

Small Self-Administered Scheme (SSAS) or Self-Invested Personal Pension (SIPP)?

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| <p>Are they different? Yes. Fundamentally a SSAS is a stand alone scheme, usually (but not necessarily) with an associated employer. A SIPP is a personal pension</p> <p>What about trustees? A SIPP is effectively part of a "Master Trust" and with some SIPP's the member is also a trustee and in others they are not a trustee. In the MW SIPP 2 it is the latter, with MW SIPP Trustees Ltd being the sole trustee.</p> <p>In a SSAS, all the members must be trustees. It is preferable to also have a Professional Trustee, as otherwise HMRC are likely to consider the scheme to be "high risk" and take an interest in it.</p> <p>Who can be a member? Basically anyone in the UK can have a SIPP and there is no minimum age – so a SIPP could be set up at birth.</p> <p>Because, in a SSAS, all members must be trustees, the minimum age for membership in a SSAS is 18 (the lowest age at which someone can be trustee under Trust law).</p> <p>In a SSAS, even if there is a sponsoring employer, members no longer need to be employees to join the SSAS.</p> <p>What about the legal aspects? A SSAS has its own personalised documentation i.e. its own Trust Deed and Rules. A SIPP is just part of an overall Trust Deed that covers all the members of that SIPP.</p> <p>What about Protected Rights? A SIPP can accept Protected Rights, a SSAS cannot (because it is not a personal pension scheme)</p> | <p>What about investments? In most areas there is no difference. The areas of difference are:</p> <ul style="list-style-type: none">a) a SIPP cannot loan any monies to any connected party, whereas a SSAS can loan up to 50% of its assets to a connected company on normal commercial terms and providing certain defined HMRC requirements are met. Neither a SIPP nor a SSAS can loan money to the member;b) a SSAS is limited to 5% of its assets being invested in unquoted shares of a connected company. A SIPP has no restriction, though care is needed with investment in unquoted shares. <p>One other advantage of a SSAS is that it more easily allows co-mingling of the underlying investments. This can make investing in commercial property, say, a little easier, as with a SIPP, each SIPP would be a separate purchaser and there would be a need for a legal Syndicate agreement. This is not the case with a SSAS.</p> <p>What about reallocation of benefits between members? This is not allowed</p> <p>IHT There are no differences in IHT treatment between SSASs and SIPP's.</p> <p>What about costs? We can only talk about our own fees. The annual fees for a SSAS are £950 (£1200 if trustee services are provided via Specialist Trustees Ltd). For a SIPP the annual fees are a maximum of £600. So for 3 people eg. husband, wife and son, a SSAS is cheaper going forward. However, the set up fee for a new SSAS is considerably more than for a SIPP.</p> <p>Because a SSAS has its own personalised legal documentation, the ongoing costs of keeping up-to-date with the legal requirements will be higher</p> |
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