CAMPBELL & McCONNACHIE
chartered financial planners

Flexible pensions: SIPPs and SSAS

A guide to two options for flexible pension saving.

As a self-employed business owner or sole trader, it can be hard to make a habit of pension saving.

Without the convenience of being auto-enrolled in a workplace pension scheme, you don't have employer contributions and you'll need to decide for yourself which type of pension you want to save into.

But this can come with more freedom of choice, and the potential for more flexibility when you're choosing how and where your money is invested.

Two flexible choices for pension plans include self-invested personal pensions (SIPPs) and small self-administered pension schemes (SSAS). Both of these can be useful options if you don't have access to a larger pension savings scheme.

Both SIPPs and SSAS offer their members more choice in managing their investments than more traditional pension options.

The best way to decide which will work for you is to consider the specific benefits of each and compare them to your requirements.

Tax relief on pension contributions

As with all other types of registered pensions, you'll usually be eligible for tax relief on your contributions.

This is usually given according to your income tax rate, so if you're a basic-rate tax payer, the government will add 20% – or 20p for every 80p you pay into a personal pension. This will be claimed by your provider and added to your pension automatically.

If you're a higher-rate taxpayer in England, Wales or Northern Ireland, you can claim back a further 20% of your contributions on top of this through your self-assessment tax return. Additional-rate taxpayers can claim 25%.

In Scotland, higher-rate taxpayers can claim 21% and additional-rate taxpayers can claim 26%.

SIPP

SIPPs work in a similar way to a standard personal pension, but they offer greater freedom and choice in the way you manage your investments.

One of the main reasons for choosing SIPPs following the introduction of pension freedoms in 2015 is the availability of drawdown to access your money in a flexible way.

The charges for this type of pension can vary. SIPPs that hold complex and illiquid assets, such as property, can be expensive. But many SIPPs which allow investments in cash, stocks and funds can cost less than certain personal pensions.

SIPPs work for advised and non-advised customers, although you need to be comfortable choosing your own investments, or letting us do this for you.

If you're already a confident investor, a SIPP could be a good option as it offers more control over your investments than other schemes.

Whatever your level of experience, it's always best to seek professional advice before investing.

You can make a mixture of different investments in a SIPP, including:

- quoted UK and overseas stocks and shares
- unlisted shares
- collective investments – for example, open-ended investment companies (OEICs) and unit trusts
- investment trusts
- property and land (but not most residential property)
- insurance bonds.

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SSAS

A SSAS is a type of occupational pension scheme, which is usually set up by business owners for the company's directors or key staff members. It can be used for up to 11 people.

This is structured as a trust, with its members as trustees. This means the members are more involved in the day-to-day administration of the pension than with most other types.

Unlike a SIPP, a SSAS does not provide its members with an individual pension pot. Instead, each member has a portion of the total amount.

You cannot move a SSAS into drawdown, but you can transfer your part of a SSAS to a SIPP to use drawdown.

As this type of pension is a scheme in its own right, and is not tied to a particular provider, trustees have even greater flexibility when choosing where to invest their money, and can choose to invest in assets that aren't generally available under other pension schemes.

This includes using the scheme to lend money to the employer, under certain conditions. The amount must be no more than 50% of the value of the SSAS, and cannot be given for more than five years. Interest must be charged at least 1% more than the average base rate.

It can also borrow money for investment purposes, subject to certain terms and conditions.

Some investment options in a SSAS include:

- bank and building society deposit accounts
- stocks and shares
- unquoted shares
- commercial property and land
- trustee investment plans and bonds
- executive pension plans
- loans to sponsoring employers
- third-party loans
- hedge funds
- collective investment schemes, such as unit trusts and OEICs
- investment grade gold bullion
- traded options
- financial and commodity futures
- copyrights.

Which option is right for me?

The type of pension that best suits you will depend on various factors and your personal circumstances.

Generally speaking, SIPPs are a popular option for both advised and non-advised clients, who can manage their own investments or take out specialist products for more complex assets.

If this level of choice and flexibility isn't important to you, a stakeholder pension may be a better option, and will tend to have lower fees.

If you want to borrow or own certain properties within your pension, it may be applicable to go with a SSAS. For instance, you can use a SSAS to hold a company premises or invest back into a company.

Bear in mind that having fewer restrictions on the type of investment you can make means you'll need to choose the level of risk you're comfortable with as investments can fluctuate.

You'll need to make important decisions as a trustee of a SSAS and make sure you're adhering to pension rules.

SIPP	SSAS
A personal pension for an individual	An occupational pension for a small group of up to 11 members
You can't borrow from it without a tax charge	You can borrow up to 50% subject to conditions
Investments are held for an individual member	Investments are held for all members, and each has a notional interest
A pension provider is the trustee	The members of the scheme are trustees

Accessing your money at retirement

Whichever pension savings route you choose, you'll have similar options when it comes to withdrawing from a SIPP or SSAS.

These options include buying an annuity, moving your pension into drawdown, taking small cash sums, or a combination of these.

Taking your money from a SSAS will nearly always involve transferring it elsewhere to use or buy the product or service that you want.

Under current rules surrounding pension freedoms, anyone can withdraw from their pension from the age of 55.

You can take a 25% lump sum tax-free then make further withdrawals as you choose, which will be taxed at your rate of income tax.

Get in touch to discuss your retirement savings.

Important information

The way tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change. Pension eligibility depends upon individual circumstances, while pension benefits cannot usually be taken until age 55.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation. You should not make any investment decisions based on its content. The value of pensions can fall as well as rise, and you may not get back the amount you originally invested.

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