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5 main points about The SSAS Pension

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Exclusively for Business Owners

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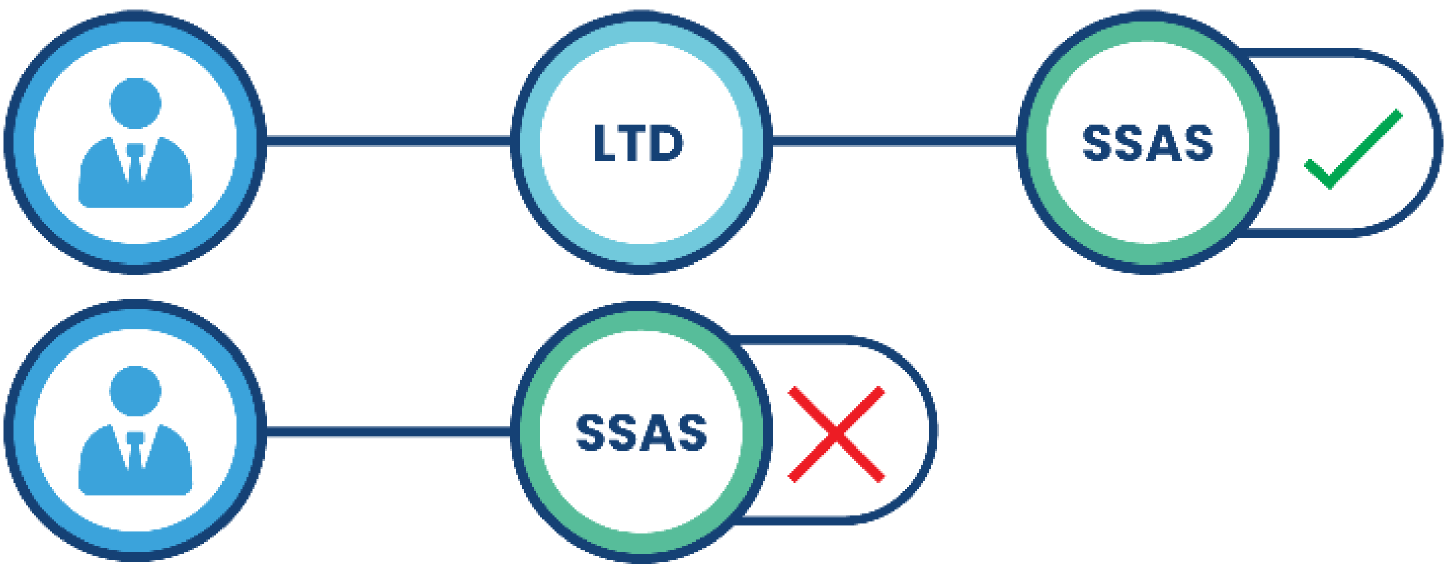
The SSAS affords the ultimate level of flexibility of any UK pension scheme. Many business owners are not aware that even before the age of 55, they can control how their funds are managed and invested. The SSAS gives business owners unrivalled choice and control, ensuring funds are kept in the most tax-efficient environment.



With a SSAS, you can combine and transfer in any other pension funds. You can also invite up to 10 additional members, including family or business partners, to pool larger funds for wider investment options. A SSAS pension can invest in everything that a traditional pension can invest in and can be used to achieve optimum tax efficiency.

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The SSAS Pension Investment Options

The flexibility of the SSAS means business owners have access to every type of investment permitted by HMRC. The SSAS can invest in all the areas a traditional pension scheme can, such as stocks and shares, gold, corporate bonds, etc., as well as additional opportunities such as commercial property, hands-off property investments, and property loans. As an additional type of investment, the SSAS can also make loans to the connected business and third party loans to parties with no connection, such as other companies.

Commercial property investments can include office buildings, retail units, land, or industrial units. Once purchased, the property or land can be let to your company or to a third party, meaning you benefit from tax-free rental income and capital growth.

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Residential Property Investment

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Residential property cannot be purchased or held within a SSAS, without large tax penalties. However, there are ways you can invest 'indirectly' in residential property. Examples of hands-free investments can include, loans to third party property developers, or loan to your company to invest in residential property. These alternative forms of property investment can all generate potential for growth and have relatively low time management needs. The SSAS can also purchase development land and sell it prior to the building becoming habitable.

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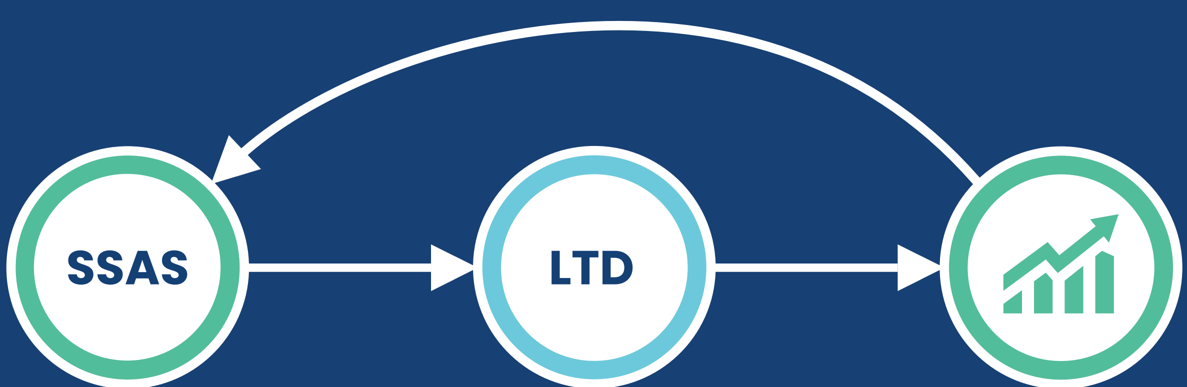
4 The SSAS Pension

Pension Loanback

A unique feature of the SSAS is the ability to loan funds from your SSAS back to your business (known as the 'SSAS loanback'). This exclusive funding strategy allows you to loan 50% of the total value of the SSAS to your company whilst setting your own interest rate (at least 1% above the BoE base lending rate, to comply with HMRC rules). As you would be paying this interest into your own pension, it means setting a higher rate of interest can reduce profitability within the company, therefore reducing the amount of corporation tax due on the company, all the while increasing the value of the SSAS.

For example, if you made a loan of £100,000 from your SSAS pension to your business and set the interest rate at 12% p.a. at the end of year 1 the interest due would be £12,000. However, this would go back into the pension scheme tax free on the basis you were not over the lifetime allowance. By doing this you would have saved £2,280 in corporation tax and could then borrow back an additional £6,000 from the SSAS. This means the company only has £3,720 less in the bank than it would have had after paying the corporation tax, but between the company and pension, 100% of the capital is retained by not paying the corporation tax.



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The benefits

Tax Efficiency

When employed correctly and with the right support, the SSAS can not only reduce your personal tax liability, but also your Corporation and Inheritance Tax. Anything held in the SSAS, whether funds or other assets, is free from inheritance tax, as pensions are not recognised by HMRC as part of the estate. This means beneficiaries will not be subject to a 40% tax penalty. Personal and company assets can be transferred into the SSAS at any point as contributions, similarly protecting them from various tax charges. If the SSAS has invested in property, it can generate more substantial returns as these are exempt from Capital Gains tax, along with no Income Tax on investment profits.

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