



Guide



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In brief

A small self-administered scheme (SSAS) provides its members with control of one of the most important aspects of their personal wealth management; retirement planning.

The SSAS is established under trust by an employer, known as the principal employer, for the benefit of the scheme members. The members, together with Rowanmoor Trustees Limited, are the trustees of the scheme. This means the members, as trustees, control all aspects of the SSAS's investment strategy and the payment of any benefits.

The member trustees may use the funds within the SSAS to invest in their business through secured loans, or by purchasing property to lease back to the business at an open market rent. This is known as self-investment.

With good business financial planning advice, the innovative entrepreneur can make their SSAS work for their business, whilst building up a substantial pension fund to benefit them, and their family, in retirement.

This guide is designed to provide information about The Rowanmoor SSAS, its benefits and investment opportunities. It is based on our understanding of current pensions law and taxation and is correct at the time of publishing.

The scheme

A Rowanmoor SSAS is a registered pension scheme with 11 or fewer members. The SSAS is established under trust by an employer, known as the principal employer, for the benefit of the scheme members.

The member trustees

The members are also trustees of the scheme and are referred to as member trustees. The trustees are responsible for, and control, all aspects of the SSAS's investment strategy and the payment of any benefits. All decisions made by the member trustees must be unanimous.

The independent trustee and administrator

Under a Rowanmoor SSAS the principal employer appoints Rowanmoor Trustees Limited as independent trustee and Rowanmoor Executive Pensions Limited as the scheme Administrator.

These roles are central to the successful management of the scheme. This is primarily because of the complex nature of pensions and taxation legislation and the need to have a detailed knowledge of HM Revenue & Customs (HMRC) compliance and audit regime.

As scheme Administrator, Rowanmoor Executive Pensions Limited is responsible to HMRC for the establishment and running of the scheme and will carry out the day-to-day administration of the SSAS.

Our services include:

- providing legal trust documentation to establish and govern the SSAS and, where necessary, amending it;
- registering the scheme with HMRC;
- SSAS administration services;
- keeping records of scheme investments, income and expenditure;
- calculating and reviewing benefit payments;
- technical support regarding the scheme, its investments and benefits;
- preparing unaudited scheme accounts as at 5 April each year to coincide with HMRC's reporting requirements;
- liaising with HMRC where necessary and filing the scheme reports required by them;
- making any payment due to HMRC from the scheme bank account.

We will advise the member trustees on the regulations affecting their scheme and the requirements of legislation but are unable to provide financial advice. We recommend that member trustees take appropriate advice from a financial adviser or other suitably qualified professional. Representatives from the company are available to attend trustee meetings.

As independent trustee, Rowanmoor Trustees Limited must be a co-owner of all assets held as an investment of the scheme.

Accounts

Scheme accounts should be prepared annually. We provide this service within the annual trustee and administration fee. Accounts are prepared as at 5 April each year to coincide with HMRC's reporting requirements. These accounts show a net asset statement and a statement of income and expenditure for the scheme.

Accounts need not be audited provided all members are trustees and trustee decisions are made unanimously.

The tax-efficient trust

A Rowanmoor SSAS is established under trust, which provides the members and the principal employer with considerable tax advantages:

- contributions made by the employer qualify for tax relief in the year they are made, provided they are wholly and exclusively for the purposes of the employer's trade;
- a member's personal contributions normally benefit from tax relief (see 'funding the SSAS' on this page);
- investments (other than dividend income) grow free from UK capital gains tax and income tax;
- a pension commencement lump sum, or 25% of an uncrystallised funds pension lump sum, can be taken from age 55, free of tax;
- lump sum death benefits can be paid free from inheritance tax;
- beneficiaries' income, or lump sum death benefits, can be paid free of tax if a member dies before age 75;
- funds left in the scheme on death can benefit multiple generations, free of inheritance tax.

Funding the SSAS

The employer and the members may contribute to the scheme and it is also possible for third parties to make contributions. Our Actuarial Department can provide advice on the level of contribution necessary to fund for specific pension and tax-free lump sum benefits.

The annual allowance

The maximum contribution, which can normally be paid to all pension schemes in respect of a member and receive tax relief in one tax year, is known as the annual allowance. The annual allowance from the 2017/2018 tax year is £40,000 per annum.

If the member qualifies as a high earner in a tax year, their annual allowance is reduced, on a tapered sliding scale from £40,000 to £10,000, depending on their earnings for that year. In addition, if a member has already taken some or all of their benefits, their annual allowance may be restricted to £4,000 per annum as a result of a money purchase annual allowance test.

Money purchase annual allowance test

A money purchase annual allowance test is triggered by the following events:

- income received from flexi-access drawdown;
- starting to receive scheme pension income, from a scheme with 12 or fewer scheme pensioners, after 5 April 2015;
- being in receipt of an uncrystallised funds pension lump sum;
- drawing income in excess of the maximum permitted from capped drawdown (a type of income drawdown available prior to 6 April 2015); and
- being in receipt of flexible drawdown benefits before 6 April 2015.

Any contributions paid by the member, or on their behalf, into any defined contribution scheme will be tested against a money purchase annual allowance limit of £4,000 per annum. If this limit is exceeded, the amount of contributions over £4,000 will give rise to an annual allowance charge.

Carry-forward

Tax relief on contributions in excess of the annual allowance can be obtained by using any unused annual allowance from the previous three qualifying tax years. A qualifying tax year is one in which the member was a member of a registered pension scheme. This facility is called carry-forward. Any contributions paid after 5 April 2017, using unused annual allowance from the 2014/2015 to 2016/2017 tax years, will be based upon a £40,000 annual allowance limit for each year. However if benefit payments have resulted in the lower money purchase annual allowance being applied no carry-forward will be available.

Member contributions

There is no limit to member contributions, which can include contributions from third parties. Tax relief will only be granted on contributions up to 100% of the member's earnings in any tax year provided the member is under the age of 75 and a UK resident. If a member is or has been a Scottish resident, the tax relief they receive might be different. Tax relief cannot be claimed by third parties, making contributions on behalf of a member, but will be treated for tax relief purposes as if they had been paid by the member. Tax relief is also limited by the annual allowance, which may include the total of the current annual allowance and any unused qualifying annual allowance carried forward from previous tax years (see 'carry-forward' on this page).

Funding the SSAS

(continued)

Employer contributions

Employer contributions are unlimited and will receive tax relief in the year they are made, provided they are wholly and exclusively for the purposes of the employer's trade. In addition, tax relief on the employer's total contributions to all registered pension schemes will be spread if they are over £500,000 and constitute an increase of 210% or more over the previous year's contributions. The employer's accountant should advise on these aspects. If the total of the employer's contribution for a particular member plus the member's personal contributions exceeds the annual allowance and any unused qualifying annual allowance carried forward from previous tax years, then the member will have to pay tax on it. We will ensure that if any employer contributions, which are due, are not received in the specified time members are advised of any non-payments in line with The Pensions Regulator's code of practice.

The lifetime allowance

The lifetime allowance is the maximum pension fund that an individual can accumulate from all of the pension schemes of which they are a member during their lifetime, without being subject to a tax charge, known as the lifetime allowance charge. A member's fund must be tested against the lifetime allowance when they take benefits and again at age 75.

The lifetime allowance from the 2017/2018 tax year is £1,000,000. This will increase annually in line with the consumer price index from 6 April 2018.

Members who have enhanced protection will not be subject to the lifetime allowance charge. If members have primary, fixed, or individual protection they may be subject to the lifetime allowance charge, but based on a lesser amount than if they had no protection.

Existing pension arrangements

Members may also have retirement benefits in other pension arrangements, including those already paying drawdown income or other retirement benefits. These could include employer sponsored pension schemes or personal pensions. The assets within these arrangements could be used to fund the SSAS and the following possible courses of action should be discussed with a financial adviser.

- Transfer the value of the investments in the other arrangement(s) into the SSAS in cash form or in specie. This will increase the funds under the control of the member trustees and available for investment. In specie transfer of assets can be a complex process involving several different parties and will usually take longer than cash transfers.
- Assign the other arrangement(s) to become an asset of the scheme. This will increase the overall value of the SSAS and contributions to the other arrangement may continue unless enhanced protection or fixed protection has been claimed. This option is often taken when there are reasons why a transfer of investments is not preferable. This could include the application of a transfer penalty if the funds are moved, or the loss of certain rights such as guaranteed annuity rates.
- Make the other arrangement(s) paid-up and leave the funds with the existing provider. This option may be preferred if there are severe penalties on the fund if a transfer proceeds, or if there are guaranteed annuity rates attached to the arrangement and the member does not wish it to be assigned.
- Continue to run the other arrangement(s) alongside the new scheme. Care must be taken to ensure that the contributions to all pension arrangements do not exceed the annual allowance.

Scheme bank account

Once we receive notification from HMRC that the scheme has been registered, a scheme bank account is opened with Rowanmoor Trustees Limited's designated bank. This account is used to hold the SSAS's cash funds. All contributions and returns on investments must be paid into this account. Rowanmoor Trustees Limited, as independent trustee, is sole signatory to the account and we will administer its day-to-day operation under instruction from the member trustees.

Details about the scheme bank account can be found on the Rowanmoor website www.rowanmoor.co.uk.

Investments

We aim to give members the most comprehensive range of investment choice available under current legislation. We will permit any asset provided:

- the asset does not give rise to an unauthorised payment tax charge;
- we can obtain satisfactory title to the asset;
- ownership of the asset will not give rise to an unacceptable liability or risk.

We will provide guidance on administration requirements and the acceptability of assets in the scheme. Investments need to satisfy our requirements in relation to all the above factors to be acceptable as scheme investments.

The member trustees control the funds in the SSAS, subject to the Trust Deed and Rules of the scheme, and are free to appoint the investment adviser of their choice to help take advantage of the wide range of investment opportunities open to them.

Investment opportunities

Cash and deposits	Foreign exchange contracts [†]
Insured pension funds, including trustee investment plans (TIPs)	Unquoted shares [†]
Traded endowment policies (TEPs) [†]	Commercial property, including overseas [†]
Unit trusts and onshore and offshore open ended investment companies (OEICs)	Hotels, prisons, care homes and public houses [†]
Investment trusts	Hotel rooms, including overseas [†]
Structured products	Forestry, woodland and agricultural land (UK only) [†]
Equities, warrants and bonds quoted on the London stock exchange (including AIM) and ISDX Main Board	Land, including land for development [†]
Equities, warrants and bonds quoted on recognised worldwide stock exchanges	Secured loans to the principal employer, participating employer(s) or unconnected third parties [†]
Authorised collectives, platforms and investment portfolios	Other ethical investments [†]
Hedge funds and other alternative investment funds [†]	Gold bullion [†]
	Intellectual property (including copyrights and patents) [†]

[†]Whilst these investment opportunities are eligible under legislation and regulatory requirements, we may perform additional due diligence on these investments before accepting them.

Unacceptable investments

Residential property (including ground rent)	Life settlements
Unsecured loans to the principal employer or participating employer(s)	Tangible moveable property, including: Plant and machinery, wind turbines, solar panels, antiques, fine wine, furniture, jewellery and gemstones, oriental rugs, rare books and stamps, vintage cars, works of art, Krugerrands and yachts
Loans to connected parties such as member trustees or their families	Harvestable commodities and plantations
Carbon credits	
Landbanking	
Exchange traded futures and options, contracts for difference (CFDs) and other derivatives	

There are no limitations on the sale or purchase of assets to or from member trustees or other connected parties but these transactions must be at arm's length.

Investments

(continued)

Commercial property purchase

Commercial property may be purchased through the SSAS as part of the trustees' investment strategy to provide retirement benefits. Buying property from the principal or associated employer can be tax-efficient and can inject valuable cash flow into the business, as well as providing a regular income to the SSAS in the form of rent.

An independent valuation of the property must be obtained prior to purchase. If there are insufficient funds available within the SSAS, the trustees can borrow up to 50% of the net value of the SSAS's funds to buy the property (see 'borrowing to invest' below). The trustees take on the borrowing, which is not reflected in the employer's accounts. The member trustees need to regularly review the property's insurance to ensure that adequate cover is maintained. This insurance will be held in the names of Rowanmoor Trustees Limited and the member trustees and should include adequate public liability cover of at least £5 million. We have negotiated a block insurance policy for member trustees, which offers cover at competitive rates, please contact us for details. It is also important to ensure that rent is paid on the due dates and regular rent reviews take place.

The member trustees will be responsible for the management of any property held as an asset of the scheme. We will not act as a property manager.

Please refer to us for guidance if the trustees are considering property purchase as there are other issues, for example potential contamination from asbestos and various environmental aspects, which will need to be addressed.

Secured loans

The member trustees may use their SSAS's funds to inject cash into their business. This is done by making a secured loan to the employer, known as a loanback.

Loans can be used to buy, for example, fixed assets, land for development or to increase stock and have to be repaid by regular capital and interest instalments. Loans are restricted to a maximum of 50% of the net SSAS fund. Such loans must be secured against assets by way of a first charge and the security must be sufficient to cover the loan and interest on it. The maximum term permitted is five years, with the interest being at least 1% above the average base-lending rate of the six leading high street banks.

Our retained solicitor must be appointed to undertake all legal work for the loan including the security. This is to ensure that the trustees are not exposed to unacceptable risk, which can occur in the case of default on loan payments, if security is not put in place correctly.

Secured loans may also be made to third parties but it is not possible to make loans to the member trustees, or anyone connected to them. This means that a SSAS established by a self-employed business owner or partnership may not lend money back to their business. Loans to third parties are not restricted to 50% of the fund.

Shares

Fully quoted shares, traded on a recognised worldwide stock exchange, can be purchased without any restrictions. Investment in unlisted shares is possible, however, HMRC restricts investment in companies connected with the members, or companies that either directly or indirectly invest in unacceptable assets, known as 'taxable property' for example, residential property, antiques, boats or motor vehicles.

For unquoted shares, a formal valuation from a qualified professional, such as an accountant, will be required. Please refer to us if the trustees are considering such an investment.

Please also refer to us if the trustees are considering any indirect investment in shares, bonds, limited liability partnerships or investment funds, as full details of the underlying assets will be required.

Borrowing to invest

The trustees may borrow money from lenders to enable them to purchase particular assets, or to otherwise benefit the SSAS. This could include borrowing to provide a member's benefit that has become payable. The maximum the SSAS can borrow is 50% of the net fund value at the date of the loan.

The SSAS may also borrow to lend to the principal employer provided it charges the employer a higher rate of interest than it pays.

The terms and conditions of any borrowing must be authorised by Rowanmoor Trustees Limited and all member trustees. Rowanmoor Trustees Limited must be a party to the loan documentation.

Taking benefits from the SSAS

Members' benefits

A Rowanmoor SSAS offers members the widest choice of options available when taking their benefits allowing members to phase their retirement income, to suit their own circumstances.

Members may start to take their benefits at any time from age 55. It may be possible to take benefits earlier in cases of serious ill health.

It is important members take advice from a suitably qualified professional before taking benefits, as the choices they make will affect both their retirement income and the level of contributions they can make to a pension scheme in the future.

The use of all or part of a fund to provide benefits from the scheme is called 'crystallisation'. A member does not have to retire or stop work in order to take benefits from the SSAS. Benefits may be taken in stages, the full value of the member's fund does not have to be used to provide benefits at one time.

When a member takes benefits from the scheme, and again at age 75, the total value of their pension funds held within the SSAS and any other pension arrangements they have will be tested against the current lifetime allowance. If the lifetime allowance is exceeded, there will be an additional tax charge unless the member has obtained pension protection.

Lump sum payments

Uncrystallised funds pension lump sum

To crystallise all, or part of a member's funds for immediate payment is known as an uncrystallised funds pension lump sum. This differs from flexi-access drawdown (see 'flexi-access drawdown' on this page) as the total fund crystallised is taken at once. Twenty five percent of the uncrystallised funds pension lump sum is paid tax-free, with the rest treated as earned income and liable to income tax. A money purchase annual allowance test is triggered when taking benefits this way (see 'money purchase annual allowance test' on page four). An uncrystallised funds pension lump sum is not available to members with tax-free lump sum protection or rights to a lump sum of more than, or less than, exactly 25%.

Pension commencement lump sum

Normally, the maximum tax-free lump sum that can be taken is 25% of the crystallised fund used to provide pension benefits, up to the lifetime allowance (see 'lifetime allowance' on page five). Therefore, the maximum tax-free lump sum for the 2017/2018 tax year is £250,000. However, individual members may be entitled to more than this amount if lump sum, fixed, or individual protection has been obtained. A financial adviser can explain this further.

Pension

Any pension taken from a member's crystallised fund will be treated as earned income and is therefore liable to income tax.

Flexi-access drawdown

Members may draw an income from the SSAS through flexi-access drawdown. There is no restriction on the amount a member can take or on the frequency of payments. Following receipt of income from flexi-access drawdown a money purchase annual allowance test will be triggered (see 'money purchase annual allowance test' on page four).

Taking benefits from the SSAS (continued)

Scheme pension

A Rowanmoor SSAS provides members with the opportunity to take benefits as a scheme pension.

A scheme pension is a secured income paid to the member for life. Unlike income drawdown, a scheme pension can provide a guaranteed income.

A scheme pension allows a member to receive an income direct from the SSAS. The SSAS provides the member with a set level of pension in return for their fund. The level of pension is calculated by our Actuarial Department and is designed to pay out the fund over the member's expected lifetime. The amount of scheme pension payable is normally reviewed every three years and may vary, depending on the investment performance of the scheme assets.

If a member's life expectancy changes, for example due to ill health, the Actuary can review the payment of the scheme pension to reflect any shorter life expectancy.

Please refer to us for further details if a member is considering this option. We recommend that the member seeks financial advice from a suitably qualified adviser before proceeding with this method of taking benefits.

Lifetime annuity

A lifetime annuity is purchased from a life assurance company. The annuity must be payable up to the member's death, or the end of any guarantee period should the member die within this period.

The annuity may be level or incorporate annual increases and may also allow for dependants' pensions to be paid after the death of the annuitant.

Short-term annuity

A short-term annuity is purchased from a life assurance company and is payable for a term of no more than five years.

Death benefits

The death benefits which can be paid when a member dies vary, depending on the member's age when they die.

Death benefits will be paid to a member's nominated beneficiaries, who may be dependants, nominees or successors, at the discretion of the trustees.

Dependants

A dependant is defined as one of the following at the death of the member:

- a spouse or civil partner;
- a child of the member who;
 - is under 23;
 - is over 23 and dependent on grounds of physical or mental impairment;
 - is taking, or is to take, dependant's drawdown and who reached their 23rd birthday after 15 September 2016;
- a person who is not a spouse, civil partner, or child of the member, but
 - is financially dependent on the member;
 - has a financial relationship with the member and a mutual dependency;
 - is a person who is dependent on the member on the grounds of physical or mental impairment.

Member dies before taking benefits or whilst receiving income drawdown

If a member dies, the total value of their SSAS fund and any other pension arrangements they have will be tested against the current lifetime allowance.

Death before age 75

In the event of the death of a member before age 75, their funds, up to the current lifetime allowance, can be paid, tax-free as a lump sum.

Alternatively, the whole of the fund, up to the lifetime allowance, may be used to provide beneficiaries' pensions tax-free. Pension benefits may be taken as follows:

- beneficiaries' flexi-access drawdown;
- beneficiaries' scheme pension;
- beneficiaries' lifetime annuity.

Death from age 75

If a member dies at, or after, age 75, their fund can be paid to their beneficiaries as a lump sum taxed at the recipient's marginal rate of income tax. If the beneficiary is not an individual, for example a trust fund or a company, a 45% tax rate will apply.

Alternatively, the member's funds may be used to provide beneficiaries' pensions. Any beneficiaries' pensions will be taxed as earned income. Pension benefits may be taken as follows:

- beneficiaries' flexi-access drawdown;
- beneficiaries' scheme pension;
- beneficiaries' lifetime annuity.

or

If there are no dependants, the death benefits can be given to a charity, tax-free.

If an individual receiving beneficiaries' flexi-access drawdown income dies, the same death benefits will be available for their nominated beneficiaries, known as successors. Tax treatment of payment to successors will depend on whether the first beneficiary died before reaching age 75 or not; not the age of the original member at the time of their death. If the successor dies and funds still remain available, the same options are available to their successors and tax treatment is dependent on their age at death.

Death benefits

(continued)

Member dies whilst receiving a scheme pension

Benefits can continue to be paid to a member's nominated beneficiaries until the end of any guarantee period, taxed as earned income. After any payments in the guarantee period benefits may be taken as follows:

- cash lump sum to the beneficiary to the maximum of the original fund less any pension payments already paid, tax-free if you die before age 75, or paid less tax at the recipient's marginal rate of income tax from age 75;
- dependant's flexi-access drawdown, taxed as per the cash lump sum;
- dependant's scheme pension, taxed as earned income;
- dependant's lifetime annuity, taxed as earned income.

Dependant's pensions that exceed the annual payment you were receiving from your scheme pension may be subject to an additional tax charge.

All death benefits are payable at the discretion of the trustees and subject to available funds.

Member dies whilst receiving an annuity

For lifetime and short-term annuities death benefits will vary and will be based upon the options selected by the member when buying their annuity.

Why Rowanmoor?

Rowanmoor is the UK's largest independent SSAS provider and a provider of bespoke self-invested personal pensions (SIPPs) and Family Pension Trusts (Family SIPPs) and is renowned for its expertise in the field of self-administered pensions.

By working closely with you and your advisers we help you to achieve your goals and ensure you stay informed, involved and in control of the SSAS. Our role is to provide the supporting administrative framework for your SSAS and guidance on legislative issues, so that you can gain maximum benefit from your SSAS and can focus on what is important to you.

A Rowanmoor SSAS is structured to allow the widest range of retirement and investment options permitted under legislation. We are able to support requests for alternative investments, such as hotel rooms, overseas property and unquoted shares. Requests for alternative investments undergo a due diligence review process and those which pass we consider to be acceptable investments under one of our schemes. Every pension scheme registered in the UK must have a scheme Administrator and we take on the responsibility and risks associated with this role for the schemes we establish. We believe our fees are competitive for the bespoke service we offer and our fee menus are as comprehensive as possible, with specific events listed and the charges quantified.

We work with our customers to find practical solutions to their problems and are proactive in maintaining relationships. All clients are supported by a dedicated, named administrator who works in a supportive team environment; there are no call centres or anonymous 'customer service' departments. When dealing with our customers, our approach is to use common sense, joined-up thinking and to be proactive with our communications.

We have a national presence, with local offices in Salisbury, London, Edinburgh and Bolton.

In-house Actuarial, Pensions Technical, Scheme Property and Fund Accounts teams are available to provide specialist assistance to our staff and customers on the more complex aspects of pension arrangements, such as property investments, and options when taking retirement benefits. We undertake all actuarial work associated with our schemes in-house.

We are a true service provider, focussed on sustaining high-quality, friendly, efficient, personal and professional pension administration services. A market leader in bespoke SSAS administration, over the years we have won the confidence of some of the country's major life offices, who have entrusted us to administer their own SSAS portfolios from our administration centres in Salisbury and Bolton.

Rowanmoor's focus is on growth, whilst always ensuring service quality is maintained through investment in our staff, systems and services. We have a reputation for the quality of our services, our expertise and our innovation and have won many industry awards.

A reputation for excellence takes time to establish and we value ours.

If you would like more information about Rowanmoor and our products and services, please visit www.rowanmoor.co.uk or call our Sales Support Team on 03445 440 550.



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