GD
GIBBS DENLEY
FINANCIAL PLANNING

Chartered Financial Planners

SMALL SELF-ADMINISTERED PENSION SCHEMES (SSAS)

FOR GIBBS DENLEY FINANCIAL PLANNING

financial@gibbsdenley.co.uk

www.gibbsdenley.co.uk

INTRODUCTION 3

WHO CAN TAKE OUT A SSAS? 4

HOW IS A SSAS SET UP? 4

- Who can be appointed as a trustee? 4
- How is a SSAS administered? 4
- The role of the scheme administrator 5
- The role of the scheme practitioner 5

CONTRIBUTIONS TO A SSAS SCHEME 6

INVESTMENTS WITHIN A SSAS 7

- Stocks and shares 7
- Purchase of property 7
- Loans 8

TAX-EFFICIENCY 9

TAKING RETIREMENT BENEFITS 10

COSTS AND CHARGES 11

CASE STUDIES

- “Bob’s Butchers” Ltd 12
- “ABC Aggregates” Ltd 14
- “Freda’s Farms” Ltd 15

DUTIES AND RESPONSIBILITIES 16

PERMITTED AND TAXABLE INVESTMENTS 17

INTRODUCTION

A small self-administered scheme (SSAS) is a type of pension that can be set up with between one and 12 members. This is done via a trust deed effected by the directors of limited companies for themselves, senior executives and selected employees, though they can also include family members even if they are not employees.

Unlike personal pension solutions, a SSAS gives business owners more control over the use and investments of monies in the pension scheme. This may include owning property or other assets, or loaning money back to the business – all subject to conditions.

In addition, scheme funds can also be invested, much like a traditional pension, providing many of the same benefits.

What are the benefits of a SSAS?

Low costs – there is one single set of charges regardless of how many scheme members there are, reducing the cost of administering the pension.

Tax-efficiency – not only do employer and member contributions receive tax relief at the appropriate rate, investment income and gains within the scheme (apart from some dividend income) are generally exempt from Income Tax and Capital Gains Tax.

Transfers – funds from other pension arrangements can be transferred into a SSAS.

Contributions – can be made by the sponsoring employer, or by the scheme members, with tax relief provided at your highest rate of Income Tax.

Investments – you can invest the funds within a SSAS into stocks and shares-style investments in line with your scheme's attitude to risk.

Flexible – it offers your business greater flexibility on where the scheme's assets can be invested. For example, you may be able to purchase a trading premises, rent it back to the business and pay the rental income into the scheme. This also means that you are able to use your own suppliers and professionals, not those dictated by a scheme provider.

Borrowing – a SSAS can borrow money for investment. For example, the SSAS may raise a mortgage to assist with the purchase of the company premises by the scheme. The mortgage repayments may then be covered by the rental income the company pays into the SSAS.

Lending – SSASs can loan money to the company to buy company assets or commercial property. The loan would then be repaid to the scheme on a five-year capital and interest repayment and on commercial terms. Loans may also be made to non-connected parties.

Flexible retirement benefits – SSAS members have a variety of flexible options available for taking benefits from the scheme when they retire. These include tax-free cash, phased retirement, flexible income drawdown or an annuity contract.

Inheritance planning – funds within a SSAS are typically not subject to inheritance tax and can be passed on to a member's beneficiaries.

Trustee bank account – Gibbs Denley can arrange a private bank account with Cater Allen, for which we do not charge.

WHO CAN TAKE OUT A SSAS?

A SSAS can be taken out by the directors and executives of a limited company or a Limited Liability Partnership (LLP) and can have up to 12 members. At least one member must be an employee or director of the company, but the other members do not need to be employees.

HOW IS A SSAS SET UP?

When setting up a SSAS, there are three core requirements that must be carried out first:

1. Set up a pension trust for the scheme. This consists of the trust deed and rules in the name of all of the trustee members. This is produced by Gibbs Denley Pension Trustees (GDPT).
2. Register the trust with HM Revenue and Customs (HMRC), giving the scheme the same favourable tax treatment as all pension schemes in the UK.
3. Open a bank account in the name of the trustees.

Who can be appointed as a trustee?

Within a Gibbs Denley SSAS, all members of the scheme are trustees, and Gibbs Denley Pension Trustees can also act as a professional trustee.

How is a SSAS administered?

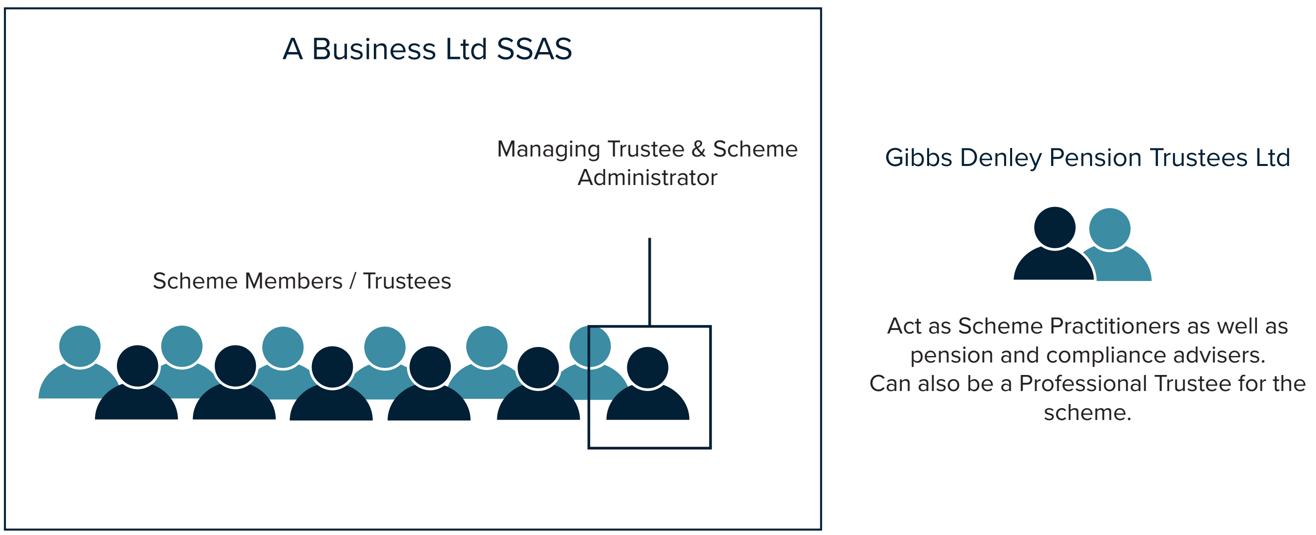
A SSAS will be run by its trustees, giving them greater control over investments and money held within the scheme. Trustees have certain duties and responsibilities (see page 16) but Gibbs Denley are always on hand to provide help and guidance with these.

In addition to the trustees, there are also several key roles that will need to be carried out:

Managing trustee – this will be one or more nominated individuals from the company's directors or officers and also a scheme member. They are ultimately responsible for the effective running of the SSAS.

Scheme administrator – appointed by the scheme, this person is legally responsible for ensuring the scheme is compliant with pension legislation and ensuring that relevant information is disclosed to HMRC. This is usually the managing trustee.

Scheme practitioner – an individual appointed by the scheme administrator to undertake key administration tasks, such as the HMRC tax return and annual scheme return. This is fulfilled by Gibbs Denley Pension Trustees.



The role of the scheme administrator

Each SSAS requires a scheme administrator, and the managing trustee will normally perform this role. Every pension scheme registered in the UK must have a scheme administrator who is accountable to HMRC for complying with their rules and regulations. This person carries out the various reporting requirements.

The managing trustee(s) will be one or more individuals from the company's directors or officers who are nominated to perform this role. Ultimately, they are responsible for the effective running of the SSAS.

The managing trustee(s) should take independent professional advice before proceeding with or disposing of any investment. They should also ensure that decisions are agreed in writing by all of the trustees beforehand. Decisions and agreements should always be fully minuted.

Gibbs Denley Financial Planning are Chartered Financial Planners and provide financial advice to the trustees and members of all Gibbs Denley SSAS schemes.

The role of the scheme practitioner

As well as providing advice, Gibbs Denley Pension Trustees will act as scheme practitioner. This means we can deal with such matters as:

- Registering the pension scheme with HMRC
- Reporting of events relating to the scheme and the scheme administrator to HMRC
- Making scheme and tax returns to HMRC and producing scheme accounts
- Providing information to scheme members and others, such as Annual Contribution Allowances, Lifetime Allowances, benefits and transfers.

Please note: HMRC can impose fines for failing to adhere to its requirements.

CONTRIBUTIONS TO A SSAS SCHEME

Like most pension schemes, contributions can be made by both the employer and the members. There are no salary-specific limits on employer contributions.

Contributions from the company are most commonly paid by the principal employer on behalf of the scheme members. These are then usually allowable as a business expense, deductible against the firm's Corporation Tax liability.

Members are also able to pay in their own additional voluntary contributions, if they wish. Tax can be claimed back on those contributions based on the members' taxable rate, or members may opt for a salary sacrifice scheme to make contributions.

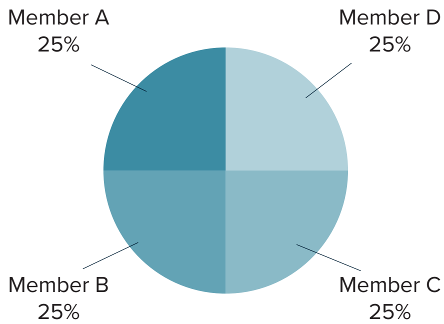
Member allocations within a SSAS

A SSAS is a 'pooled' pension fund. This means that there is normally no earmarking of funds between members – the assets are grouped together. Members take a proportionate share of the overall scheme value dependent on their percentage allocation. The shares may be equal or unequal, depending on how the scheme is set up, and the requirements and contributions of the members.

Example 1: Members with equal shares

A business sets up a new SSAS scheme with four members, all of whom hold an equal share.

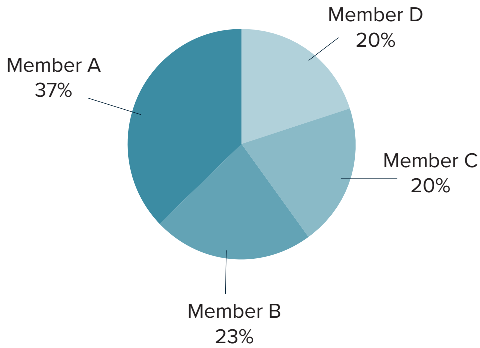
Assuming the contributions for each member are equal over the course of their employment, they are each entitled to a 25% share by the time they reach retirement, and are free to take it on their own terms.



Example 2: Members with unequal shares

A member sets up a scheme where they have 57% share, and their spouse has a 43% share.

After 10 years, they add two more members, who each buy in with a 20% share each. The total pot increases, and the percentage owned by each person changes to reflect it.



In certain circumstances it may be appropriate or advisable to allocate specific assets to a member, i.e. higher-risk assets for younger members, but lower-risk ones for older members who are closer to retirement.

Transferring in from other pension schemes

Funds from pre-existing pension schemes, such as a Self Invested Personal Pension (SIPP) or personal pension may also be transferred into the SSAS to consolidate and manage pensions and keep costs to a minimum. It will not always be appropriate to make these transfers, for example with defined benefit schemes, and your adviser will provide an appropriate recommendation around this.

INVESTMENTS WITHIN A SSAS

One of the main reasons that a SSAS is a popular choice for businesses is the flexibility it offers surrounding assets and investments. These can include investment portfolios, commercial property, business-specific assets and loans.

Typical investments for a SSAS include:

- Cash (trustee account, deposits, bonds etc)
- Stocks and shares
- Commercial property
- Loans to the company.

Stocks and shares

As with a standard stakeholder or personal pension, a SSAS can put money into a diversified investment portfolio, such as one of the investment model portfolios from our sister firm, Gibbs Denley Investment Management (GDIM). These can be selected to meet the investment strategy agreed by the trustees of the scheme. The investment growth then remains part of the scheme, and does not incur Capital Gains Tax.

These investments provide an element of liquidity to the pension scheme, which can be important if one or more members are planning to take their retirement benefits soon.

It is important to remember that the ‘pooled’ nature of the assets within a SSAS may not always match the investment objectives of each individual scheme member, and so an agreement must be reached. For example, younger members may wish to choose a more adventurous investment strategy, on the basis that they have a longer time frame until their retirement date. On the other hand, older members may wish to take a more cautious approach as they are only a few years from their target retirement date.

Investments can fall as well as rise in value, and you may get back less than the amount originally invested.

Purchase of property

One of the key attractions of a SSAS is the ability to buy commercial property from either the principal employer (or any other party) and rent it back to the employer, or a third party, at a commercial rate. It is not permissible to purchase or hold residential property via a SSAS, although residential planning consent can be obtained in a scheme.

If purchasing a property from a business or individual connected to the SSAS, the purchase must be conducted at ‘arm’s length’ – i.e. on commercial terms. There must be an independent property valuation conducted by a professionally qualified surveyor, and fair market value must be paid. Stamp Duty Land Tax and VAT considerations would also apply.

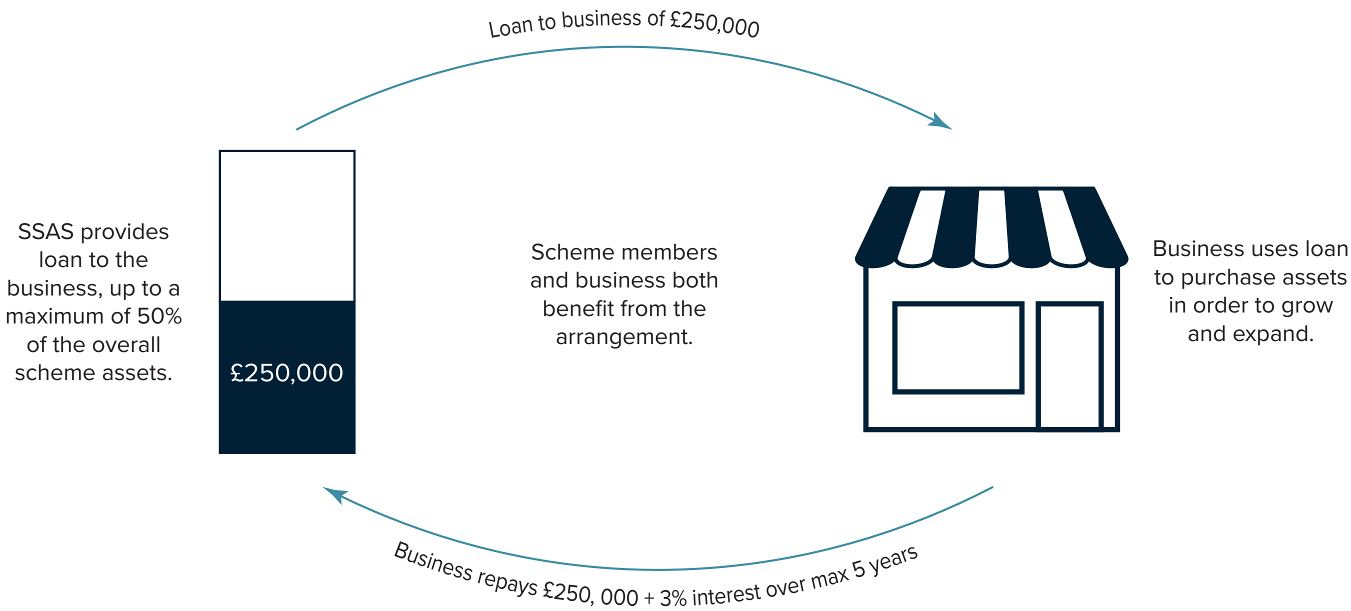
Similarly, if leasing the property back to a business or third party, it would require an independent rental valuation and would need to reflect the going market rate.

The SSAS can also borrow up to 50% of the value of the net assets of the scheme to purchase property, usually via a commercial mortgage.

Loans

Loans within a SSAS can be useful for the development of the business as they can be used in a variety of ways, for example to buy fixed assets, land for development, or to increase stock. There are strict rules governing these loans and the assets they may be used to purchase. The following key considerations apply:

- Loans are restricted to a maximum of 50% of the overall scheme value
- The loans must be secured against assets, usually belonging to the company or directors by way of a first charge, and the security must be sufficient to cover the loan and interest on it at all times
- Loan security arrangements have to be registered at Companies House and, where appropriate, with the Land Registry within 21 days
- The maximum term is five years
- Loans must be repaid on a capital and interest basis, usually at a commercial rate benefitting both the company and the members. Repayments must be made regularly over the life of the loan – for example, quarterly
- Interest rates on loans must be at least 1% above the bank's base rate, but normally at a rate of at least 3% is paid, to represent a reasonable return on risk to members.



Loans cannot be used for:

- **Purchase of residential properties**
- **Art, antiques or similar**
- **Loans to members or connected parties**

TAX-EFFICIENCY

A SSAS receives all of the tax benefits of a stakeholder or employer pension scheme. This means personal contributions by members receive tax relief at the following rates:

- 20% for basic rate taxpayers
- 40% for higher-rate taxpayers
- 45% for additional rate taxpayers

However, it is important to note that there are two key allowances that apply to each member individually:

- The Annual Contribution Allowance of £40,000 for 2022/23 tax year (or £4,000 for members who have taken flexi-access pension benefits already). Contributions over this may incur income tax. Individuals with taxable income over £240,000 per annum will have their Annual Allowances restricted.
- The pension Lifetime Allowance of £1,073,100 (2022/23). You may have to pay an additional tax charge if your pension(s) (including any held outside of the scheme) exceed the Lifetime Allowance when you begin to take your benefits.

Typically, contributions are made by the sponsoring employer on behalf of the employee, and receive tax relief automatically as a company expense.

Additionally, tax relief can be claimed at 20% for scheme members who are non-taxpayers or low earners, for example non-employee members who do not have other employment or earnings. However, contributions are limited to £2,880 (plus 20% tax relief) in these cases.

Death benefits

In the event of a member's death before age 75, their portion of the fund can be passed to their spouse or dependant(s), or indeed any other person of the member's choosing. This is usually free from all taxes, and can be paid as a lump sum, income, or as a combination of the two. The trustees manage this, giving them control and flexibility. Each member can nominate their own beneficiary or beneficiaries.

If death occurs after age 75, the nominated beneficiary or beneficiaries. can choose to receive any residual portion of the member's pension fund as an income, or surrender the allocation for cash. Tax will apply at their own marginal rate.

Death benefits that remain within the scheme are not subject to tax. Income tax only has to be paid if funds are withdrawn from the scheme.

Corporation Tax

Employers will receive Corporation Tax relief on contributions that are "wholly and exclusively for the purpose of the business". This means that employer contributions must be at a reasonable level for the scheme member, taking into account their role and responsibilities within the business. Gibbs Denley can provide advice on this.

Capital Gains Tax

Assets held within the scheme are exempt from Income and Capital Gains Tax, with the exception of some dividend income from foreign shares. Gibbs Denley will provide advice regarding this.

TAKING RETIREMENT BENEFITS

At retirement, there are a variety of flexible options available for receiving benefits from the SSAS. Each member has the flexibility to take their retirement benefits according to their own preferences.

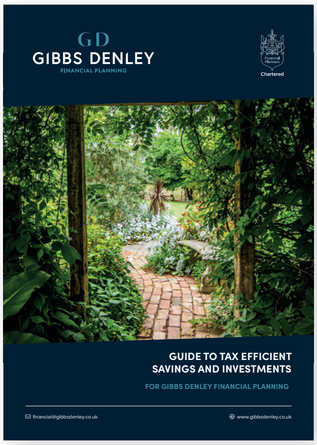
Each member will be able to:

- Withdraw a pension commencement lump sum (currently tax-free) of up to 25% of their retirement fund up to the Lifetime Allowance. This can be taken as a single payment, or several payments.
- Use the remainder to provide the member with a pension income taxable at their marginal rate. Options include:
    - Purchasing an annuity to provide a guaranteed income for life
    - Flexi-access drawdown, enabling the member to take unrestricted withdrawals from the pension fund itself.

Members do not have to retire from employment to receive their benefits. The earliest permitted retirement age is currently 55, although future changes to legislation are planned such that it will fall 10 years before State Pension Age. Taking the pension early will most likely result in a lower level of benefits.

YOUR RETIREMENT OPTIONS EXPLAINED

Find out what retirement options are available to you, and which are the most likely to suit your needs. Our financial planners are here to discuss these with you.



GUIDE TO TAX EFFICIENT SAVINGS AND INVESTMENTS

Retirement planning often goes hand-in-hand with wider tax-efficient saving and investments. Our guide gives an overview of these, helping you to understand and make informed decisions about your financial plan.

COSTS AND CHARGES

Service	Full Financial Review	Included in fee
Setting up a new scheme	£1,500 TBC – small charges	• Draft trust documents • Members announcement letters etc. • Obtaining HMRC Approval under Chapter 1 part XIV of the Income and Corporation Taxes Act 1988. Small charges for gathering information on existing pension contracts may be necessary.
"Takeover" of existing SSAS	£500 £250 (if required)	Transfer of existing scheme to Gibbs Denley and appointment of Gibbs Denley Pension Trustees Ltd as scheme practitioner. Paving deed
Administration of scheme	£1,175 per annum	• Dealing with HMRC • Investments valuation reports • Documentation • Scheme compliance • Liaison with scheme accountants and actuaries • Retirement benefits advice • Production of scheme accounts, excluding actuarial valuations • Trustee work
Legal services	Ad-hoc, agreed in advance	Any additional subsequent legal work such as change of wording in deeds. Does not include charges made by client's own solicitors.

Typical charges for specific transactions

Property purchase	£350
Property sale	£200
Mortgage arrangement	£225
Loan and rollover of unsecured existing loan	£200
Acquisition of connected company shares	£275
New member to scheme	£175
Removal / Change of participating employer	£275

The fees may be paid from the SSAS but are normally allowable for tax purposes if paid directly by the sponsoring employer.

In addition, any necessary work undertaken of an exceptional or extraordinary nature may incur charges exclusive of these stated amounts. The right is reserved to review all fees and may be changed by us on giving two months' written notice. The agreement may be terminated by either party by giving two months' notice in writing to the other party.

All fees for work undertaken by consulting actuaries or lawyers on your behalf will be invoiced to you directly by them. These fees will usually be subject to VAT.

CASE STUDY – "BOB'S BUTCHERS LTD"

The situation

Bob is a local butcher who runs his own successful business. He was accruing significant assets as well as building income from the business, but had not yet effected a plan for his retirement.

He found himself in a position where the business was accumulating profits on an annual basis.

- Business turnover: £500,000 per annum
- Annual net profit: £200,000 - £250,000
- Cash at bank: £500,000
- Commercial property: £190,000 (he owns the butcher's shop personally)
- Personal assets: Three residential properties worth £1.4 million, with a £200,000 interest-only mortgage
- Income: He has limited his current income to £100,000 to maintain his personal allowance.

The recommended solution

As part of a full financial review, we discussed Bob's needs and objectives and reviewed his current situation. With the success of his business, he had reached a point where he was making an excess profit, but was unable to withdraw it as income without losing his personal tax allowance. This was despite having a large amount of cash in the business account.

While he had enough money to live comfortably, he was feeling the limitations of his current situation. He was frustrated at the knowledge that his money was not working effectively for him as an individual or as a business.

Bob understood the basics of a pension, but hadn't appreciated the full flexibility of a SSAS and how it may benefit both himself and his plans for the business. He also wanted access to his own accountants, solicitors, and other property agents.

After discussions with his adviser at Gibbs Denley Financial Planning, a plan was formulated as follows:

1. A SSAS was created with Bob as the sole member, and Gibbs Denley Pension Trustees as the corporate trustee. This gave the minimum requirement of two trustees and also ensured we were able to assist the client in carrying out the necessary administration.

2. A contribution of £200,000 was made from the sponsoring employer into the SSAS bank account using the "Carry Forward" rules relating to employer contributions over previous tax years, and gaining some Corporation Tax relief for the business. Doing this also reduced the amount of cash sitting in the company bank account, at the same time as transferring funds from the company to him as a member in a tax-efficient manner.

3. The SSAS purchased the commercial premises from the client for £200,000. The gain made on the property was only £10,000, so within his Capital Gains Tax allowance for the year. The business then rented the property from the SSAS for £15,000 a year. This enabled him to move those funds out of the business bank accounts and into the pension in a tax-efficient way.

4. The purchase of the property meant that Bob then had £200,000 in his personal account. This money was used to pay off the outstanding mortgage on the residential property, eliminating the monthly interest payments and freeing up some of his income for other spending.

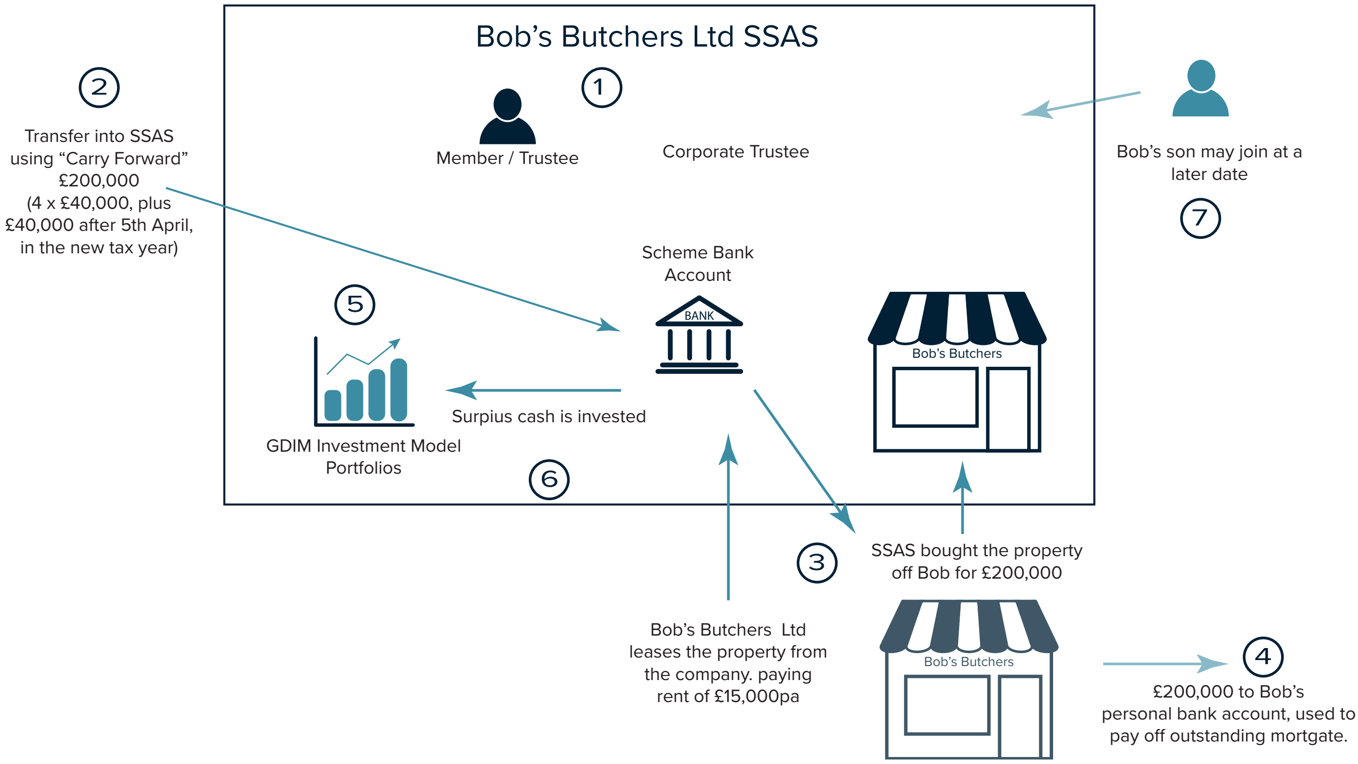
5. Within the scheme, funds were invested into a portfolio with a suitable risk basis, and regular employer pension contributions were started. The client was also able to pay in employee contributions from the income he was now able to take from the business.

6. A certain level of cash is now kept in the scheme's bank account for liquidity. All surplus cash is moved into the investment portfolio. The aim of this is gaining investment growth and limiting the erosive effects of inflation on cash over time.

7. Bob has plans for his son to join the scheme as a member when he reaches an adult age. Pensions are exempt from Inheritance Tax (IHT), so this will provide a vehicle for significant assets to be passed on to the son. It will also limit the overall IHT burden of the estate, as well as providing a pension for the son in later life.

The plan continues to be reviewed at each of the annual trustee meetings, covering off his entire financial planning position and not just the SSAS structure and rules. This makes it an effective ongoing tool for him as an individual and as a business.


THANK YOU
for shopping
LOCAL


Bob's Butchers Ltd SSAS
1
Member / Trustee
Corporate Trustee
2
Transfer into SSAS using "Carry Forward" £200,000 (4 x £40,000, plus £40,000 after 5th April, in the new tax year)
Bob's son may join at a later date
7
Scheme Bank Account
BANK
5
Bob's Butchers
Surpius cash is invested
GDIM Investment Model Portfolios
6
3
SSAS bought the property off Bob for £200,000
Bob's Butchers Ltd leases the property from the company. paying rent of £15,000pa
Bob's Butchers
4
£200,000 to Bob's personal bank account, used to pay off outstanding mortgage.

CASE STUDY – ABC AGGREGATES LTD

The situation

The four directors of ABC Aggregates Ltd each held a personal pension. Each director's personal pension in turn held 25% of the commercial premises from which they operated. This meant that they had four arrangements, with four sets of fees and accounts, duplicating much of the work and costs.

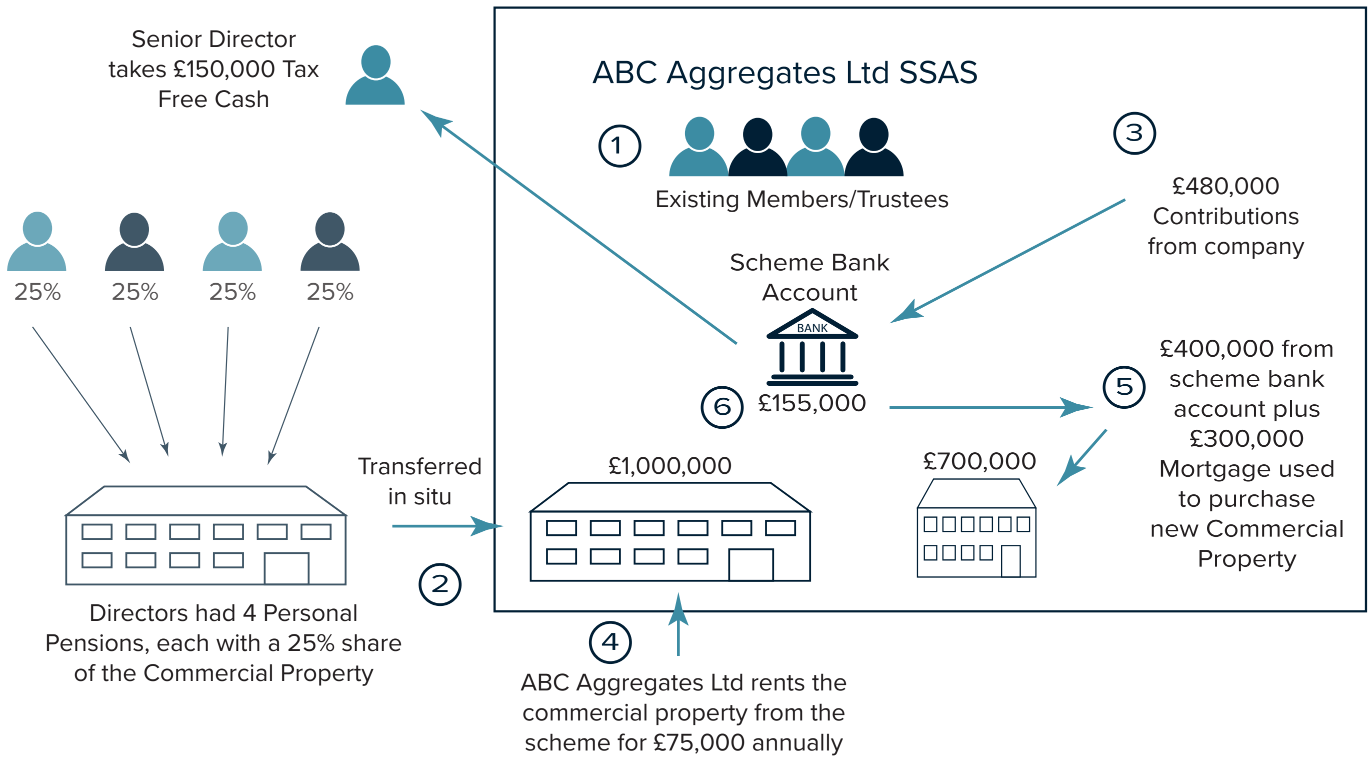
They now wished to purchase a second commercial property, at a cost of £700,000. At the same time, the senior director wished to take £150,000 of his tax-free cash entitlement

• Individual assets personal pension, which the commercial property	Each member had a owned a 25% share of
• Commercial property £1,000,000	Last valued at

The recommended solution

After discussing needs and priorities with the directors, we agreed to do the following:

1. We set up a SSAS for the company, with the four directors as members/trustees.
2. The assets of four personal pensions were transferred into the SSAS in situ, meaning that the ownership of the commercial property was now in the scheme and maintaining their equal shares. This meant that there was now only one set of administration fees and one set of accounts instead of four.
3. Contributions were made for each of the directors for that tax year (4 x £40,000 personal pension allowance, totalling £160,000) as well as a further £320,000 using the carry forward rules for the previous two years (2 x £40,000 for each of the directors).
4. The company rents the property from the SSAS for £75,000 a year. This was paid into the scheme bank account in one annual lump sum bringing the total cash available in the scheme bank account to £555,000.
5. The SSAS was then able to use £400,000 of the available cash, with a £300,000 mortgage, to purchase the second commercial property for £700,000. The company will pay a commercial rent, which will cover the mortgage payments.
6. This left £155,000 in the scheme bank account, which was then used to fund the £150,000 tax-free cash that the senior director wished to take.



CASE STUDY – FREDA'S FARMS LTD

The Situation

Freda's Farms Ltd was an existing SSAS scheme for a family business, holding significant assets. It had originally been set up with four members: Mrs Freda, Mr Freda and their two sons (who also worked for the business). Mr and Mrs Freda had both retired, and were withdrawing a pension from the scheme, but their two sons continued to work and wanted to drive the business forward. However, they had both reached their personal Lifetime Allowance (LTA) limit so were unable to make any further contributions. The elder son was approaching age 55 and also wished to take his tax-free cash.

The scheme owns a commercial property, which is rented out to another business (XYZ LTD) as well as agricultural land, which is tenanted back to Freda's Farms Ltd.

- Total scheme assets
  £5.75 million
- Income from rental of commercial property
  £70,000 per annum
- Income from rental of farmland
  £20,000 per annum
- Loans
  Loan to company for purchase of a new tractor, with security on the company assets. Generating a 3% return.
- Scheme bank account
  £500,000 (to control cashflows in the scheme and pay benefits)

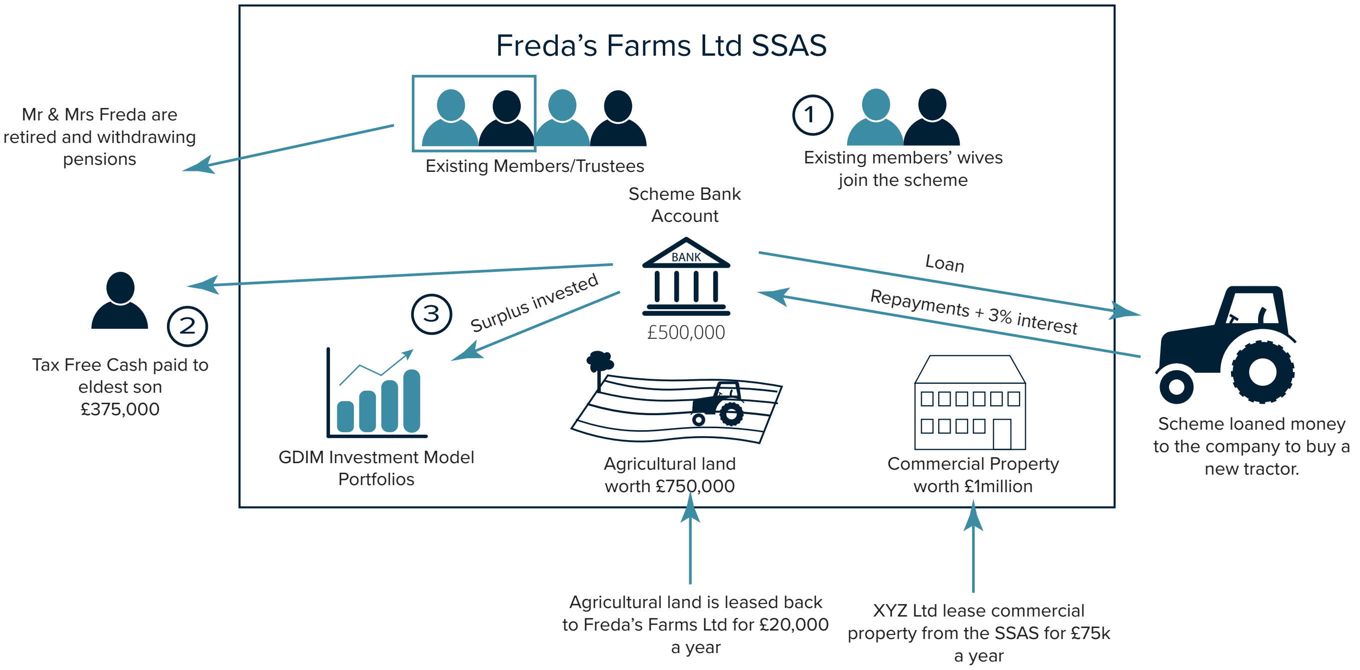
The recommended solution

The solution for this scheme was fairly simple:

1. The wives of the two sons, who were also directors of the company, were added to the scheme. This would enable the company to make further contributions equivalent to those they would have made for each of the sons, while making the most of the wives' Lifetime Allowances for pensions.

2. Tax-free cash of £375,000 was paid to the elder son.

3. Surplus cash was invested in a stocks and shares portfolio within the scheme.



All case studies are based on real cases. However, names have been changed to provide anonymity.

DUTIES AND RESPONSIBILITIES

As a trustee of a scheme, you have a responsibility to ensure that the scheme is run properly. With years of practical experience and expertise, Gibbs Denley are here to help you and provide guidance.

The trust deed for your scheme contains clauses giving protection to the trustees for their actions, so you should not be unduly alarmed about being a trustee. You need to bear in mind, though, that you share ultimate responsibility as one of the trustees. You need to be familiar with your role as a trustee and involve yourself in the running of your scheme, so that you know what is going on. The following notes will help you with this.

Trusts and trustees

When an individual becomes a member of your SSAS, they also become a trustee. In some cases our trustee company, Gibbs Denley Pension Trustees Ltd, is appointed as well.

Both the individual member trustees and where applicable our trustee company have a fiduciary responsibility to protect the interests of the scheme. They must also act impartially, prudently, responsibly and honestly, in the best interests of all scheme members.

Trustees' rights

Being a trustee gives you valuable powers in the running of your pension scheme, which are important. Under general trust law, these are powers of maintenance, advancement and delegation. The trust deed sets out the specific powers.

The trustees exercise their powers unanimously. You will need to work with your co-trustees and reach agreement with them, but you will have much more influence than if you were not a trustee.

Trustees' responsibilities

General

1. In fulfilling their role, trustees must be aware of their legal duties and responsibilities. Trustees are required to have knowledge and understanding of, amongst other things, the law relating to pensions and trusts, as well as the investment of scheme assets.
2. Trustees should have some knowledge and understanding of the legal framework in which the scheme exists and operates. For example, trustees should be aware of key legislation, such as the Pensions Acts of 1995 and 2004 and the Finance Act 2004. Trustees should also be aware of the role played by HMRC, and should be able to access their guidelines on what is a permissible investment for a scheme.
3. As well as being aware of the current position, trustees should attempt to keep up to date with changes that would affect the operation of their scheme.
4. Trustees should be able to identify where it is necessary to obtain specific professional advice in relation to their scheme and any particular investment (for example from a solicitor, financial adviser or an actuary).

Specifics

1. The law requires trustees to be familiar with the key scheme documentation relating to their scheme. This means that trustees will need to ensure they have a working knowledge and understanding of the trust deed and rules of their scheme, and the powers, duties and discretions exercisable by the trustees.
2. Importantly there may be areas where you have greater knowledge and expertise than your co-trustees and professional advisers. These may include particular investments you want to make with your scheme. Another area may be where you have information in your possession which others would not have, such as details about beneficiaries. It is important in these areas that you assume responsibility for your actions, and make Gibbs Denley aware of any issues which are relevant to the proper operation of the scheme.

These notes are a brief summary of trustees' rights and responsibilities, but are not exhaustive. If you require more detailed guidance, you should seek personal legal advice.

PERMITTED AND TAXABLE INVESTMENTS

PERMITTED INVESTMENTS

- ✓ Direct property purchase (including commercial property, agricultural land, hotels, nursing homes and public houses, both in the UK and overseas)
- ✓ Loans to sponsoring employers
- ✓ Stock exchange-listed companies
- ✓ Deposits and national savings certificates
- ✓ Unit trusts and open-ended investment companies (OEICs)
- ✓ Government securities
- ✓ Quoted debentures, loan stock
- ✓ AIM and OFEX companies
- ✓ Traded futures and options (relating to stocks and shares on a recognised futures exchange)
- ✓ Companies quoted on a recognised overseas stock exchange
- ✓ Building society permanent interest bearing shares (PIBS)
- ✓ Second-hand endowment policies
- ✓ Insurance company managed funds and unit-linked funds
- ✓ Hedge funds
- ✓ Exchange-Traded Funds (ETFs)
- ✓ Contracts for difference
- ✓ Shares in unquoted private companies
- ✓ Shares in sponsoring employers (restrictions apply)
- ✓ Offshore funds
- ✓ Investment grade gold bullion
- ✓ Real estate investment trusts (REITs)
- ✓ Pooled investment vehicles and syndicates where the member cannot influence or control the investment (known as Genuinely diverse commercial vehicles)
- ✓ Loans to unconnected third parties

Taxable investments

- x Direct purchase of residential property
- x Direct purchase of tangible moveable property (art, antiques etc.)
- x Commodities
- x Loans to member trustees or any connected parties other than the sponsoring employer
- x Wasting assets (defined as having a lifespan of 50 years or less)
- x Property limited liability partnerships
- x Premium Bonds
- x Residential ground rents
- x Indirect investment in residential property and tangible moveable property (i.e. where the pension fund purchases shares or units in a company or fund which enables the member or connected parties to control or influence the investment strategy of that company or fund. For example, the SSAS purchases 50% of the shareholding in a company which invests in residential property) or whose SSAS gives a loan to a company to buy residential property.

Please note that the value of investments may fall as well as rise and you may not get back the full amount invested.

Warning: if a particular investment is unregulated and not covered by the Financial Services Compensation Scheme (FSCS) then Gibbs Denley are not able to advise on its suitability, nor endorse it.

Any advice is based on our understanding of current HMRC legislation and limits. Please note these may change in the future.

Cambridge

Crystal House, Buckingway
Business Park, Swavesey,
Cambridge. CB24 4UL

Tel: 01954 233 650

Bury St. Edmunds

55 Abbeygate Street,
Bury St Edmunds,
Suffolk. IP33 1LB

Tel: 01284 722 600

Chelmsford

59 New London Road
Chelmsford,
Essex. CM2 0ND

Tel: 01245 290 702
