



small self-administered schemes



Rowanmoor Pensions



contents

in brief	4
the scheme	5
the member trustees	5
the independent trustee and administrator	5
accounts	5
the tax-efficient trust	6
funding the SSAS	6
the annual allowance	6
carry-forward	6
member contributions	6
employer contributions	6
the lifetime allowance	7
existing pension arrangements	7
scheme bank account	7
investments	8
investment opportunities	8
unacceptable investments	8
commercial property purchase	9
loans	9
shares	9
borrowing to invest	9
taking benefits from the SSAS	10
members' benefits	10
income drawdown	10
scheme pension	11
annuities	11
death benefits	12
dependants	12
member dies before taking benefits	12
member dies whilst taking benefits	12
why Rowanmoor Pensions?	13

in brief

A Rowanmoor Pensions 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 Pensions SSAS, its benefits and investment opportunities. It is based on Rowanmoor Pensions' understanding of current pensions law and taxation and is correct at the time of publishing.

the scheme

A Rowanmoor Pensions Small Self-Administered Scheme (SSAS) is a registered pension scheme with 11 or fewer members. A 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

Rowanmoor Pensions is the trading name for Rowanmoor Group plc and its subsidiaries. Rowanmoor Trustees Limited is a subsidiary of Rowanmoor Group plc. Reference to Rowanmoor Pensions in this document includes these companies where relevant in the particular context and unless a specific company name is mentioned.

Under a Rowanmoor Pensions Small Self-Administered Scheme the principal employer appoints Rowanmoor Trustees Limited as independent trustee and Rowanmoor Group plc 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 Her Majesty's Revenue and Customs' (HMRC) compliance and audit regime.

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

Rowanmoor Pensions' 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 SSAS, its investments and benefits;
- preparing annual scheme accounts;
- liaising with HMRC where necessary and filing the scheme reports required by them;
- making any payment due to HMRC from the trustee bank account.

Rowanmoor Group plc will advise the member trustees on the regulations affecting their scheme and the requirements of legislation but is unable to provide financial advice. We recommend that member trustees take appropriate advice from an independent financial adviser or other relevant 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. Rowanmoor Pensions provides 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 small self-administered scheme 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 can be taken from age 55, free of tax;
- lump sum death benefits can be paid free from 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. Rowanmoor Pensions 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 for the 2012/2013 to 2015/2016 tax years is £50,000 per annum.

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 2012, using unused annual allowance from the 2009/2010 to 2011/2012 tax years, will be based upon a £50,000 annual allowance limit for each year, although the actual annual allowance may have been higher.

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. 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).

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 Pension Regulator's code of practice.

funding the SSAS (continued)

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 at age 75 if benefits have not been taken.

The lifetime allowance for the 2012/2013 to 2015/2016 tax years is £1,500,000 after which the Government will review the limit.

Members who have enhanced protection will not be subject to the lifetime allowance charge. If members have primary or fixed 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 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 usually continue. 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 Rowanmoor Pensions receives notification from HMRC that the scheme has been registered, a scheme bank account is opened with The Royal Bank of Scotland plc. 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 Rowanmoor Pensions administers its day-to-day operation under instruction from the member trustees.

Details about the scheme bank account with The Royal Bank of Scotland plc can be found on the Rowanmoor Pensions' website www.rowanmoor.co.uk.

investments

Rowanmoor Pensions aims 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, for example a legal, practical or environmental risk.

Guidance on administration requirements and the acceptability of assets in the scheme will be provided by Rowanmoor Pensions. Investments need to satisfy Rowanmoor Pensions' 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. Member's investments held within the scheme are protected from personal bankruptcy.

investment opportunities

Cash and deposits	Commercial property, including overseas*
Insured pension funds, including trustee investment plans (TIPs)	Hotels, prisons, care homes and public houses*
Traded endowment policies (TEPs)*	Hotel rooms, including overseas*
Unit trusts and onshore and offshore open ended investment companies (OEICs)	Forestry, woodland and agricultural land*
Investment trusts	Land, including land for development*
Structured products	Secured loans to the principal employer or participating employer(s)*
Equities, warrants and bonds quoted on the London stock exchange (including AIM), and the PLUS stock exchange ("PLUS-SX")	Secured or unsecured loans to unconnected third parties*
Equities, warrants and bonds quoted on recognised worldwide stock exchanges	Harvestable commodities and plantations including green oil, teak oil, rubber and timber; subject to compliance with taxable property regulations*
Hedge funds and other alternative investment funds*	Carbon credits*
Exchange traded futures and options, contracts for difference (CFDs) and other derivatives where the liability under the contract is limited to the amount invested in that contract*	Other ethical investments*
Foreign exchange contracts*	Gold bullion*
Unquoted shares*	Intellectual property (including copyrights and patents)*

*Whilst these investment opportunities are eligible under legislation and regulatory requirements, Rowanmoor Pensions may perform additional due diligence on these investments before accepting them.

unacceptable investments

Residential property (including ground rent)	Taxable moveable property, including:
Unsecured loans to the principal employer or participating employer(s)	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	

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 is 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. Rowanmoor Pensions has 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. Rowanmoor Pensions will not act as a property manager.

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

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.

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 and need not be secured.

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, may be required. Please refer to Rowanmoor Pensions 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

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.

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 at age 75 if benefits have not been taken, 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.

PENSION COMMENCEMENT LUMP SUM

Normally, the maximum tax-free lump sum that can be taken is 25% of the fund used to provide pension benefits, up to the lifetime allowance (see 'lifetime allowance' on page seven). Therefore, the maximum tax-free lump sum in the 2012/2013 to 2015/2016 tax years is £375,000. However, individual members may be entitled to more than this amount if lump sum protection or fixed protection has been obtained. A financial adviser can explain this further.

PENSION

A Rowanmoor Pensions SSAS offers the widest choice of options available when taking benefits. Any pension taken from a member's fund will be treated as earned income and is therefore liable to income tax.

income drawdown

Members may draw pension income from the SSAS through capped drawdown or flexible drawdown.

CAPPED DRAWDOWN

The amount of pension that can be drawn down via capped drawdown can vary each year between 0% and 100% of the amount of annuity that could be provided using the Government Actuary's Department's annuity rate applicable for the member at the time they take benefits. The maximum level of capped drawdown must be reviewed at least every three years and annually after age 75.

FLEXIBLE DRAWDOWN

Flexible drawdown also enables income to be taken from the SSAS, provided the member meets the minimum income requirement (see below). There are no restrictions on the level of income that the member can take but no further pension funds can be built up, or accrued for the member in any registered pension scheme. All contributions to all pension arrangements must cease, permanently, in the tax year before flexible drawdown commences. Any accrual or contributions made in the tax year, or subsequent tax years after flexible drawdown occurs, will be subject to the annual allowance charge.

MINIMUM INCOME REQUIREMENT

The minimum income requirement is the amount of secured pension income, that a member must have for life, to draw an income via flexible drawdown. The minimum income requirement is £20,000 per annum and will be reviewed by the Government in the 2015/2016 tax year. Income payments that qualify towards the minimum income requirement include the basic State Pension, State Second Pension (S2P), lifetime annuities and scheme pension if the scheme has twenty or more people receiving a pension. Purchased life annuities, short-term annuities, other state benefits and any type of income drawdown do not qualify.

taking benefits from the SSAS (continued)

scheme pension

A Rowanmoor Pensions 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 period of up to ten years. On death, the pension is normally paid to the member's nominated beneficiaries for the remainder of the guarantee period.

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 Rowanmoor Pensions 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. Income from a scheme pension will not count towards the minimum income requirement for flexible drawdown (see 'minimum income requirement' on page ten).

Please refer to Rowanmoor Pensions for further details if a member is considering this option. We recommend that the member seeks independent financial advice before proceeding with this method of taking benefits.

annuities

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. This type of income is secured and qualifies towards the minimum income requirement.

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. It does not count towards the minimum income requirement for flexible drawdown.

death benefits

The death benefits which can be paid when a member dies vary, depending on whether the member dies before or after taking retirement benefits from the scheme

If a member dies having taken pension benefits from only part of their fund, the death benefits payable can be a mixture of those outlined on pages twelve and thirteen.

dependants

A dependant is defined as one of the following:

- a spouse or civil partner at the date of death;
- a child under 23;
- a child over 23, dependent on grounds of physical or mental impairment;
- 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

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

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

A lump sum, up to the current lifetime allowance, can be paid, tax-free in the event of death before age 75. Funds in excess of the lifetime allowance may also be paid as a cash lump sum, but will be taxed at 55%. From age 75 all lump sum payments will be taxed at 55%.

Alternatively, the whole of the fund may be used to provide dependants' pensions. Any dependants' pensions will be taxed as earned income. Pension benefits may be taken as follows:

- dependant's capped drawdown;
- dependant's flexible drawdown;
- dependant's scheme pension;
- dependant's lifetime annuity.

member dies whilst taking benefits

If a member dies whilst taking benefits, their death benefits will depend upon the type of pension benefit in payment. Any dependants' pensions will be taxed as earned income.

CAPPED AND FLEXIBLE DRAWDOWN

A lump sum death benefit can be paid from the fund. This lump sum death benefit is the full value of the fund less tax at 55% and is paid to the member's dependants, or nominated beneficiaries, at the discretion of the trustees.

Alternatively, the whole of the fund may be used to provide dependants' pensions. Any dependants' pensions will be taxed as earned income. Pension benefits may be taken as follows:

- dependant's capped drawdown;
- dependant's flexible drawdown;
- dependant's scheme pension;
- dependant's lifetime annuity.

OR

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

death benefits (continued)

member dies whilst taking benefits (continued)

SCHEME PENSION

Benefits can continue to be paid to a member's dependants or nominated beneficiaries until the end of any guarantee period. Once the guarantee period is over benefits may be taken as follows:

- cash lump sum based on the original fund less any pension payments already paid, less tax at 55%;
- dependant's capped drawdown;
- dependant's flexible drawdown;
- dependant's scheme pension;
- dependant's lifetime annuity.

Any dependant's pension that exceeds the annual payment the member was receiving from their scheme pension may be subject to an additional tax charge.

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 Pensions?

Rowanmoor Pensions is the UK's largest independent SSAS provider and a bespoke self-invested personal pension (SIPP) operator.

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.

Our 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, bio-fuels, overseas property and unquoted shares, which are reviewed by our technical specialists. 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.

Rowanmoor Pensions has a national presence, with local consultancy offices in Salisbury, London, Bolton and Burgess Hill supporting a network of consultants who are on hand to assist our clients and the financial advisers with whom we work so closely.

In-house Actuarial, Technical, 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. Because we undertake all actuarial work associated with our schemes in-house, we can offer the option of scheme pension across our full product range.

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 for many 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.

The company'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 Pensions and our products and services, please visit www.rowanmoor.co.uk or call our Sales Support Team on 08445 440 550.



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