

## Article

### SSAS - a mid life crisis

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Approaching 35 years of age, the SSAS market continues to frustrate, as it seeks to justify its existence in the shadow of the SIPP market. Like two siblings, SSAS and SIPP share the same DNA, but have developed very differently. SIPP has gone out and challenged all comers with considerable success, whereas SSAS, in Timothy Lumsden style, has somewhat apologetically languished in its comfort zone.

So what lies in store for the SSAS market? With a diminishing number of SSAS providers, the reality is that SSAS will continue as a niche product for the rest of its days. That is, however, no excuse for SSAS to be ignored. Quite the opposite in fact. Those advisers who seek business from accountants will, I am sure, receive a warm response when promoting a pension solution that many accountants understand and appreciate far more than SIPP. I sense a slight unease and distrust has built up with accountants re the transparency of SIPP charges. Direct clients truly appreciate the control and flexibility afforded by a SSAS, and many only wonder why more people don't have one!

There is no doubt that in many situations SSAS's have been, and will continue to be, overlooked in favour of one or more SIPPs. Where there is no family connection between the members, then I personally find this hard to argue against. However, the typical domain of a SSAS has always been shareholding directors of a private company where there is some form of family relationship between the members. A SSAS in this situation remains as valid now as it did in 1973.

Over the years, it has become clear that owner managers will pay a premium for control. Control is exactly what a SSAS brings and in many cases, arguably at no more cost than a small number of SIPPs.

What happens if the SSAS provider's service fails to deliver? Well, a new trustee/administrator is appointed to the scheme. Should similar happen in the SIPP world, then an in-specie transfer is the only way out and if there is borrowing involved, e.g. to fund a property purchase, then transferring can prove complex and expensive.

There are few practical investment reasons that differentiate a SSAS from a SIPP and I believe that the scheme pension/ASP differential is of little merit. However, do remember that although SIPPs can jointly own property it is usually a complicated matter to change the ownership percentages (perhaps as one member retires while another is still building up funds).

SSAS's can operate on a pooled investment approach. This allows not only properties to be "jointly owned" but also allows a gradual transfer of assets between generations as retired members' fund shares decline and younger members' fund shares build up.

All that is left, other than cost, is control i.e. whether the client wants to own the pension scheme (SSAS) or piggyback on someone else's scheme (SIPP). The former offers up slightly more paperwork, but as long as the SSAS provider offers the full service (i.e. they act as trustee, administrator and provide scheme accounts which we do at A J Bell) then this complication falls away.

Whilst we can debate the merits, or otherwise, of SSAS v SIPP in start up situations, the position for an existing SSAS is far more clear cut. There are very few reasons now to convert a SSAS into one or more SIPPs – gone are the different funding, investment, borrowing and benefit rules. However, existing SSAS's need nurturing and do not look after themselves. As HMRC continues to assimilate data from such schemes from the annual returns, it is only a matter of time before HMRC decides to focus their audit resource onto such schemes.

I firmly believe that if the SSAS provider is to offer any form of credible role then not only must they accept the full responsibilities as administrator and trustee but in order to satisfy these responsibilities, they must have a degree of control over scheme assets, in particular in maintaining accounting records for the scheme. I would urge advisers to ask the following questions in relation to each of the schemes they advise:-

Does the SSAS provider:-

- a) accept the obligation and responsibilities of trustee and administrator?
- b) maintain accounting records and prepare annual accounts?
- c) complete and submit the HMRC Registered Pension Scheme Return and Annual Event Reports?

If the answer to any of the above is no, then a review as to who is carrying out these duties and responsibilities is urged.

It is interesting to reflect on the recent development of the SSAS market to see what may happen in the future. Looking back at the various Pensions Management SSAS surveys over the last ten years, there are a few things that jump out. The number of full SSAS has remained fairly stable, at around 15,000. This is maybe misleading as many SSAS's will have been transferred into SIPPs over this period, which disguises a disregarded healthy establishment of new schemes.

Asset values reported behind these SSAS's are somewhat questionable and it is concerning how many SSAS providers report their number of SSAS's, but do not report asset values. One could be forgiven for assuming that these underlying asset values are not known with any degree of accuracy, if at all, and this is most prevalent with insurance company SSAS providers. Asset values per SSAS are increasing, as you would expect from a maturing market. Average SSAS values will sit somewhere around the £500k mark, but this will be heavily skewed by some very big schemes.

Also, the number of SSAS providers reporting in the surveys has diminished and very few insurance companies now play in this market. The hybrid SSAS market never truly took off and if the truth be known, only ever served to confuse this market.

Speaking to other died in the wool SSAS providers, our collective appetite for this market remains stronger than ever. SSAS's aren't pile 'em high products, but when one assumes that only the top few percent of an adviser's client bank will have a SSAS, they remain the private banking equivalent for the pensions market.

It is true that technological advances have passed SSAS by. As the firm behind the UK's first online SIPP, we have debated launching the equivalent in the SSAS world. However, the bespoke demands of such schemes regarding fund splits, membership, investment flexibility and more keeps the attention on service and flexibility.

I have always kept the A J Bell SSAS focus on service delivery, this in the form of a fully comprehensive administrative service, centred around enabling advisers to advise rather than administer.

Also, we are one of the few firms who will still attend trustee meetings to deal with technical and administrative matters, whilst creating a supportive environment for the adviser to advise on investments and wider financial planning issues relating to the SSAS. Whilst many of you won't need reminding, we do not offer financial advice and do not manage investments!

The SSAS market is here to stay, despite many claims to the contrary and the SSAS product, unlike Timothy, should stop apologising for its existence and regain some of the moral high ground from SIPPs.

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## Notes for Editors

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Established in 1995, A J Bell Group specialises in providing administration, trustee and actuarial services for SIPP and SSAS.

The A J Bell Group is now one of the largest SIPP trustee and administrators in the UK with in excess of 32,000 individual SIPPs and assets under administration exceeding £8bn. It provides third party SIPP administration services for Barclays Stockbrokers, Halifax Share Dealing, Skandia and E\*Trade.

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