

Small Self Administered Schemes (SSAS) Frequently Asked Questions

What is a SSAS?

A small self administered scheme (SSAS) is an occupational pension scheme, established by a business which appoints the trustees to hold the assets of the scheme for the benefit of the scheme members. The members of the scheme are usually also the trustees.

The trustees decide how to invest the assets of the scheme but are obliged to consider financial advice in making those investment decisions. As the trustees make investment decisions for themselves, they are subject to a lesser degree of regulatory compliance than if all members were not trustees.

A SSAS is also a registered pension scheme with HMRC, this means that contributions paid may obtain tax relief, investment income and gains may be tax free and benefits payable may also be part or in full tax free. Two examples of this are a tax free sum of 25% of the value of the fund from age 50/55 or a tax free payment on death before retirement to beneficiaries. Pension income is taxed as pay. A lifetime allowance applies in most circumstances.

What are the key benefits of a SSAS?

- **Ringfencing:** A SSAS provides the opportunity for business owners to build up retirement funds in a tax free environment and within a discretionary trust, this keeps the assets ring fenced from the business.
- **Control:** The business owners (as trustees) have complete control over investment choice and unlike a SIPP, assets are registered solely in the names of the member trustees. The requirement for a pensioner/professional trustee no longer applies.
- **Tax relief:** Business pre-tax profits may be contributed to the scheme and may be tax deductible. The business is not required to allocate the funds to a member at the date of payment, this can provide tax planning opportunities.
- **Loans:** Up to half of the value of the fund may be loaned back to the business, on commercial terms with security.
- **Borrowing:** A SSAS may borrow to acquire assets, for example commercial property purchase at auction or assets owned by the scheme members or the business. The borrowing is limited to 50% of the value of the SSAS, any borrowings in excess of this amount must be held outside the SSAS.

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- **No annuity purchase requirement:** You may draw a pension from the scheme from age 50/55 without the requirement to stop working. The pension may be paid from the resources of the scheme, you are not required to purchase an annuity at any stage.

Can I wind up my SSAS?

Yes, this is possible. In summary, any money allocated to a member must be transferred to a new pension scheme or an annuity can be secured. Any funds that are not allocated can be refunded back to the business less a 35% tax charge. Most SSAS operate on a non allocated funding basis.

How do I go about investing funds?

Most members will have a specific purpose for setting up a SSAS; often it is simply to reduce tax from the business. Once that cash is in the pension bank account, alternative investment of those funds may be required. We will assist in ensuring that the scheme paperwork is correctly completed relating to that investment (but we do not give advice in making or arranging that investment). Trustees are obliged to consider financial advice before investing their funds.

What happens to my SSAS if Pension Practitioner .Com stopped trading?

In the highly unlikely event that we stopped trading, clients can either continue the administration themselves or appoint another firm. The structure of our services provides clients online access to their scheme through HMRC; also we are not signatories to scheme assets. This arrangement avoids the complication in removing us off the investments and also the client has access to the same information as we have regarding their pension scheme; clients can therefore go online and remove us as Practitioner and appoint another firm. We have designed the service in this way to give clients complete control over their scheme affairs.

Why are there more SIPP providers than SSAS companies?

A SSAS can only be established through a business, whereas any one can join a SIPP. This makes for a larger prospect market and in turn the number of SIPP firms participating in that market also increases. It is a myth that the tax structure of a SIPP makes them more advantageous than a SSAS, or that the schemes are virtually identical.

How can I be sure that the technical information provided by Pension Practitioner .Com is correct?

There is a lot of information on SSAS posted on the web, much of it out of date. The

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information we provide is sourced directly from HMRC, The Regulator and the Government's Office of Public Sector Information. Those bodies email changes/updates to pensions law and regulations, a qualified person reviews that information and if necessary, our website is updated. Our website will be never more than 48 hours out of date on pension practice.

Do I need a corporate trustee/pensioner trustee to my scheme ?

Whilst this still requirements still appears on some Government websites, the requirement for a corporate trustee /pensioner trustee was removed on 6 April 2006 as a consequence of pension simplification. Some pension companies advise that not having a professional trustee creates a greater risk and is more likely to be queried by HMRC. The HMRC do not hold a list of pension schemes which have an independent trustee and those that do not.

I am required to buy an annuity?

There is no compulsory requirement to purchase an annuity on retirement. Whilst an annuity provides certainty of income during requirement this compulsory requirement was removed on 6th of April 2006.

SSAS are more expensive to operate than a SIPP?

The cost to operate a SSAS is a fixed. There are no hidden costs or investment transaction charges. Under a SIPP, the operator will recover those costs through investment transaction charges or where activities are undertaken for the pension scheme.

I am stuck with a SSAS for life?

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