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xafinitySSAS

Member Trustee Guide

xafinitySSAS
Moneyfacts
SSAS
2018

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Contents

Welcome

You already know that pensions can be complex – after all, it's one of the reasons you chose us to help you administer your SSAS. At Xafinity we're keen to help you understand some of those complexities and we've created this Guide to explain how a SSAS works.

We aim to manage the complexities of running a SSAS and you choose the investments it holds. However, even though we check that investments don't breach pension laws, we don't check to see if it's a likely winner or loser – that's one for you/your financial adviser and possibly a crystal ball! For that reason, **we don't give any advice to our clients. If you need advice you should speak to a financial adviser.**

Many of our documents will refer you to this Guide – a single place to look if you've any questions. Also please read the Administration Services Agreement which governs our service.

Talk to your financial adviser

A SSAS is an 'occupational money purchase pension scheme'. It's not regulated by the Financial Conduct Authority (FCA), but any advice about which assets to invest in will be regulated by the FCA where those assets are themselves regulated by the FCA. Some assets carry greater risk than others and, if they aren't regulated, they won't have the benefit of the protection of the Financial Services Compensation Scheme or the Financial Ombudsman Service.

A SSAS is also complex and we always stress the importance of speaking to your financial adviser. Many decisions could have an impact on a member's eventual benefits and we can't advise you on the best course of action.

If you're not sure about where to obtain advice, we suggest you contact Unbiased Ltd, which is an industry body responsible for promoting independent financial advice in the UK. They will be able to give you details of a financial adviser in your area and whether they have specialist pensions qualifications. Their contact details are 0800 085 3250 (see www.unbiased.co.uk).

Welcome (continued)

We also recommend that you check to see the financial adviser you select is properly authorised by the FCA and this information can be checked on their website www.fca.org.uk/register.

We're here too!

We can only fit so much information in this Guide so, if you can't find what you're after, just call us; we're friendly people with decades of experience in pensions. When you take out your SSAS we'll give you a direct contact number for your SSAS Consultant. We also have a team of experienced technical staff who can help with the very difficult questions. We think there's no such thing as a silly question!

Who are 'we'?

We use 'we' and 'us' in this Guide to refer to Xafinity SIPP Services Limited and/or Xafinity Pension Trustees Limited. Depending on your scheme, we may formally act as one or more of a Professional Trustee, a Scheme Administrator or a Scheme Practitioner. We explain the roles performed by each of these in the section 'The Xafinity SSAS in brief'.

When we refer to 'you' we mean you as a Member Trustee of the SSAS.

In this guide we refer to our contractual agreement as the Administration Services Agreement. If you set up your scheme with another provider you may have a differently titled agreement with different detailed content.

Working with you

Contacting you

To provide you with excellent service, we need to contact you from time to time. We'll work on the basis that we've your authority to do this. We prefer to send e-mails, but we may also write or call you.

Advice

We don't give financial advice to our clients and don't employ financial advisers, so we can't tell you whether a proposed investment is right for you or even if it's appropriate. We also can't advise you on how much to put into, or take out of, your SSAS.

We aren't linked to any advisory companies and we don't receive any payments from financial advisers.

We can provide information about your SSAS and the legislation that applies to it. That information is based on our understanding of the law as it applies to your SSAS at the time we give it. However, as pension legislation changes frequently you may want to contact us to check whether information we may have given you some time ago is still correct before taking action.

Making investment decisions

Whilst we'll tell you if we think an investment is likely to give rise to HMRC tax penalties (also known as unauthorised payment charges) we have no power (unless we're also a Professional Trustee and/or the appointed Scheme Administrator) to prevent the scheme making investment decisions. Please be aware, however, that the Scheme Administrator must report to HMRC where they become aware that an unauthorised payment has been made.

Confidentiality

We'll treat all your information as confidential. Our Application Form and Administration Services Agreement explain how we use your data and how we'll treat confidential information.

Working with you (continued)

Data protection: your data

Your Privacy Notice provides the detail behind how we use your information. This Privacy Notice is included within the new SSAS member pack, and a copy can be found on our website, www.xafinityssas.com. We may make changes from time to time so you should check the latest version of this Privacy Notice occasionally.

We take your privacy very seriously and we ask that you read this Privacy Notice carefully as it contains important information on:

- The personal information we collect about you in relation to the services provided to you throughout the lifetime of your Xafinity SSAS;
- What we do with your information;
- Whom we may share you information with; and
- What rights you have regarding our holding of your information.

Data protection: trustee duties

The Trustees of a SSAS hold personal information on scheme members (e.g. names and addresses, dates of birth, salaries, etc). This information (whether held on paper or on computer) falls within the scope of the Data Protection Act and General Data Protection Regulation (GDPR) and means that the trustees of a SSAS are Data Controllers in common with Xafinity. This means that we are each legally responsible for our own compliance with data protection laws in relation to each of our respective processing activities.

As the trustees are 'Data Controllers' they are required register with, and to pay a data protection registration fee to, the Information Commisioner's Office. You can find out more about the fee from

www.informationcommissioner.gov.uk.

The Xafinity SSAS in brief

Our SSAS is a type of occupational pension scheme that allows you to save for retirement in a tax-efficient and flexible way.

An 'occupational scheme' simply means that it's been set up by an employer who 'sponsors' the pension scheme. Once set up, Member Trustees are appointed and, to be a member, you must be employed by the Sponsoring Employer (or one 'associated' with it).

The SSAS is registered with HMRC and set up under Trust. A Trust is simply a set of assets managed by the Member Trustees.

The Member Trustees must ensure the Trust complies with the document which sets it up (called a Trust Deed). The Trust Deed is supported by a set of Rules which set out how the SSAS must be administered.

A SSAS can have no more than 11 members at any one time.

The formal SSAS roles

When a SSAS is set up or administration is transferred to us, you can choose the level of service you need us to provide. We'll discuss this with you and your financial advisers to agree which is most relevant to your scheme.

We'll always ask for an Administration Services Agreement to be completed and that the scheme adopts our standard Trust Deed and Rules, as this will ensure the scheme is compliant with pensions law. We do this because a SSAS benefits from favourable tax treatment and actions taken within the scheme need to ensure that these tax advantages aren't jeopardised.

There are a number of formal roles involved in managing a SSAS and these roles are explained in more detail below:

The Xafinity SSAS in brief (continued)

- **Member Trustees:** These are ultimately responsible to HMRC and The Pensions Regulator for the SSAS complying with pensions law. For a SSAS to benefit from a number of exemptions in pensions law, all Members must be Trustees.
- **Professional Trustee:** Also called an 'Independent Trustee', this is a role performed by an Independent Trustee to assist the Member Trustees in complying with pensions law. A Professional Trustee will be a co-signatory on scheme assets and can act to prevent certain investments and actions if they will jeopardise the SSAS or give rise to HMRC charges.
- **Scheme Administrator**: This role also carries formal responsibilities under pensions law, mainly for overseeing the scheme and its assets. The Scheme Administrator is also responsible for completing and submitting returns to HMRC. When we're appointed to this role we operate a sole signatory bank account from which all financial transactions are made. This enables the Member Trustees to delegate the administration of transactions and can help ensure that valuable pension assets remain protected from breaching HMRC rules.
- **Scheme Practitioner:** Whilst a scheme ***must*** appoint a Scheme Administrator, a Scheme Practitioner is not a formal role but is one aimed at supporting the Scheme Administrator and the Member Trustees in complying with pensions law. When we're appointed to this role, we'll help with all aspects of the scheme administration. However, ultimately responsibility for these activities will rest with the Scheme Administrator.
- We can act as Professional Trustee, Scheme Administrator or Scheme Practitioner.

The Xafinity SSAS in brief (continued)

Who sets up a SSAS?

- employers who want to reward senior employees with a more generous pension scheme;
- small companies who want to set up a small occupational pension scheme; and
- family companies who wish to use (and pool) pension assets to invest in their business.

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- small companies who want to set up a small occupational pension scheme; and
- family companies who wish to use (and pool) pension assets to invest in their business.

What are the advantages?

A SSAS offers the following advantages:

- tax relief for member and employer on contributions made to the scheme;
- access to a wide range of investments, including unlisted shares, venture capital trusts, hedge funds etc;
- the ability to lend money to the employer at 1% above bank base rate (minimum);
- the ability to invest in the company's property or other commercial property or land;
- flexibility in the way in which benefits are taken, including flexi-access drawdown and uncrystallised funds pension lump sums.

Who can join a SSAS?

A Member Trustee can join at any age, as long as they're employed by the Sponsoring (or an Associated) Employer.

We'll only accept individuals employed in the UK into our SSAS. Remember that the maximum number of members is limited to 11.

The Xafinity SSAS in brief (continued)

Are there any downsides?

As with any self invested pension, the Member Trustees need to manage the assets to ensure they continue to meet the needs of all members. This is particularly true of investing in property when some members are close to retiring, as funds will be needed to pay retirement benefits.

In addition, SSAS Member Trustees need to remember that:

- the scheme is governed by its rules and pensions law and any breaches of these can lead to the tax advantages granted by HMRC being withdrawn;
- there are limits to certain types of payments to members (e.g. retirement benefits) as well as limits on what can be paid into a SSAS;
- if the employer ceases to trade action needs to be taken to protect the interests of members;
- a SSAS is not a regulated product so there's no access to the Financial Ombudsman Service or Financial Services Compensation Scheme (although some investments held within a SSAS may be protected). Instead, all Member Trustees have access to The Pensions Regulator and The Pensions Ombudsman.

How is the SSAS organised?

A scheme bank account is set up through which all day to day transactions are arranged (such as the receipt of investment income, payment of fees etc).

When the SSAS purchases an asset, it will be from pooled funds. We will assist in providing share of funds calculations on an ongoing basis, taking into account 'notionally earmarked' assets where necessary. This means that each member can track what their pension fund is worth.

Our charges and winding up

What are our charges?

We set these out in our Charges Cards. The charges vary according to our role (e.g. Practitioner, Administrator, Independent Trustee etc). Our charges are also based on the activities we undertake so the SSAS only pays for the services used. Our Administration Services Agreement explains how our charges can be changed. Don't forget, the assets the SSAS invests in may also have their own charges (e.g. on purchase, on sale and for management).

How are charges paid?

Charges can either be taken directly from the SSAS bank account or can be paid directly by the employer. If using the SSAS bank account, the Member Trustees should make sure there's enough cash in the account to pay those charges. If there aren't enough funds, we can sell assets to pay our charges but, we'll only do this after we've discussed it with the Member Trustees.

Are there other charges?

There are no 'hidden' charges. We explain all of our day-to-day charges in our Charges Cards. If we need to make any other charges, they're explained in our Administration Services Agreement. These generally apply if we carry out an unusual item of work and we'll agree these with the Member Trustees before we start.

Remember that our Charges Cards only give details of our charges. When you invest in some assets, such as property, there are other charges, such as to solicitors, surveyors, accountants etc.

Payments we receive

We occasionally receive fees or commission for arranging for you to access specialist service providers. We currently only receive a payment from Metro Bank plc in relation to the SSAS bank account, which is up to 1% p.a. of the balance in the account. So, if the balance for a year is £1,000 we'd receive up to £10.

Our charges and winding up (continued)

Transfers out of the SSAS

In most cases, a member can transfer part or all of their SSAS entitlement to another pension scheme at any time. All members should speak to a financial adviser before taking a transfer. Remember too that some assets can take some time to sell (such as property) so as to release funds for transfer.

Winding up the SSAS

A SSAS can be wound up if all members decide to transfer out. There are specific regulations that must be followed when winding up a SSAS and it can take some time to realise all the assets so that they can be split between each member (if some are transferring to personal arrangements).

Paying contributions

As a member you can:

- make one-off or regular contributions;
- transfer funds from other suitable pension arrangements (including contracted-out benefits);
- 'in specie' transfer of some non-pension assets (i.e. you don't have to cash them in to transfer).

The SSAS Sponsoring Employer and Associated Employers can also pay into the SSAS.

You can stop paying, or take payment holidays and restart payments later. We don't apply a penalty for stopping contributions, although an investment provider may do so. Stopping payments, even temporarily, will inevitably reduce the value of the fund at retirement. You can make payments at any age but contributions paid after age 75 don't attract tax relief.

Are there contribution limits?

No, although you must bear in mind:

- if total employee and employer contributions exceed the Annual Allowance, the employee will need to pay tax on the difference;
- there's a limit on the amount of tax relief which can be claimed (see next section).

The Annual Allowance

Everyone can pay, and get tax-relief on, up to £3,600 gross each year. Individuals can pay more than this and still get tax relief, based on the lower of their 'Relevant UK Earnings' and the Annual Allowance. The Annual Allowance is the maximum amount of new money eligible for tax relief in a single tax year. Her Majesty's Treasury (HMT) sets the amount of Annual Allowance each tax year. 'Relevant UK earnings' are broadly the same as a person's taxed earnings, but they don't include dividends or bank interest. The amount of the Annual Allowance is subject to change by HMT and you can find out the current figures by visiting our website.

Paying contributions (continued)

The Tapered Annual Allowance

The tapered annual allowance applied from 6th April 2016 and affects those who have 'adjusted income' (including the value of any pension contributions) for a tax year that are greater than £150,000.

The effect is that for every £2 of income over £150,000 the Annual Allowance is reduced by £1, subject to a maximum reduction of £30,000. Further details about how this operates are provided on our website.

The Annual Allowance applies as a total limit across all of a person's Registered Pension Schemes in a tax year. It covers:

- your contributions;
- employer contributions made on your behalf; and
- any increase in the value of retirement benefits you may earn from a defined benefit pension scheme.

The Annual Allowance doesn't apply:

- to transfers from other pension arrangements. They don't receive extra tax relief, so there's no upper limit on them;
- in the year of death; and
- in the year in which all benefits are taken from the SSAS due to severe ill health.

Any payments over the Annual Allowance will be taxable unless permitted under the 'carry forward' rules (this is explained in 'Tax relief on contributions'). A tax charge will be calculated using your tax rate(s). **If you think you're close to (or over) the Annual Allowance, or need advice, talk to a financial adviser.**

Money Purchase Annual Allowance Rules

If you flexibly access your benefits (see 'Taking your benefits') the Money Purchase Annual Allowance rules will apply to you. This reduces the Annual Allowance available to you for savings under money purchase pensions (but not final salary pensions).

Paying contributions (continued)

The amount is subject to change by HMT and you can find out the current figures by visiting our website.

And employer contributions?

There's no limit on what an employer can contribute on your behalf. But, if the total of the employee and employer contributions exceeds the Annual Allowance, the employee will need to pay tax on the difference. Employer contributions can be very tax efficient as they get corporation tax relief and there are no National Insurance contributions payable on them either.

Are employer contributions a benefit in kind?

When your employer gives you something valuable (e.g. a company car) you may be treated for tax purposes as if you've received cash. If this happens, the item given to you is called a 'benefit in kind' and you must pay income tax on it. Employer contributions to a SSAS are not treated as benefits in kind.

What's contracting-out?

Nearly everyone can expect a Basic State Pension when they reach State Pension Age.

If you're employed and earn above a certain amount, you pay National Insurance Contributions. This will earn you an additional amount of pension, known as the State Second Pension. This used to be called the State Earnings Related Pension Scheme (SERPS). This pension is based on the earnings on which you've paid National Insurance Contributions.

If you're a member of an employer's contracted-out defined benefit (also called 'final salary') pension scheme, instead of the Government paying the additional pension you'll build up alternative benefits (often referred to as 'Guaranteed Minimum Pension') within the scheme in exchange for a reduction in National Insurance Contributions.

You can transfer such benefits into your SSAS but you would need to discuss this with your financial adviser.

Paying contributions (continued)

What are 'Pension Input Periods'

The Annual Allowance test is applied to contributions paid in a Pension Input Period (PIP) ending in the relevant tax year. The first PIP starts when the first contribution is paid and ends on the following 5 April, with subsequent PIPs lasting for 12 months and ending on 5 April. You can change the end of a PIP if you wish, provided that only one PIP ends in each tax year.

This flexibility can be useful if you need to pay a large contribution to finance a particular scheme investment. However, this is a complex area, with different PIP rules if you joined the SSAS before 5 April 2011. We always recommend you take advice.

What about 'Protection'?

'Protection' allows you to retain preferential treatment of benefits built up under previous pensions legislation. Before making any payments into the SSAS you should seek financial advice as you could lose your protection. You need to have already registered with HMRC to benefit from protection. You can find more details about fixed and individual protection on our website.

Transitional arrangements

These rules apply to people who already had large pension funds on 5 April 2006. Transitional arrangements may reduce or remove the extra tax charge for large funds.

Fixed Protection check

With this form of protection, the normal limit on your pension fund is replaced by £1,800,000 (if greater), £1,500,000 (if greater) or £1,250,000 (if greater) depending on which version of protection applies. The normal limit on your pension fund is set by HMT.

Individual Protection check

With this form of protection, the normal limit on your pension fund is replaced by an amount equal to your total pension savings on 5th April 2014 over £1,250,000 up to a maximum of £1,500,000 or by an amount equal to your total pension savings on 5th April 2016 over £1,000,000 up to a maximum of £1,250,000 depending on which version of protection applies. The normal limit on your pension fund is set by HMT.

Tax relief on contributions

We're not tax advisers but we can explain in general terms how tax works in the SSAS. Everyone's tax situation is different so, if tax is important to you, speak to a financial adviser as they'll be able to help.

Employee contributions can attract tax relief:

- If you're not employed, you can contribute up to £3,600 gross per annum. You need to claim tax relief from HMRC as part of your tax return.
- If you're employed or self-employed, you pay contributions gross. You must then claim tax relief from HMRC. This is the case whether you're a basic rate or higher rate tax payer. This can be done through your Self Assessment return if you complete one, or by contacting HMRC for an adjustment to your Pay as You Earn code if you don't. HMRC guidance on the relief available and how to claim is available at

  www.hmrc.gov.uk/incometax/.
- Click on links for tax relief on pension contributions and to contact HMRC.

'Carry forward'

You may be able to 'carry forward' unused Annual Allowance going back up to three previous tax years. For the purpose of 'carry forward' the deemed Annual Allowance for all years up to 2010/11 is £50,000. Carrying forward unused Annual Allowance to the current tax year means it can be added to your current Annual Allowance and you would be eligible for tax relief on the total amount. This is subject to, in the year from which you are carrying forward, you being a member of a registered pension scheme. The normal limits for tax will continue to apply to any contribution.

Tax relief on contributions (continued)

You can find details of current allowances on our website.

If you are subject to a lower annual allowance under the Money Purchase Annual Allowance Rules then carry forward will not be available under any money purchase arrangements that you contribute to.

Do employer contributions get tax relief?

Yes. Employer contributions are paid gross with tax relief given by treating them as a deductible expense when calculating taxable profits.

In specie contributions

'In specie' means that an asset is transferred into the SSAS without it being sold. It's treated as a contribution. An example of an in specie contribution is where a company or a member owns shares and wants to include them within the SSAS. Rather than selling them (and incurring the sale costs) and having to re-purchase shares in the SSAS, the shares can be transferred in specie to the SSAS. Note, there must be at least £10,000 on deposit in the SSAS before we'll allow an in specie contribution.

Property

A property asset can be used as an in specie contribution to the SSAS but you'll also need to refer to our 'Commercial Property Guide'.

Regulatory issues

In specie contributions are subject to a wide range of regulatory requirements. If these aren't met, the contribution could be disallowed and tax charges could result. It's therefore vital the Member Trustees:

- discuss any proposals with a financial adviser before starting the process;
- ensure that all of the requirements set out below are met.

Legal debts

Technically, legislation doesn't allow in specie payments because all payments into a SSAS must be paid in cash form.

However, it's possible for you to agree to pay a monetary amount and then settle that 'debt' by transferring in assets.

This means that an irrevocable legal debt needs to be created. Once the debt's in place, the SSAS Member Trustees have a legal duty to pursue the debt until it's paid. If it's not paid we'll charge any fees incurred in pursuing the debt to the SSAS. This means that any holder of the in specie asset needs to be aware of their commitment.

In specie contributions (continued)

The debt is only settled (and the 'contribution' paid) once the asset has been legally transferred to the ownership of the SSAS. So if you're up against a year-end deadline, your contribution doesn't count if the debt is settled after year end.

Are there any risks?

Yes, there are a number of risks. The main one is that the value of the debt created is different to the value of the asset transferred. A practical example might help explain this:

- The Sponsoring Employer decides to contribute BT shares as an in specie contribution to the SSAS.
- The shares are valued and the paperwork completed. At this stage, the shares might be valued at, say, £8,000.
- A legal debt of £8,000 is created and the paperwork completed.
- The transfer to settle the legal debt is processed, but the value of the shares has gone down to £7,000.
- This leaves a further £1,000 to be settled and the SSAS Member Trustees must pursue this debt until it's paid. The legal costs of pursuing the debt are taken from the SSAS.
- If the value is greater (e.g. £9,000) the SSAS will need to re-pay the difference to whoever paid the contribution or it can be treated as an additional contribution to the scheme.

The costs

Details of the fees we charge are available from your SSAS Consultant.

Remember, in addition to our fees, other fees could be payable for legal work, valuations, Stamp Duty, VAT and other expenses. The investment provider might also levy some fees so make sure you know what these are.

In specie contributions (continued)

The costs

Details of the fees we charge are available from your SSAS Consultant.

Remember, in addition to our fees, other fees could be payable for legal work, valuations, Stamp Duty, VAT and other expenses. The investment provider might also levy some fees so make sure you know what these are.

Our role

We'll make sure that any transaction is acceptable to the SSAS and meets HMRC requirements. We'll also ensure the whole process is properly documented and managed between all the parties. For property contributions, the SSAS must be represented by one of our 'panel' of solicitors and their costs will be charged to the SSAS. Details of our panel solicitors are in the SSAS Commercial Property Guide.

How long will it take?

Much depends on the type of asset being transferred. A property purchase will of course take longer than shares and the co-operation of all parties is vital. By way of example, it can take around 3 months to transfer commercial property or land.

What paperwork is needed?

You need to complete a 'SSAS in specie contribution questionnaire' and provide us with an independent professional valuation of the asset.

In specie contributions (continued)

In specie contributions, in summary!

SSAS set up with minimum £10,000

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We consider if the asset is OK

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You complete the paperwork and have the asset valued

↓

We create a legal debt

↓

We ask for payment of the assets

↓

We receive the asset and obtain an independent valuation

↓

We register the asset to the SSAS Member Trustees

↓

We deal with any excess or pursue the payment of any shortfall

Transfers into your SSAS

There are lots of issues to think about before transferring any previous pensions into your SSAS, as we explain in this section.

We strongly recommend that you talk to a financial adviser before transferring any benefits into your SSAS. This is because, as you'll have gathered from this Guide, pensions aren't simple, mainly because of frequent legislation changes. The impact can differ from person to person and even between schemes. When you transfer from one scheme to another you can lose out on important benefits – but it takes an adviser's skill to spot what those benefits might be and whether you're affected.

Can you suggest an adviser?

We'd normally refer you to your own financial adviser but if you don't have one, we'd suggest you visit www.unbiased.co.uk and search for a 'Pension Transfer Specialist'.

What are the issues?

We've covered some of the issues we know can arise in the following section – but this isn't everything and isn't a checklist. Don't use this as a way of attempting to do things for yourself!

Transfers from final salary schemes

- Benefits under the scheme can include valuable guarantees and features which would be lost on transfer.
- The annual pension is guaranteed, regardless of its cost at the time of payment. On transfer this guarantee is lost. This is highly likely to lead to a lower benefit than if the transfer had not been made.
- Schemes may have other benefits (such as dependant's pensions) which would be lost on transfer.
- If you were contracted-out of the various state pension schemes, you may have earned certain 'rights'. These rights are guaranteed and include a 50% pension for a widow, widower or surviving civil partner and also include some degree of protection against inflation.

Transfers into your SSAS (continued)

From 6 April 2012 you can transfer such rights to your SSAS but the money that we receive loses these features and is just treated as a normal part of your overall fund.

Transfers from money purchase schemes

- Your provider may offer guaranteed annuity rates. On transfer the guarantee would be lost and when you retire the annuity rates could be more expensive (leading to a lower pension).
- You might incur a transfer charge which you may not be able to make up when you move to a new scheme.

Transfers from all schemes

- A significant legislative change in April 2006 was 'Pensions Simplification'. One of the things this changed was the maximum benefits that you can take at retirement. However, older legislation was more generous (in some cases) and so you could have higher benefits under the old rules than the new ones.
- It's possible to maintain (or 'protect') these higher benefits subject to certain conditions. Transferring can sometimes invalidate these conditions leading to a loss of 'protection'. This could result in less tax free cash and lower benefits.
- In all cases, the charges and the benefit flexibility may differ significantly between schemes.

In specie transfers

- From 2006 certain investments, which were perfectly acceptable before that date, can lead to charges being levied on the scheme by HMRC. To avoid any scheme which held such assets being disadvantaged by new rules, HMRC can allow these assets to be retained without incurring these charges. If those assets are transferred to another scheme it could lead to HMRC tax charges being applied.
- You could also lose benefit 'protection' from previous, more generous, pensions legislation.

Investment choices

The investments selected by the Member Trustees must not breach Her Majesty's Customs and Revenue's (HMRC) rules. Technically, the Member Trustees can invest in anything however certain investments can lead to penalties being levied by HMRC. In our professional role, we'll highlight where investments may, or will, lead to HMRC charges and this guide outlines the investments that are generally acceptable to HMRC. These are:

- bank and building society accounts;
- UK commercial land or property (with suitable insurance);
- borrowing;
- insured policies;
- any Platform or Discretionary Fund Manager investment;
- managed funds (including investment trusts, unit trusts and OEICs);
- Stocks and shares quoted on an FCA recognised investment exchange;
- unquoted stocks and shares;
- contracts for difference;
- traded endowment policies;

hedge funds and venture capital trusts; and

futures and options.

What can't a SSAS invest in?

We'll review investments to confirm whether they're allowed by HMRC, and we might refuse to allow an investment if we believe it will breach the SSAS rules or regulatory requirements. We won't allow investments, directly or indirectly, in:

- residential property (except in very limited cases);
- property that can be moved, e.g. antiques, wine, jewellery, classic cars, racehorses etc;
- overseas property; or
- any investment which gives you a personal benefit (e.g. personal use of a hotel investment).
- Residential property held in the scheme from pre 6 April 2006 will lead to HMRC charges if it is subsequently improved. Non-residential property held in the scheme from pre 6 April 2006 will lead to HMRC charges if it subsequently becomes residential.

Investment choices (continued)

Managing investments

- You can appoint an authorised investment adviser or the SSAS can manage the investments. You (or your adviser) must tell us what investments to make. We won't give you any advice.
- The SSAS can change its choice of investments whenever it wants. Please remember the investment provider may charge for this. Also remember it can take some time to buy or sell certain types of investments, e.g. property.
- We've explained some of the SSAS investment options in this guide but we'd always recommend you speak to a financial adviser if there's an investment the Member Trustees want to consider.

Investments 'connected' to the Member Trustees

In the following pages we explain 'non-standard' investments and when an investment could breach HMRC requirements. The legislation uses a number of terms which have certain meanings and we've explained these below:

Associated company

One company is 'associated' with another if now, or at any other time within the last 12 months, one of them has 'control' of the other, or both are under the 'control' of the same person(s).

Associated pension scheme

One pension scheme is associated with another if members representing at least 10% by value (i.e. the market value of the scheme's assets) of one pension scheme are members of the other pension scheme (or 'connected' with such members).

Associated person

In relation to a pension scheme this means:

- A member of the pension scheme or any person 'connected' to the member;
- any arrangement (under that or another pension scheme) relating to a member of the pension scheme or any person 'connected' to that member; or
- any associated pension scheme.

Company

A body corporate or unincorporated association, but not a partnership.

Connected company

One company is connected with another if:

- a person has control of one and he (either alone or with persons 'connected' to him) has control of the other; or
- a group of two or more persons has control of each company, and the groups consist of the same people (or could be replaced by people 'connected' to them).

Investments ‘connected’ to the Member Trustees (continued)

A company is connected with another person if that person has control (either alone or with persons ‘connected’ with him).

Any two or more persons acting together (or any person acting on their directions) to secure or exercise control of a company are treated (in relation to that company) as ‘connected’ with one another.

Connected person (all Member Trustees)

- Your relatives and their spouses or civil partners; and
- your spouse or civil partner, any of their relatives and their relatives’ spouses or civil partners.

Control

Control means having direct or indirect control. In particular, it means owning, or having the right to own, the greater part of the share capital, voting rights, dividend income or assets on winding-up. If you and others together satisfy these criteria then you each have control.

Controlling director

A director who owns or controls, personally or with any associates (as defined in section 448 of the Corporation Tax Act 2010), (including associated persons), 20% or more of the ordinary share capital of the company.

Relative

Means brother, sister, ancestor, (e.g. parent, grandparent, great-grandparent etc) or lineal descendant (e.g. child, grandchild, great-grandchild etc).

Sponsoring Employer

This includes the employer who establishes the SSAS and employers who participate in the scheme.

Some investments explained

Let's start by saying that if the Member Trustees don't understand an investment, it's best not to invest in it without advice! We can't advise you on what type of investment is suitable for the SSAS and we stress the importance of taking financial advice. You should remember that all investments are registered and held in the name of the SSAS.

Bank deposits

The SSAS can hold funds in bank current and deposit accounts (e.g. to take advantage of special interest rates).

Property

Property can be held as an asset of the SSAS. Usually this must be commercial property as, in most circumstances, residential property cannot be held. Once property is held in the SSAS, any growth is free of Capital Gains Tax and any rental income is paid into the SSAS. We explain how to purchase and hold property in more detail in our 'Commercial Property Guide'.

Insurance company investments

The SSAS can hold investment policies issued by an insurance company (usually a bond or trustee investment).

Fund supermarket / platform / wrap

This is a type of online shop where you can buy and sell investments including funds, unit trusts and OEICs. We'll allow access to any of these as we're not tied to a particular provider.

Open-ended investment company (OEIC)

An OEIC is a form of pooled investment, similar to an investment trust. OEICs are companies that issue shares on the London Stock Exchange. They then use the money raised from shareholders to invest in other companies. If an OEIC does well, it can issue more shares. This is why OEICs are referred to as being 'open-ended'.

Some investments explained (continued)

Quoted equities (shares)

If you own a share in a company, it means you receive dividends (part of the profits paid to shareholders) from the company and a portion of any proceeds if the company is sold.

Shares can be 'quoted' or 'unquoted'. Holding unquoted shares is explained separately in this Guide.

You can buy and sell quoted shares on a recognised stock exchange (unquoted shares are owned by a limited number of people and you are only likely to be able to buy and sell with those people because they don't have a price quoted on a recognised stock exchange).

Shares are more risky in the short-term than some other assets because you only receive whatever is left from a company after it has paid its debts and met other commitments (e.g. salaries). If a company does well, its shares can shoot up in value. If a company does badly, its shares can become worthless.

If you want to invest in unquoted (i.e. unlisted) please see the section 'Unlisted share ownership'.

The AIM

The Alternative Investment Market (or AIM) is a UK stock market mainly for smaller companies. Investing in AIM-listed shares is generally high risk. This is because you may not be able to sell large shareholdings at the price quoted on AIM (the price may fall as buyers realise that you are selling). Also, small companies are less likely to be able to cope with bad news like a temporary drop in sales. Because of this, the value of their shares may drop quickly.

Investment trusts

An investment trust is a form of pooled investment which has a limited number of shares. Investment trusts may specialise in particular types of investment (e.g. UK shares).

Loans

You can make loans from your SSAS. See the 'Loans' section for more detail.

Some investments explained (continued)

Non-standard investments

Non-standard investments can sometimes be referred to as 'esoteric'. They include:

- Unregulated Collective Investment Schemes ('UCIS') including other 'collective' or 'pooled' schemes;
- Special Purpose Vehicles (SPV), Protected Cell Companies (PCC), Segregated Portfolio Companies (SPC);
- unquoted shares;
- traded life policies;
- venture capital trusts;
- futures and options;
- hedge funds;
- contracts for difference; and
- qualified investor schemes.

If the Member Trustees don't understand these investments, it's unlikely they should be investing in them without advice!

The following section explains how investments can be made in non-standard investments.

Non-standard investments

Who can invest in these?

Not everyone is eligible. There's generally a high risk and in some circumstances the SSAS could lose all of its money.

We therefore ask all Member Trustees to consider the risks attaching to these investments and to consider whether all members meet the definition of 'high net worth' or 'sophisticated' investors.

Generally, the Member Trustees should only permit the SSAS to invest in these investments where they are satisfied the members meet at least one of the following criteria:

High net worth:

- In the last financial year, was each member's annual income in excess of £100,000?
- Does each member have assets in excess of £250,000? (This excludes the member's main residence and any insurance contracts, any benefits payable on termination of service, death or retirement to the member/ their dependents).

Sophisticated:

- Have all the members been, for at least 6 months, members of a network or syndicate of business angels?
- Have all the members made any investments in non-standard investments in the last 2 years?
- Have all the members worked in a professional capacity in the private equity sector or in providing for finance for SMEs the last 2 years?
- Have all the members been directors of companies with an annual turnover >£1 million for the last 2 years?

Non-standard investments (continued)

What are the costs?

Fees for non-standard investment can sometimes be significant and should be reviewed carefully.

Our fees for reviewing non-standard investments are set out in our Charges Cards. However, as explained below, for certain overseas investments, we may need to employ specialist legal advisers in the country in question and these fees will be payable in addition.

Where can I find out more?

Your financial adviser should be able to answer any questions about the investment. If you have any other queries about non-standard investments, please speak to your SSAS Consultant.

Considerations for non-standard investments

What do Xafinity look for?

When we review a non-standard investment we consider the following issues:

Ownership

An investment held in a SSAS is legally owned by the SSAS. We check that the SSAS can own the investment.

Liability

An FCA-regulated investment is usually structured such that there are no additional Member Trustee liabilities. A non-standard investment can lead to the Member Trustees acquiring unlimited or unknown liabilities. So, we won't allow such investments without a limitation of liability from the investment provider.

Liquidity

We consider whether the investment is sufficiently liquid to pay out benefits in the event of death and we may require signed statements from the Member Trustees or the investment provider to confirm this.

Overseas Investments

We do not permit non-standard investments (including Unlisted Shares) if they are registered or incorporated in an overseas jurisdiction.

Shares in overseas companies will normally only be allowed if they are listed on a recognised stock exchange.

Unlisted share ownership

The SSAS can hold shares in unquoted (i.e. unlisted) UK companies. We don't allow overseas shares to be held.

Buying unlisted company shares in a SSAS is complex and we always ask the Member Trustees to take financial advice before doing so. We don't advise and can't tell you whether a share purchase is appropriate. There are also a significant number of HMRC rules that apply to owning unlisted shares in a SSAS. Failure to observe these rules could lead to tax charges.

In this section we refer to 'connected' persons, control and 'controlling directors'. Please refer to the section 'Investments connected to the Member Trustees' for an explanation of these terms.

The SSAS can only buy unlisted company shares if all of the following apply in relation to the company in which shares are being purchased:

- the company has been carrying on a trade, profession or vocation in the UK for at least 12 months and has submitted accounts covering 12 months to Companies House;
- the Member Trustees have taken advice from a financial adviser;
- on purchase, the SSAS will own or control less than 50% of the company's shares (in conjunction with any other connected person);
- neither the SSAS members, or any person connected to them, are controlling directors of the company (or of any company that holds an interest in the company);
- neither the SSAS members, or any person connected to them, can use any asset or benefit of the company. E.g. purchasing shares in a company that owns a delivery van and which gives you (as shareholder) personal use of that van would not be allowed.

This means that the most the SSAS can hold on its own or with the SSAS members (and anyone connected to them) is 49.99% of a company's shares.

Unlisted share ownership (continued)

Advance clearance

Before a purchase can proceed your financial or tax adviser must confirm whether advance clearance under Section 748 of the Corporation Tax Act (CTA) 2010 is required. This is because the CTA aims to prevent anyone from gaining a tax advantage from a transaction unless they can show that it's a bona fide commercial transaction or part of the normal business of investing.

Maximum investment

When purchasing shares in Sponsoring or Associated Employers of a SSAS the following limits apply:

- if only one Employer participates in the scheme, the investment must be less than 5% of the scheme net assets; and
- if more than one employer participates in the scheme, the investment must be less than 20% of the scheme net assets in total and the limit of 5% in each employer also applies.

Assets are valued at the point of purchase of the shares and the shares must be independently valued.

When purchasing shares in an unlisted 3rd party company, we will limit the investment to 70% of the scheme asset value (this affords some protection to the SSAS in the event of future unauthorised charges being applied).

The accountant's role

As unlisted shares can't be traded on a normal stock exchange, we rely on the company's accountant to provide statements about the value of the shares. We also need to ensure that the investment meets HMRC's 'Indirect Holdings not subject to tax charges: Trading Concerns' so that there are no indirect taxable property issues. So we ask the accountant for an initial and annual declaration. Where the shares are in an established Company, the company Accountant will normally provide the required disclosure statement and valuations. New companies usually have an independent accountant.

Unlisted share ownership (continued)

Our role

We aim to ensure the purchase doesn't breach HMRC regulations and we work with the company, the accountant and your advisers to safeguard your pension scheme from tax charges.

'Trust Busting'

Unlisted share purchases have been used, by some, as a way of 'trust busting' (i.e. releasing monies illegitimately from the pension fund). If we suspect trust busting, we'll refuse to allow the transaction. We always ask for a declaration that the transaction is not being used as a trust busting exercise. You should be aware that significant tax penalties apply (to both the members and the scheme) if a trust busting exercise has occurred.

What about Stamp Duty?

Generally, Stamp Duty at a rate of 0.5% is payable on any shares transaction over £1,000 but you need to talk to a financial adviser about whether this will apply in the case of the SSAS.

Share ownership

Shares are owned by the SSAS and the responsibility for exercising any voting rights rests with the Member Trustees collectively. We will also require the SSAS's liability to be limited to the value of the SSAS funds. These points are usually set out in a formal 'Shareholder's Agreement' which is drawn up by the company.

Where there's documentation for the SSAS to sign in tandem with an unlisted share purchase, the Member Trustees must obtain legal advice. We can't offer this legal service, so the Member Trustees will need to choose a Solicitor to represent the SSAS, the costs for which can be payable from SSAS funds.

Unlisted share ownership (continued)

What happens on death?

If a Member dies, the shares may need to be sold to pay benefits. Unlisted shares generally don't have a 'market' and, whilst a third party could buy the shares on death, the Member Trustees, the company and their advisers need to also consider whether alternative life assurance or shareholder protection type cover should be taken out. To be effective, these policies must be set up separately to the SSAS.

How much does it cost?

Our charges depend on the work involved and we'll discuss and agree these with you before we start work. There will also be costs incurred with the legal transfer of shares (including valuation costs) plus accountant's and solicitor's fees. The SSAS will be responsible for these additional fees.

How long does it take?

Much depends on the co-operation of all parties involved but you can expect a transaction to take at least 4 weeks.

What paperwork is needed?

We'll need:

- a 'SSAS unlisted company shares questionnaire' (with Accountant's disclosure letter);
- evidence of advance clearance under s748 CTA 2010 (if required);
- completed indemnities from you and the company (we'll send these once we've reviewed and agreed to the proposed transaction);
- an independent professional valuation (for connected party transactions); and
- any associated company or shareholder agreements.

Selling your shares

Once the SSAS decides to sell the shares, you'll need to complete relevant paperwork (including Shareholders' Agreements). If so, you'll need to appoint a solicitor to act for the SSAS and the solicitor's fees will be paid from the SSAS. Our fees for selling your shares are shown in our Charges Cards. You'll also need to complete a 'SSAS unlisted company shares sale questionnaire'.

Loan investments

SSAS funds have been used for many years to lend money to Sponsoring Employers and other parties. One of the key advantages is that the loan repayments are treated as investment income. For some Sponsoring Employers, loans from a SSAS can be an easier way of accessing funds at a lower interest rate than charged by high street lenders on business loans.

However, making a loan is complex and The Pension Act 1995 requires that, before making any investment decision, the Member Trustees must obtain and consider proper advice. This advice must be in writing from someone qualified and experienced in both financial matters and pension scheme investments. We don't need to see a copy of this advice but we'll decline a loan if it could breach HMRC requirements.

In this section we refer to 'connected' persons and 'sponsoring employers'. Please refer to the section 'Investments connected to the Member Trustees' for an explanation of these terms.

Are there any risks?

Yes, the main risk is that the loan might not be repaid at all and the SSAS could lose money. Also, if any SSAS members are within 10 years of retirement the Member Trustees need to think about whether it's likely to be repaid in time for the member's retirement (or even if they may need to retire early). You also need to remember that failure by the borrower to make loan repayments when they fall due could lead to HMRC tax charges applying.

Who can the SSAS loan to?

The SSAS can make loans to a 'sponsoring employer' but any loans made on or after 6 April 2006 must be on a secured basis. For these loans, all of the members must be trustees. Loans to any other 'connected party' can generate unauthorised tax charges.

Loan investments (continued)

Loans to 'sponsoring employers'

These must:

- be secured in the form of a First Legal Charge (or Standard Security) over an asset which is at least equal to the value of the loan plus interest over the term of the loan. **Security must in place before we'll advance any funds;**
- be for a commercial purpose relating to the borrower's day-to-day business activities;
- be on an arm's length basis (i.e. on an independent open market basis);
- not exceed 50% of the net market value of the scheme assets (at the date of advance);
- have a maximum term of 5 years;
- use a rate of interest at least 1% above the average base lending rates of the main high street banks.

In addition, the loan must be on a capital and interest basis, payable in equal instalments at least annually. We'll also require a Standing Order to be set up.

Loans to others

HMRC don't require loans to unconnected parties to be secured but it's prudent for the Member Trustees to secure the loan.

Where we are Scheme Administrator we won't allow any of our schemes to make unsecured loans.

The SSAS can only make a loan to an unconnected third party limited company.

We won't allow loans to individuals or partnerships.

About security

In all cases where security is required, it must take the form of a First Legal Charge (or Standard Security) over an asset. A legal charge is a formal document that gives a lender certain rights over the asset in return for the loan. It allows them certain repossession rights if the terms of the loan aren't met. Where the legal charge is over property/land, this is registered at Land Registry by the lender to show the interest held.

Loan investments (continued)

Commercial property is the most suitable asset to use as security. We'll also consider other assets in light of HMRC legislation and our formal role to the SSAS.

All security must be valued by an independent professional firm (or individual) with suitable qualifications. They must detail the valuation terms and the valuation must be on an open market basis. Valuations must be less than three months old at the time of the advance.

Plant and machinery (or any other tangible moveable asset) can be used as security for a loan. However, where a depreciating asset is used, the valuation should also provide the estimated value at the end of the loan term taking into account a commercial depreciation rate.

Where commercial property is used as security in England and Wales, we'll also take out a Restriction with Land Registry to prevent the property being sold without our permission. In Northern Ireland, we'll take out an Inhibition which has the same effect. The security documentation will be prepared by our solicitors and the costs are payable by the borrower.

Due to the complexities involved, we strongly recommend that the party providing the security should seek separate legal advice.

Using the loan monies

A loan can be used to buy anything a company needs for its business. However, it can't be used to buy anything which a member, or anyone connected to the members, can use. For example, a company could use the loan to buy a vehicle but not if a member (or, someone connected to the member such as their spouse) can drive that vehicle. The key point is that members can't have any benefit from the loan payment.

This is an important area of regulation as HMRC have detailed rules around what's permitted so, if you're unsure as to whether a loan can be made, talk to your SSAS Consultant. Breaches of these rules could lead to scheme de-registration with HMRC and tax penalties.

xafinitySSAS

Loan investments (continued)

Calculating loan repayments

The monthly capital and interest payment is established at the outset of the loan.

There's a standard calculation, as this example shows.

The SSAS makes a loan of £50,000 to XYZ Ltd (the Sponsoring Employer) on 03/01/2009 for 5 years. On that date, an interest rate of 3% met the interest rate requirements as defined by HMRC.

- The interest is calculated taking account of monthly repayments as they are made. This means that over the loan term, the total interest payable by XYZ Ltd is £3,906.07.
- The amount repayable by XYZ Ltd at the end of the first loan year, and subsequent years, is £53,906.07 divided by 5 (i.e. £10,781.20).
- The monthly payment is therefore £10,781.21/12 (i.e. £898.43).

The asset that the security is taken against must be valued at an amount of at least £53,906.07.

Our role and the costs

We're here to ensure that the loan meets HMRC requirements, arrange the loan agreement and associated legal documents. It can take around 2 months to complete a loan.

Loans always need legal work so we'll appoint a solicitor to act for the SSAS. We suggest that the borrower pays all the legal fees, including for the valuation of any assets being used as security. Failure to do, should the asset itself be deemed taxable, can lead to HMRC tax charges being applied.

Our fees are shown in our Charges Cards but where an asset other than commercial property is proposed, we may charge additional fees on a time-cost basis.

How do I apply?

Ask your SSAS Consultant for a 'SSAS loan questionnaire' (or you can find one on our website). We'll also need an independent valuation of the asset being used as security.

Loan investments (continued)

The following diagram outlines the loan process from start to finish:

1. SSAS set up
2. The Member Trustees submit the loan paperwork
3. We consider the loan and security and then let you know our decision
4. We contact your solicitor to prepare the security documentation
5. The solicitor confirms their costs. Our fees and the solicitor's fees are payable before the loan is advanced and are non-refundable
6. Once fees are paid, we prepare a loan agreement and Standing Order.
7. The scheme's solicitor liases with the borrower's solicitor to draw up security documentation
8. The Member Trustees and the borrower sign the loan agreement and return it to us, together with other documentation (eg standing order)
9. Both solicitors confirm security is in place. We check we hold all the valid paperwork
10. Loan funds are released by telegraphic transfer or BACS
11. We submit the standing order to the borrower's bank
12. The first loan repayment is due one month after the loan is advanced

Tax and the SSAS

Generally, the tax treatment of pension funds means that the investment returns can be better than most non-pension investments (e.g. building society accounts). However, whilst there is tax relief on contributions and some investments, there are some things about tax that you need to be aware of which we outline in this section.

You can find details of past and current tax rates mentioned in this section on our website.

Is a SSAS fund taxable?

Pension funds don't pay UK taxes on income or capital gains. Also, if you die before starting to draw benefits, inheritance tax is not usually payable on any death benefit lump sum. Inheritance tax may arise on any payments made to your estate, depending on your personal circumstances. You should seek professional tax advice if this is an area of concern as this is a complex area.

Overseas assets

Tax can't be reclaimed on UK and some overseas dividends. So, investment returns aren't totally tax free. If the SSAS invests in overseas assets it might also have to pay other taxes which it won't be able to claim back.

Are pension payments taxable?

A pension or drawdown payment is treated as earned income and is taxable. We'll deduct income tax from any payments we make. If a pension is purchased from another provider, the provider will be responsible for arranging tax deductions with you.

Are lump sum benefits taxable?

Retirement: Cash lump sums, within HMRC limits, paid to you either as part of drawdown or pension purchase are tax-free. The first 25% of an uncrystallised fund paid as a lump sum will be tax free with the remaining portion of the lump sum taxed as income if paid within HMRC limits.

Tax and the SSAS (continued)

Death: For deaths before age 75 lump sum payments will normally be paid tax free if settled within two years of death.

For deaths on or after age 75 lumps sums are taxable. However, if there are no dependants or nominated beneficiaries and payment is made to a charity, no tax is payable.

Are there any other taxes?

Any payment which is not allowed by HMRC is called an 'unauthorised payment'. Unauthorised payments will result in an additional tax charge. HMRC don't expect registered schemes to permit unauthorised payments and we won't knowingly permit such payments.

A word about 'pension fraud'

There are number of pension frauds being used by fraudsters. These seek to release pension funds before they're meant to be used (e.g. before age 55). Alternatively, some fraudsters use scam investments to access pension funds.

However, if you access your pension funds before 55, you can incur large personal tax penalties. Scam investments can see your pension fund reduced to nothing. As a responsible company, we'll only transfer SSAS funds to a pension scheme that's registered with HMRC, which doesn't aim to release funds early and which does not appear to be involved in investment scams. We'll investigate and report any scams we spot to the relevant authorities and will refuse to make a transfer payment.

Planning benefits and benefit limits

What will my plan be worth?

Your final share of the SSAS will depend on how much is paid in, how long the investments are held, the charges paid, and how well the investments perform.

We issue annual statements showing how the SSAS is doing. However, some assets (e.g. property) may not have precise values and could be based on an old valuation. If a Member Trustee plans to take benefits, we'll need up to date valuations of assets.

Also remember that if the SSAS invests in an illiquid asset (such as property) assets might need to be sold before benefits can be paid. Be prepared for this to take some time. We can't guarantee when the SSAS will be able to sell its assets.

How much pension will I get?

Pension payments can come from the SSAS. How much you get will depend on your share of the SSAS assets, how much of it you use for pension and the rate at which you buy pension when you take benefits. These rates change over time so we can't tell you now how much pension you can buy in the future.

What's the Lifetime Allowance?

The maximum you can hold in all your pension arrangements is called the Lifetime Allowance.

If your total pension fund goes over the Lifetime Allowance you may have to pay tax on the excess when you take your benefits. These tax charges are set by HMRC.

You can find details of past and current Lifetime Allowances and tax charges on our website.

Excess tax charges can be reduced by various forms of protection. See the earlier section 'What about Protection?' If this affects you, you'll need to speak to a financial adviser.

Planning benefits and benefit limits (continued)

Every time you take benefits from the plan, some of your Lifetime Allowance is used up. Checks against Lifetime Allowance are carried out at various points, including:

- whenever you use part of the fund for a tax-free lump sum and/or drawdown or pension purchase,
- whenever you take an uncrystallised funds pension lump sum,
- when funds previously used for drawdown are used to purchase a pension,
- at age 75 if funds are still invested in the plan.

At each of the above stages, any previous tests are taken into account.

How do I claim my benefits?

You need to speak to your financial adviser or your SSAS Consultant. Our website also has a copy of our claim forms.

Taking your benefits

When can I take benefits?

You can take income from the SSAS from age 55. You may also take benefits earlier if you suffer illness or an accident which leaves you permanently unable to carry out your current occupation, and you cease that occupation.

You can take benefits using the total fund in one step or use up the fund in 'slices' to suit your personal circumstances at the time. Taking benefits in slices is sometimes called Phased Retirement.

What benefits can I take?

There are four types of benefit:

Tax-free cash lump sum: You can take up to 25% (or greater if you have scheme specific tax free cash protection) of your fund as a cash payment (or 25% of your unused Lifetime Allowance if lower). The remaining fund is used to provide income. If you take some of your fund as cash, this leaves less money to provide pension payments.

Pension Purchase: You take money out of your fund to buy a pension (also called an 'annuity'). This gives you a regular income for the rest of your life.

As we don't provide annuities, you'll need to buy this from an insurance company. An annuity can be fixed, or it can increase or decrease in payment. Your spouse, civil partner or other dependants may continue to receive the annuity after you die. The annuity may also have a guarantee period such as five or ten years. The amount of annuity depends on 'annuity rates' (this is the rate used to convert your fund into a pension).

Drawdown: This means using some of your share of the SSAS assets to provide an income while leaving the rest of the fund invested. You take income payments from the fund as flexi-access drawdown. Flexi-access drawdown isn't subject to minimum or maximum limits. You can still take a tax-free cash lump sum, but delay buying an annuity, perhaps in the hope that annuity rates will improve. In the meantime you draw income directly from the fund, leaving the rest of the money invested.

We'll make drawdown payments to you net of income tax and pay the tax deducted to HMRC.

Taking your benefits (continued)

Alternatively you can use all or part of your flexi-access drawdown funds to purchase a short term annuity from an insurance company. This will pay an income to you for up to 5 years.

Uncrystallised funds pension lump sum: You can take a lump sum from your fund instead of buying an annuity or using drawdown. 25% of the lump sum can be taken tax free with the remaining 75% being taxed. The portion of the lump sum that is taxable will be paid to you net of income tax.

You will not be able to receive an uncrystallised funds pension lump sum if either of the following apply:

- You have certain transitional protections where lump sum rights of over £375,000 are protected.
- You have a lifetime allowance enhancement factor and the available portion of your lump sum allowance is less than 25% of the proposed uncrystallised funds lump sum.

You should speak to your financial adviser if you think these apply to you.

Is there any flexibility in my benefit options?

You can take a tax-free cash lump sum together with a pension and/or drawdown. You could choose not to take a tax-free cash lump sum. If you choose to exercise phased retirement, you'll have to choose your benefit options for each slice. Please remember that if you do decide to phase your benefits, you might not be able to buy a pension with a very small amount of money (e.g. less than £10,000).

What's capped drawdown?

Capped drawdown is limited by an annual maximum amount of income that can be taken, which is currently reviewed every three years (and every year after age 75). The rates used are set by the Government Actuary.

Capped drawdown ceased for new drawdown entrants from 6th April 2015 however for those who are already in capped drawdown before this date it may continue as long as the income reviews are undertaken and the annual maximum income limits are not exceeded.

Taking your benefits (continued)

In some circumstances if you are in capped drawdown prior to 6th April 2015 the option to take further benefits as capped drawdown may still apply. Your Xafinity consultant will be able to confirm if this applies to you.

Money Purchase Annual Allowance Rules

From 6th April 2015 taking the following benefits from the SSAS are referred to as flexibly accessing benefits and will trigger the Money Purchase Annual Allowance Rules:

- you drawdown funds from a flexi-access drawdown fund, including receiving payments from a short-term annuity provided from a flexi-access drawdown fund;
- you receive an uncrystallised funds pension lump sum;
- you notify your scheme administrator that you wish to convert your pre-6th April 2015 capped drawdown pension fund to a flexi-access drawdown fund and you subsequently take a drawdown pension from that fund;
- you take more than the permitted maximum for capped drawdown from a pre-6th April 2015 drawdown pension fund;
- you receive a stand-alone lump sum and you are entitled to primary protection with a greater than £375k protected tax free lump sum right;
- you receive a payment from a lifetime annuity where the annual rate of payment can be decreased.

Taking your benefits (continued)

Are there any further requirements when taking benefits?

When you first flexibly access benefits you will need to notify other schemes that you are a member of this.

You will have 91 days to notify the scheme for pensions that you are currently accruing benefits. For any pensions schemes where you are not accruing benefits you will have 91 days from the date contributions or benefit accrual starts after flexible accessing benefits.

When you flexibly access your benefits under the SSAS for the first time and we haven't received a notification from you we will write to you confirming the position and make you aware of the requirement to tell your other pension schemes.

About drawdown

What are the benefits of drawdown?

- You can continue to invest and control your pension fund. You have the same investment freedom as when you join the SSAS but you need to think about whether assets can be sold to pay for your withdrawals.
- If the investments do well, your final benefits could be higher than if you'd purchased an annuity. Of course, they could also be lower if your investments don't do well!
- You and your employer can also continue to pay contributions into the SSAS and continue to receive tax relief on those contributions (in some circumstances these will be restricted by the Money Purchase Annual Allowance Rules). You can time your retirement to suit you and you could stage annuity purchase to take advantage of particular rates.
- You don't ever have to buy an annuity once you've started drawdown. If you die whilst taking withdrawals, the fund is available for your dependants and nominated beneficiaries to continue withdrawals, or take a lump sum (this is explained in more detail in the section which explains death benefits).
- Withdrawals can be set up to be paid monthly, quarterly, half yearly, annually or on an 'ad-hoc' basis, in advance or in arrears.
- We'll send an annual statement to show the effect of taking withdrawals on the SSAS fund.

Are there any downsides with drawdown?

- Drawdown isn't suitable for small funds. We don't apply a minimum fund size, although it's generally thought that you'll need a fund of at least £100,000 to give you sufficient flexibility.
- You need to manage your assets properly because every time you take a withdrawal you'll be reducing the fund.
- You also need to be aware that if you take large withdrawals, you can reduce your fund to a great extent and your money may simply run out.

About drawdown (continued)

- If you take large withdrawals you could exceed your current tax band threshold and be subject to a significantly higher tax rate than you are currently.
- One of the reasons for taking drawdown is the hope that annuity rates increase over time and with age. However, if you do decide to buy an annuity, you could find that the annuity rates are even lower than when you started taking withdrawals.
- Once you've started drawdown you can't transfer the part of your fund that's allocated to drawdown out of the SSAS except to buy an annuity or to another plan which also offers drawdown.
- The SSAS will continue paying charges for the investments and for the SSAS to be administered.
- When your entire fund has been paid out as tax free cash and/or used to buy a pension, your membership of the SSAS will cease.

Death benefits from a SSAS

None of us wants to think about what happens when we die but it's important you (and your beneficiaries) understand what's payable from your share of the SSAS. Details of any tax charges that apply can be found on our website. For details of any tax that might be payable on death benefits please see the section 'Tax and the SSAS'.

What are the death benefits?

If you die before taking any benefits, your share of the SSAS can be used to provide benefits to your beneficiaries as follows:

- a lump sum death benefit (which, subject to Lifetime Allowance, is tax free before age 75);
- a dependant's or nominee's pension (which is purchased from a pension provider); or
- a dependant's or nominee's drawdown.

If you die after commencing drawdown your nominated beneficiary can continue taking drawdown or they can purchase a pension. They can also take a lump sum which, subject to the Lifetime Allowance is tax free before age 75. If you have no dependants the lump sum can be paid to your chosen charity tax free.

If you die before age 75, drawdown and pension payments will be paid tax free. If you die having reached age 75, drawdown and pension payments will be taxed as earned income.

The SSAS Member Trustees have discretion over where to pay benefits but will take into account your wishes if you've made them clear. We'd suggest you complete an 'Expression of Wish' Form. If you haven't completed a form, the SSAS Member Trustees can simply pay the proceeds of the fund to your estate. Just ask your SSAS Consultant for a form.

Who can receive death benefits?

You can nominate any person to be a death beneficiary and receive either lump sum, drawdown or pension death benefits.

Death benefits from a SSAS (continued)

How are benefits paid?

To claim death benefits, the person dealing with your affairs should contact your financial adviser or us. We'll wait for instructions from the person dealing with your affairs.

The Member Trustees are responsible for paying death benefits. You can choose beneficiaries who you would like to receive payments but the Member Trustees aren't obliged to follow your wishes, but will take them into account. If you don't tell them your wishes, payment will usually be made to your estate. Please note that it may not be possible to convert certain assets (e.g. property) into cash immediately. This could delay payment of some benefits.

What's an 'Expression of Wish' Form?

This form (which is also a section on the application form) tells us how you wish death benefits to be paid (i.e. who should receive your share of the SSAS fund when you die). If we don't have this form, the Member Trustees usually make payment to your estate. This could lead to an inheritance tax charge. Visit our website or ask your SSAS Consultant for a form if you need one.

Our service, regulation and the law

Our contractual agreement

This Guide gives a summary of the Xafinity SSAS. It doesn't include all the definitions, exclusions or terms and conditions. The full contractual terms are set out in the Administration Services Agreement. If you would like copies of these, or clarification of any of the information provided in this document, please ask your financial adviser. Alternatively, speak to your SSAS Consultant.

Our service

We administer SSAS arrangements and we offer our own Self Invested Personal Pension. We don't offer any other products. We won't, under any circumstances, give advice or make recommendations. If you need advice you should speak to a financial adviser. We'll only arrange investments within the SSAS if instructed to do so by you or your financial adviser. The Trust Deed and Rules for the SSAS explains how investments are registered. The full scope of our services is explained in the Administration Services Agreement.

Can I cancel my membership?

When you join the SSAS and the first contribution is paid, you won't be able to cancel membership. Your only option will be to transfer to another registered pension scheme. The Administration Services Agreement also explains how the SSAS (or us) can end the agreement.

Conflicts of interest

The Administration Services Agreement explains what action we'll take if there is a conflict of interest.

Who regulates us?

The Financial Conduct Authority (FCA) is the independent watchdog that regulates financial services. Xafinity SIPP Services Ltd is authorised and regulated by the FCA.

Our service, regulation and the law (continued)

A SSAS is not a contract regulated by the FCA. However, where a SSAS holds insurance contracts, our administration services are regulated by the FCA. Our FCA Registration Number is 461791. You can check this on the FCA's Register by visiting the FCA's website at www.fca.gov.uk/register or by contacting the FCA on 0845 606 1234.

Law

We'll use the law of England and Wales to decide any dispute.

We make every effort to ensure this information is helpful, accurate and correct but it may change or may not apply to your personal circumstances.

Before taking any action you should always check with your financial adviser.

We can't accept responsibility for any action you take on the basis of this information.

HMRC practice and the laws relating to taxation are complex and depend on individual circumstances and changes which can't be foreseen.

You should also read the Administration Services Agreement as it forms the SSAS's contract with us.

Your client classification

The FCA requires us to classify our clients according to individual circumstances. We've classified you as a 'retail client' which gives you the highest level of protection and care. However, this doesn't mean you'll always be eligible to claim compensation or make a complaint under the regulatory system. We've explained this in more detail in the next section.

Our service, regulation and the law (continued)

Compensation

The Xafinity SSAS isn't a regulated contract and isn't covered by the Financial Services Compensation Scheme (FSCS). However, when the SSAS invests in regulated assets, these assets may be protected under the FSCS. The providers of those investments will give you information about the levels of cover when the contracts are set up.

If the SSAS is eligible, investments are covered up to a maximum limit of £50,000 generally, or £75,000 for bank and building society accounts.

Further information about compensation arrangements is available from the FSCS website at www.fscs.org.uk.

xafinitySSAS

Complaints and compensation information

How do I complain?

We hope you don't have any complaints about our service but things don't always go to plan. If that happens please tell us and we'll try to put things right as quickly as possible. If you want to know how we deal with complaints, just ask us.

Our contact details are on the back page and you can also contact our Compliance Officer in the same way. Making a complaint will not affect your rights to take future legal action.

If we don't resolve your complaint to your satisfaction, you can refer it to The Pensions Ombudsman. Contact details are:

- The Pensions Ombudsman, 10 South Colonnade, Canary Wharf, E14 4PU; Tel: 0800 917 4487;

  www.pensions-ombudsman.org.uk

If your complaint relates to the administration of an insured contract, you may also be able to refer your complaint to:

- Financial Ombudsman Service, Exchange Tower, London, E14 9SR; Tel 0800 023 4567

  www.financial-ombudsman.org.uk

You may only be eligible to complain to the Financial Ombudsman Service if, at the time you make your complaint, you are a:

- consumer (i.e. a private individual);
- a micro-enterprise (i.e. an enterprise that employs less than 10 people or has a turnover of less than €2 million); or
- the trustee of a trust with a net asset value of less than £1 million.

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