solo small self-administered schemes

trustee's guide

Rowanmoor

PENSIONS

important information

addendum January 2014

Changes to security for loans through a Rowanmoor Pensions registered pension scheme

All Rowanmoor Pensions registered pension schemes are designed to enable loans, provided the appropriate criteria are met. In certain cases legislation dictates that it is mandatory to secure a loan. For loans to unconnected third parties there is no requirement to secure a loan. It is, however, recommended that all loans are secured.

From 13 January 2014 Rowanmoor Group plc's retained solicitor must be appointed to undertake the required legal work for all loans that require security. The reason for this change is to ensure that the member(s) and trustee(s) 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.

This is an addendum to the following documents.

Solo SSAS Brochure - SMS-PSB 09/13 NPI

Solo SSAS Trustee's Guide - SMS-TG 09/13 NPI

Solo SSAS Fees and Services - SMS-CL 08/13 NPI

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PENSIONS

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introduction

Thank you for choosing the Rowanmoor Pensions Solo SSAS.

This guide is designed to provide the member trustee of a Rowanmoor Pensions Solo SSAS with information about their scheme, its benefits and investment opportunities and their responsibilities as trustee. Should you require an explanation of any aspect of the technical information contained in this guide please contact us, or your financial adviser.

A Rowanmoor Pensions Solo SSAS provides its member with control of one of the most important aspects of their personal wealth management; retirement planning.

The small self-administered scheme (SSAS) is established under trust by an employer, known as the principal employer, for the benefit of the scheme member. The member and Rowanmoor Trustees Limited are the trustees of the scheme. This means the member, as trustee, controls all aspects of the SSAS's investment strategy and the payment of any benefits.

The member trustee 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.

To ensure the smooth operation of the SSAS, the member trustee will need to inform us of any changes in their tax or residency status, if they wish to transfer existing benefits into or out of the scheme and when contributions are to be made to the scheme. We also need to be made aware of any investment decisions, how and when the member is to receive benefits and any other information relevant to the scheme's administration.

Please aim to review the SSAS regularly, to make sure it will meet the member's requirements when they take benefits. Circumstances can easily change and a member trustee will need to set aside time periodically to consider changes in various circumstances throughout the life of the scheme. Some factors that may require consideration include: the level of benefits the member can take from the SSAS; changes in tax law; the investment performance of scheme assets and the risk factors associated with them, whether the scheme needs to sustain high levels of income throughout the member's retirement; and pension regulations, because tax charges and penalties will be imposed if regulations are not met in full.

Your Rowanmoor Pensions Solo SSAS is a scheme for life, the bespoke service we offer is enviable in the pensions industry and our award-winning administrators have a reputation for exceptional customer service to support it.

The information contained in this document is based on our understanding of current pensions law and taxation and is correct at the time of publishing. The Trust Deed and Rules of the Rowanmoor Pensions Solo SSAS are governed by and construed in accordance with English Law and parties agree to submit to the exclusive jurisdiction of the English courts. All documentation is supplied in English and we will communicate with you in English. The Rowanmoor Pensions Solo SSAS is not regulated by the Financial Conduct Authority.

the scheme

The Rowanmoor Pensions Solo SSAS is a registered pension scheme with one member. The SSAS is established under trust by an employer, known as the principal employer, for the benefit of the scheme member.

the member trustee

The member is also a trustee of the scheme and is referred to as the member trustee. The member trustee is responsible for, and controls, all aspects of the SSAS's investment strategy and the payment of any benefits.

The member trustee must not be:

- a minor;
- convicted of an offence involving dishonesty or deception;
- a person with undischarged arrangements with creditors;
- a disqualified director;
- disqualified from being a trustee by the Pensions Regulator.

Should a member trustee find themselves in one of these categories they must immediately resign.

the independent trustee and administrator

Rowanmoor Pensions is a trading name of Rowanmoor Group plc. Rowanmoor Trustees Limited is a subsidiary of Rowanmoor Group plc.

Under a Rowanmoor Pensions Solo SSAS, 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 HM Revenue & Customs (HMRC) compliance and audit regime. As scheme Administrator, Rowanmoor Group plc is responsible to HMRC for the establishment and running of the SSAS and will carry out the day-to-day administration of the scheme.

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;
- 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 trustee on the regulations affecting their scheme and the requirements of legislation but is unable to provide financial advice. We recommend that the member trustee takes 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 (see 'registration of investments' on page twelve).

the tax-efficient trust

A Rowanmoor Pensions Solo SSAS is established under trust, which provides the member 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 member 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 for the 2013/2014 tax year is £50,000 per annum. This will reduce to £40,000 per annum from the 2014/2015 tax year.

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 2010/2011 to 2013/2014 tax years, will be based upon a £50,000 annual allowance limit for each year, although the actual annual allowance may have been higher. This will reduce to £40,000 for tax years from 2014/2015.

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 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 the 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). Any member contributions will usually be deducted by the employer direct from pay, but other methods of contribution may be permissible.

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 the 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 the member is advised of any non-payments in line with the Pension 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. The 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 2013/2014 tax year is £1,500,000. From the 2014/2015 tax year the limit will be £1,250,000.

A member who has enhanced protection will not be subject to the lifetime allowance charge. If the member has primary or fixed protection they may be subject to the lifetime allowance charge, but to a lesser amount than if they had no protection (see 'pension protection' on page eight). If a member is affected by pension protection they should seek advice from a financial adviser.

existing pension arrangements

The member 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 trustee 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 (see 'pension protection' on page eight). 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.

pensions and divorce

When the courts review the assets of a couple going through divorce proceedings, accrued pension benefits can be taken into account. This may result in one party receiving a pension credit from the other, who incurs a pension debit of the amount that is ordered to be paid. A pension credit will count towards the recipient's lifetime allowance. A pension debit can be replaced by future contributions.

pension protection

In changes to pensions legislation, which became effective on 6 April 2006 and 6 April 2011, the Government included facilities for pension scheme members with funds that exceeded, or were likely to exceed, the lifetime allowance to apply for their accrued benefits to be protected. Further protection will be introduced, which will become effective from 6 April 2014, to protect funds that will be affected by the reduction in the lifetime allowance from the 2014/2015 tax year.

primary protection

Primary protection provides a way of protecting the member's fund, if it was over the lifetime allowance on 5 April 2006. It protects the value of the member's fund and growth on the protected fund, limited to the increase in the lifetime allowance, or £1,800,000 if higher, from the lifetime allowance charge. If a member has been granted primary protection the member will be entitled to an enhanced lifetime allowance, known as a personal lifetime allowance, when they take benefits. Contributions may continue to be made but this may not be advisable. It is no longer possible to apply for this protection.

enhanced protection

Enhanced protection protects the member's fund, plus all future fund growth, from the lifetime allowance charge. When pension legislation changed on 6 April 2006, pension scheme members with funds likely to exceed the lifetime allowance could register for enhanced protection.

Enhanced protection is lost if contributions are made to any pension arrangements on or after 6 April 2006. Transfers of benefits from a member's other pension arrangements can normally be made without enhanced protection being lost but advice must be taken as this is not always the case. It is no longer possible to apply for this protection.

tax-free lump sum protection

If the member's tax-free lump sum entitlement on 5 April 2006 was greater than 25% of their fund, or more than £375,000 (25% of the 2006/2007 lifetime allowance of £1,500,000) the member could protect their entitlement by obtaining tax-free lump sum protection.

fixed protection

Pension scheme members with funds that exceeded, or were likely to exceed, the reduced lifetime allowance from 6 April 2012 (see 'the lifetime allowance' on page seven), had until 6 April 2012 to apply for fixed protection, provided they did not already have primary or enhanced protection. If the member obtained fixed protection they will be subject to a minimum lifetime allowance of £1,800,000 when benefits are taken. Fixed protection will be lost if contributions are made to any pension arrangements from 6 April 2012.

If the member is affected by pension protection they should actively seek financial advice from a suitably qualified professional.

scheme bank account

Once we receive 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 Group plc administers its day-to-day operation.

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

investments

We aim to give the member 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.

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 trustee controls the funds in the SSAS, subject to the Trust Deed and Rules of the scheme. Whilst HMRC does not generally interfere in the way the member trustee invests a SSAS's assets, it will if tax avoidance is suspected, or if an investment appears to breach the main purpose of the SSAS, which is to provide benefits for its member(s). It is therefore important to demonstrate that all investments are genuine and made in the interests of the member and their beneficiaries. The member trustee is 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

Insured pension funds, including trustee investment plans (TIPs)

Traded endowment policies (TEPs)*

Unit trusts and onshore and offshore open ended investment companies (OEICs)

Investment trusts

Structured products

Equities, warrants and bonds quoted on the London stock exchange (including AIM) and the PLUS stock exchange ("PLUS-SX")

Equities, warrants and bonds quoted on recognised worldwide stock exchanges

Hedge funds and other alternative investment funds*

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*

Foreign exchange contracts*

Unquoted shares*

Commercial property, including overseas*

Hotels, prisons, care homes and public houses*

Hotel rooms, including overseas*

Forestry, woodland and agricultural land*

Land, including land for development*

Secured loans to the principal employer or participating employer(s)*

Secured or unsecured loans to unconnected third parties*

Harvestable commodities and plantations including green oil, teak oil, rubber and timber, subject to compliance with taxable property regulations*

Carbon credits (that are Certified Emission Reductions)*

Other ethical investments*

Gold bullion*

Intellectual property (including copyrights and patents)*

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

unacceptable investments

Residential property (including ground rent)

Unsecured loans to the principal employer or participating employer(s)

Loans to connected parties such as the member trustee or their family

Carbon credits (that are Verified/Voluntary Emission Reductions)

Taxable 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

There are no limitations on the sale or purchase of assets to or from the member trustee 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 member trustee's 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, it is possible to borrow up to 50% of the net value of the SSAS's funds to buy the property (see 'borrowing to invest' on page eleven). The trustees take on the borrowing, which is not reflected in the employer's accounts. The member trustee needs 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 trustee 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 trustee 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 when considering property purchase as there are other issues, for example potential contamination from asbestos, which will need to be addressed.

loans

The member trustee 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 trustee, 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.

The terms and conditions of any loan must be authorised by Rowanmoor Trustees Limited and the member trustee, who must be able to demonstrate that it is a prudent investment decision if questioned by HMRC.

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 member, 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 us when considering such an investment.

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

investments
(continued)

unregulated collective investment schemes

For investment in an Unregulated Collective Investment Scheme (UCIS), we will require evidence that the member trustee is suitably informed, and aware of the risks involved before we can proceed. This evidence must be in the form of a declaration completed by a suitably qualified professional, such as a stockbroker or financial adviser, other than the member trustee.

borrowing to invest

The trust may borrow money from lenders to enable it to purchase particular assets, or to otherwise benefit the SSAS. This could include borrowing to provide any benefits for the member that have 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 the member trustee. Rowanmoor Trustees Limited must be a party to the loan documentation.

trading

Pension schemes should not trade. If they do, tax is payable by the trust on the trading activities and must be declared on a self-assessment form at the end of the tax year. The onus of deciding what is a trading activity rests with the trustees and the scheme Administrator.

Trustees should not engage in an activity that mirrors that of the sponsoring employer. For example, the pension scheme of a property developer will almost certainly be considered to be trading if the trustees carry out a development in the same manner as the property developer. A single, one-off development may be accepted but should not be repeated. Indeed any activity that could be construed as trading should not be repeated.

Other indicators of trading are:

- buying and selling assets with little time between purchase and sale;
- buying, developing and selling a property;
- holdings held as a member of a property investment 'Limited Liability Partnership', under 'The Limited Liability Partnership Act 2000'.

This is not an exhaustive list and advice should be taken in order to avoid unknowingly making investments that are later challenged as trading activities by HMRC. Any such activity will incur costs in terms of time and professional fees and the registered status of the scheme may be at risk.

investments
(continued)

registration of investments

Rowanmoor Trustees Limited, as independent trustee, must be a named party to all investments including those detailed below.

Land/Property	Named, along with the member trustee on documentation evidencing the SSAS's interest in any land or property.
Loan	Party to the loan agreement.
Quoted and Unquoted Shares/Unit Trusts/ Loan Stock/OEICS	Registered co-owner.
Portfolio of Securities/ Investment Management Arrangement	Signatory to any management agreement between the member trustee and a fund manager or broker. If shares are registered in the name of CREST, there should be a written arrangement that any transfer from the fund manager cannot be made without Rowanmoor Trustees Limited's written consent.
Insurance Policies/ Annuity Contracts	Party to the contract and the policy endorsed such that any surrender of these investments is paid only with the specific written agreement of Rowanmoor Trustees Limited.
Other Investments	The member trustee's ownership should be documented and Rowanmoor Trustees Limited included as one of the owners.

taking benefits from the SSAS

member's benefits

The member 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'. The 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 the member takes benefits from the scheme, and at age 75 if benefits have not been taken, the total value of the 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 (see 'pension protection' on page eight).

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 2013/2014 tax year is £375,000, reducing to £312,500 from the 2014/2015 tax year. However, the member may be entitled to more than 25% of the fund if lump sum protection or fixed protection has been obtained (see 'pension protection' on page eight). A financial adviser can explain this further.

PENSION

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

income drawdown

The member 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 120% 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 (see 'tax charges and penalties' on page nineteen).

MINIMUM INCOME REQUIREMENT

The minimum income requirement is the amount of secured pension income, that the 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 Solo SSAS provides the member 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 the 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 the 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 thirteen).

Please refer to us for further details if the 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.

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 the member dies vary, depending on whether the member dies before or after taking retirement benefits from the scheme.

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

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 the 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 the member's dependants, or nominated beneficiaries, at the discretion of the independent trustee.

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.

death benefits
(continued)

member dies whilst taking benefits

If the 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 independent trustee.

Alternatively, the whole of the fund may be used to provide dependants' pensions. 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.

SCHEME PENSION

Benefits can continue to be paid to the 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.

unauthorised scheme payments

Payments out of a registered pension scheme, which are in breach of pensions legislation, are defined as unauthorised payments.

The regulations governing registered pension schemes contain numerous ways in which an unauthorised payment may be made, such as:

- payment of excessive benefits;
- investment in unacceptable assets, or borrowing more than 50% of net scheme assets;
- making a loan to a connected party of an amount greater than 50% of net scheme assets;
- writing off a loan or income from a connected party, unless all creditors of that party have been treated equally.

If an unauthorised payment is made, or is deemed to have been made, the recipient of the payment will be liable to a tax charge of 40% assessed on the value of the payment. This tax charge is known as an unauthorised payment charge. Additional charges may also apply depending on the size of the unauthorised scheme payment.

reporting requirements

The scheme trustees and scheme Administrator are required to report certain information to HMRC. It is vital that the necessary information is provided and the information is correct, as there is the potential for the SSAS, the member, or both, to suffer a financial penalty for failing to provide accurate information or for late reporting. The ultimate sanction is that HMRC can de-register the scheme, which will result in the full fund being exposed to a tax charge of 40%. Rowanmoor Group plc, as scheme Administrator, will undertake the following reporting requirements on behalf of the scheme trustees.

Scheme self-assessment

A scheme self-assessment tax return must be filed when the SSAS has tax to declare or claim.

Registered pension scheme return

HMRC will issue a pension scheme return for completion on an annual basis. The report is issued for a tax year and must be completed by 31 January the following year. It requires, for example, details of contributions, scheme investments, self-investment, income from investments and payments from the scheme.

Scheme event report

A scheme event report is completed for each tax year where any of the under noted events has occurred and must be submitted by 31 January following the end of that tax year. Reportable events include:

- unauthorised scheme payments;
- benefits paid on death, where the member's fund is over 50% of the lifetime allowance;
- benefits taken before earliest pension age;
- retirement due to serious ill health;
- benefits taken by a member with pension protection;
- overseas transfers;
- scheme wind-up.

Scheme accounting for tax report

A quarterly report will be required when the scheme has made a deduction of tax or is liable to pay tax on the following events:

- lifetime allowance charge;
- payment of a surplus;
- taxable lump sum death benefits;
- short service refunds;
- de-registration.

Payment of the tax is required 45 days after the end of the quarter.

If the member benefits from contributions in excess of the annual allowance they must declare so on their personal annual self-assessment tax return to HMRC.

tax charges and penalties

The basis of pensions legislation is simple but the detail behind it is extremely complex. If schemes do not obey the intricate rules, HMRC has numerous powers to raise tax penalties against the scheme.

There are a number of charges and penalties which HMRC can impose if a scheme does not comply with the regulations, or does not submit reports within deadlines. Some of the common ones are listed below.

Annual allowance charge — A tax charge, at the member's marginal rate of income tax, imposed on the member if their contributions exceed the annual allowance.

De-registration charge — A 40% tax charge imposed on the scheme Administrator when the scheme's registration is withdrawn by HMRC.

Lifetime allowance charge — The member's fund must be tested against the relevant lifetime allowance when taking benefits. Funds in excess of the lifetime allowance will be subject to a tax charge:

- 25% of the excess, if it is to be taken as a pension, which is subject to tax under PAYE; or
- 55% of the excess if it is taken as a lump sum.

Lifetime allowance enhanced protection benefit accrual charge — A fine of up to £3,000 for the failure to notify HMRC within 90 days of contributions commencing after enhanced or fixed protection has been granted.

Scheme sanction charge — May apply where an unauthorised scheme payment has been made, or where there has been excessive scheme borrowing. The charge is up to 40% of the amount involved.

There are other events upon which less significant charges can be levied including:

- failing to submit scheme returns;
- making false statements;
- not complying with HMRC requirements when winding up a scheme.

This list is not comprehensive. We can provide further guidance if requested.

why Rowanmoor Group plc?

Rowanmoor Group plc, trading as Rowanmoor Pensions, is the UK's largest independent SSAS provider and a bespoke self-invested personal pension (SIPP) and Family Pension Trust (Family 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 your 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.

The Rowanmoor Pensions Solo 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 Group plc 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 Group'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.

Rowanmoor
PENSIONS

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