



SSAS & SIPP Comparison Guide

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What is a SSAS?

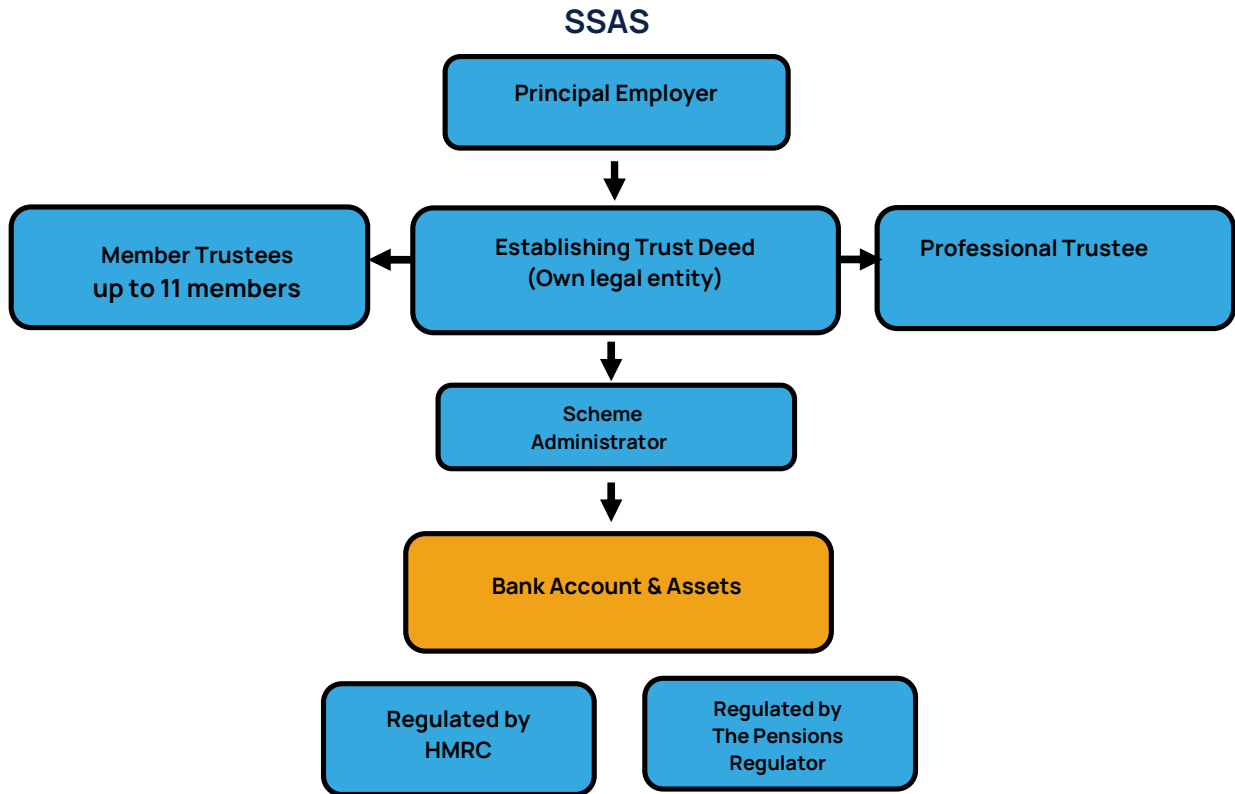
A Small Self-Administered Scheme is a small occupational pension scheme established by a limited company as a type of defined contribution pension usually for the benefit of their directors, employees or family members that offers greater flexibility, security and control.

It is an individual trust-based pension arrangement which makes it a separate legal entity. Membership is limited to a maximum of 11 members, whereby every member is normally a trustee as all the assets are held in the name of the trustees of the scheme and decisions are made unanimously.

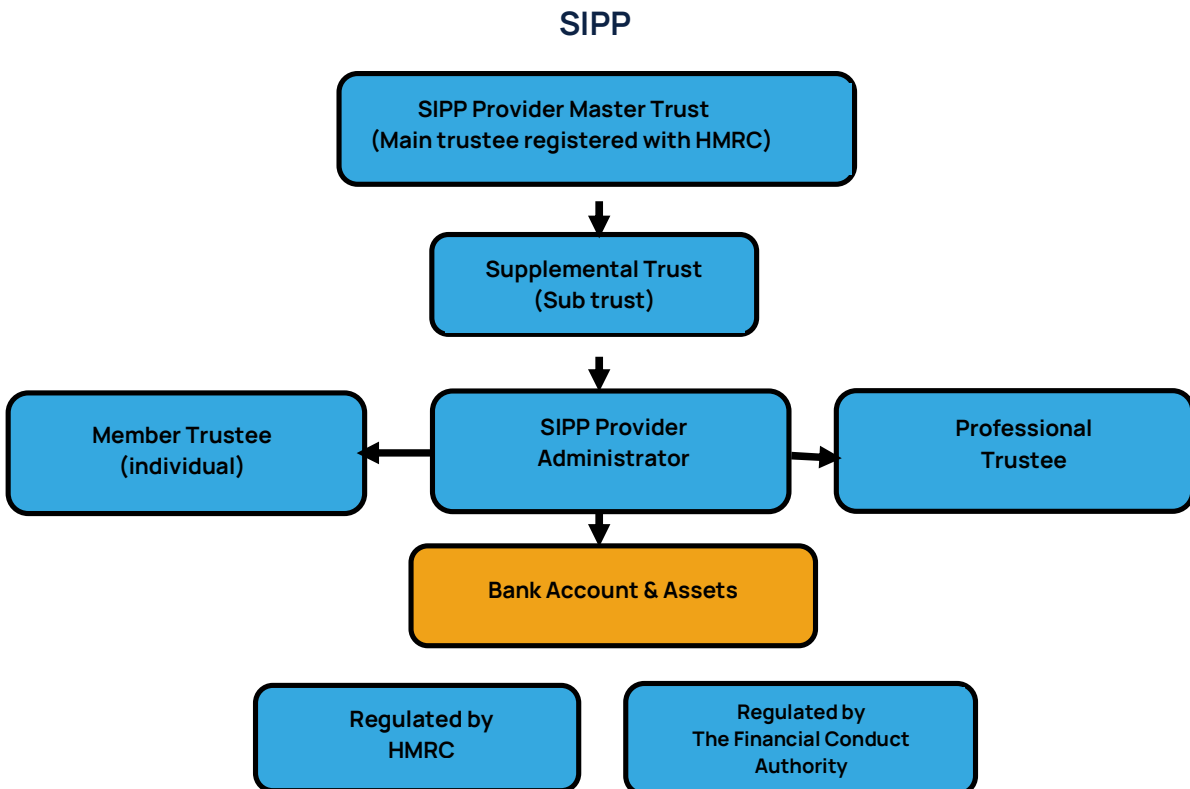
Where a SSAS might be appropriate

- Business owners looking for more flexibility and control.
- Pooling your pension alongside family members/business owners.
- Entrepreneurs looking to invest their pension savings.
- Purchase of commercial property.
- Company Directors looking to lend money from their pension to their company.
- Families looking at intergenerational planning (passing assets down the generations tax efficiently)

Structure of a SSAS



Structure of a SIPP



Lets look at the key differences

FEATURE	SSAS	SIPP
<ul style="list-style-type: none"> Regulation 	A SSAS is regulated by HMRC and The Pension Regulator (For schemes with two or more members).	A SIPP is regulated by HMRC and the Financial Conduct Authority (FCA).
<ul style="list-style-type: none"> The Family SSAS 	With up to eleven members and unlimited beneficiaries all within the same scheme, a SSAS offers a true family pension scheme structure to enable a consolidated investment strategy and pass wealth tax-free down the generations.	A SIPP is a personal pension for individuals. Even a group SIPP is a collection of personal pensions.
<ul style="list-style-type: none"> Loans to Sponsoring Employer 	A SSAS can lend up to 50% of its whole fund value to a sponsoring employer. These loans have specific conditions they must comply with, for example they must be secured by a first legal charge. A SSAS can also make loans to unconnected third parties.	A SIPP cannot make loans to any connected party.
<ul style="list-style-type: none"> Security of Cash Deposits 	Each SSAS is established as a Trust and therefore is a separate legal entity, this in turn means each SSAS bank account is eligible for full FSCS protection of up to £120,000 per SSAS per bank account, per member.	A SIPP is one large pension scheme with potentially thousands of members. Many SIPP products operate with pooled bank accounts which hold all the members' cash. If the bank collapses, Financial Services Compensation Scheme (FSCS) protection will likely only cover the first £120,000. Some SIPP products operate with separate bank accounts for each member. Even in these cases the FSCS have said each member "may" be entitled to up to £120,000 per eligible individual. But they also said they cannot confirm product specific eligibility as this will only be evaluated at the time of a bank collapse.

FEATURE	SSAS	SIPP
<ul style="list-style-type: none"> Cross Contamination 	<p>As a SSAS is a separate legal entity a problem with one SSAS will not contaminate any others</p>	<p>As one legal entity with many members, should a problem arise with one SIPP (or a number of SIPP's), there is a risk that all SIPP members will be affected and could result in the collapse of the whole scheme.</p>
<ul style="list-style-type: none"> Fees and Expenses can be paid by Sponsoring Employers 	<p>Because a SSAS is an occupational pension scheme, the fees and expenses can be paid by a sponsoring employer and qualify as an expense of the business to reduce corporation tax. The company can also reclaim the VAT. SSAS fees can also be paid from the fund if preferred.</p>	<p>SIPP fees and expenses are paid from the SIPP fund which can deplete the tax-free fund and affect investment performance.</p>
<ul style="list-style-type: none"> Pooling Funds to Reduce Costs and Complexity 	<p>A SSAS can have up to eleven members. They can all pool their resources to make investments and each transaction only has one fee. Amending pooled investments is simple and doesn't incur a fee. A SSAS can also make investments which are notionally earmarked for a specific member(s) giving additional flexibility.</p>	<p>Each SIPP has its own fees and charges. Where a group of individuals want to pool resources to make an investment such as a property purchase, costs are duplicated. In addition, making amendments such as one individual transferring-out or retiring can be complex, time-consuming, and expensive.</p>
<ul style="list-style-type: none"> Unquoted Shares in Sponsoring Companies 	<p>A SSAS can use up to 5% of its fund to purchase shares in a single sponsoring company. It can use a maximum of 20% of its fund to purchase shares in all sponsoring companies. For example, a group of four companies can join a SSAS which can then invest 5% of its fund in shares of each company allowing a total investment of 20%.</p>	<p>SIPP's cannot buy shares in a clients company.</p>

FEATURE	SSAS	SIPP
<ul style="list-style-type: none"> All Members are Trustees 	<p>All SSAS members must be Trustees and parties to the Trust Deed. This means SSAS members have genuine control and decision-making power.</p> <p>SSAS members own assets in their SSAS.</p>	<p>Many SIPP products do not include the members as Trustees. This means they are not a party to the Trust Deed and Rules and have no real powers in relation to their own pension fund.</p> <p>The owner of the assets is usually the SIPP operator.</p>
<ul style="list-style-type: none"> Unallocated Contributions 	<p>As a SSAS is a company pension scheme, sponsoring employers can in some cases pay unallocated contributions which are allocated to members in subsequent years and assessed against their Annual Allowance in those years. Advice should be sought from the Company Accountant prior to making unallocated contributions.</p>	<p>Any contributions paid to a SIPP must be for that member only. Contributions are therefore limited by the Annual Allowance.</p>
<ul style="list-style-type: none"> No Capital Adequacy Requirements Allow Increased Flexibility 	<p>A SSAS is a stand-alone scheme, and the provider doesn't have capital adequacy requirements. This enables them to be more flexible.</p>	<p>Because a SIPP is one large scheme, SIPP provider companies must maintain capital adequacy to cover the cost of winding up the scheme if there is a problem.</p>
<ul style="list-style-type: none"> Access to the Full Range of Investment Options permitted by HMRC 	<p>SSAS's allow access to the full range of HMRC permitted investments, from conventional investments and cash to commercial property, loans and client-company shares, property syndicates, hedge funds, gold bullion, third party loans and unquoted shares.</p>	<p>SIPPs usually have a more restricted list of investment options due to the cross-contamination risks and provider capital adequacy requirements mentioned above. A SIPP provider is also restricted by their PI insurers.</p>
<ul style="list-style-type: none"> Executive Pension Plan (EPP) conversions 	<p>A single trust EPP can be converted into a SSAS to maintain the protected tax-free lump sum and access all the investment and benefit flexibility available.</p>	<p>A transfer from an insurance company Executive Pension Plan with a protected tax-free lump sum in excess of 25% of the fund value into a SIPP will lose the protected tax-free sum.</p>