rowanmoor
SSAS

Client Scenario

Jack and Melanie plan for their future

By using funds from their existing Rowanmoor SSAS to invest in a commercial property the possibility of early retirement may become a reality for a forward-thinking couple.

- Husband and wife in their late 40s.
- Wish to buy leasehold premises owned by the employer.
- Release working capital for employer.
- Looking to diversify funds and spread risk.
- Planning for early retirement.

SSAS assets prior to property purchase

Insured funds	£ 200,000*
Trustee bank account	£ 10,000*
Unquoted equities	£ 25,000**
Fixed term bond	£ 30,000**
Managed investment portfolio	£ 440,000***
Total	**£ 705,000**

* assets to fund property purchase.
** assets not used to fund property purchase.
***some of assets to be encashed to fund property purchase.

Property investment

Leasehold commercial property	£ 290,000
VAT @ 20%	£ 58,000
Fees and disbursements	£ 10,000
Total required	**£ 358,000**

Small Self-Administered Scheme

Offers investment flexibility and corporate financial planning options.

- Working capital released will help the company respond to new opportunities.
- Potential for capital growth on investments.
- Rental income from property investments will boost scheme liquidity.
- The choice of investments is flexible.
- Succession planning opportunities for investments and death benefits.
- Comprehensive, flexible benefit options enable retirement income to be phased.
- Provides flexi-access drawdown, scheme pension and uncrystallised funds pension lump sum.
- Administration is of a truly bespoke nature and each scheme has a dedicated administrator.

Meet Jack and Melanie . . .

Jack Scott and his wife Melanie have had a small self-administered scheme (SSAS) for a number of years, currently invested mainly in equities. They used a loan from scheme funds to aid company development some time ago but feel they are not making the most of the advantages offered by such a pension arrangement. They did boost their funds earlier in the year by making maximum contributions for this tax year and are looking to ensure their company continues, should one of them die. They are both keen to retire before state pension age.

Their company, a media business, has performed exceptionally well over the past years and is financially sound working from a commercial property, which they have held the leasehold for since the 1990s.

Recent market conditions for their SSAS investments have worried Jack and Melanie who have been considering alternative investments. The scheme has total funds of £705,000, which include a managed investment portfolio, insured funds, a fixed term bond, unquoted shares and cash. Following discussions, with the company accountant and their financial adviser, they are advised to consider purchasing the company's leasehold property to release much needed working capital to the company and to diversify their scheme investments more.

An independent surveyor's report values the company leasehold property at £290,000. After checking that the existing leasehold, term and conditions, ground rent and basis of a new business lease to their media company are acceptable for investment in their pension scheme, Jack and Melanie decide to proceed with the purchase. Leasehold properties are usually subject to more investigation by pension providers as short lease terms are generally unmortgageable and consequently can make sale of a property harder and can have an effect on its value. In this case the unexpired term of the lease is 121 years and the ground rent payable under the head lease is also low, at £25 per annum, so there are no issues preventing the purchase proceeding. A new lease between the scheme and employer would be established from completion of the purchase, which would need to be in line with an independent valuation produced by a recognised Royal Institution of Chartered Surveyors (RICS) qualified individual.

To fund the purchase their adviser recommends they retain the fixed term bond and unquoted equities and encash the insured funds and part of the managed investment portfolio.

Although the property is valued at £290,000 there will be VAT to pay of £58,000 and fees and disbursements are expected in the region of £10,000 meaning the scheme requires £358,000. The VAT can be reclaimed following completion of purchase, once the SSAS VAT expert has registered the scheme for VAT and opted to tax the property.

Once the VAT has been reclaimed and rental payments start to be received by the scheme there will be an opportunity for further investment, including providing potential for secured loans to the business.

The SSAS offers succession planning opportunities for investments and death benefits, providing Jack and Melanie with financial security. This planning enables funds to remain in a tax-efficient environment, with the added bonus that the sale of the property may not be required, even when they start to take benefits.

This scenario illustrates some of the features of a Rowanmoor SSAS. It is based upon our understanding of current pensions law and taxation and is correct at the time of publishing. Professional advice from a suitably qualified adviser should always be sought when considering retirement planning.

For more information on Rowanmoor's products and services please visit our website www.rowanmoor.co.uk, call 03445 440 550, or email enquiries@rowanmoor.co.uk.