to create a more transparent, controllable and personalised pension arrangement.

Types of Self-Invested Pensions

There are two main types of Self-Invested Pensions for UK registered individuals.

SIPP's are Self-Invested Personal Pensions that typically are set up by one individual as a personal fund of money, although several SIPP holders can operate in tandem and pool their resources to buy a particular asset.

SSASs are Small Self-Administered Schemes, which are set up typically with a sponsoring company. In such funds the investment account is formally pooled. Such pensions are usually set up to enable the members to use their pension funds to invest in the development of their own business in certain ways.

The Self-Invested route can be appealing to many groups of individuals, and below are some particular examples.

Busy Professionals

Some clients are fully capable of running their own financial affairs and making appropriate investment selections. However, due to their work commitments are unable to spend sufficient time on managing the pension themselves.

Using a SIPP and appointing an investment adviser to oversee the process allows them the ability to set the tone and parameters of any investment approach. As with a Stockbroker or Portfolio Manager account used to manage non-pension investments, they control the direction without having to undertake administration or day-to-day maintenance personally.

Directors/ Partners of Owner Managed Firms

Directors can use such plans in a number of ways in order to benefit their businesses.

- SSASs can make loans to the employer (although these must be on commercial terms, and secured on a suitable asset owned by the business).

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- SIPPs can hold unlisted company shares (although providers of such schemes will have restrictions in order to protect their standing with HMRC). This can be useful in a management buyout situations, and also when the firm needs to generate liquidity, by selling shares to a director's SIPP.
- SIPPs and SSASs can buy commercial property, which can be rented by the member's firm. Can make a business expense a retirement asset.
- Both SIPPs and SSASs can borrow up to 50% of their net funds value to help fund purchases of a desired asset (such as a commercial property).

Other Advantages

- There is the potential to create schemes for family groups to enable a client and their immediate and extended family (including children under the age of 18) to follow a unified investment approach.
- It is not compulsory to purchase an annuity for either a SIPP or a SASS. You can access their pension funds through capped drawdown, flexi access drawdown or choose to purchase an annuity, which allows for greater flexibility in retirement planning.
- It is possible to provide a lump sum, pension benefits or annuity benefits for your dependants.

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