

## Article placed in Money Management

### Weighing the options

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Anyone with any interest in SIPPs and SSASs will be aware of the massive difference in growth between the two products over the past few years. The provider view on each product is best demonstrated by the withdrawal of several insurers from the SSAS market, as they have focused attention instead on their SIPP products.

However, this trend fails to reflect the whole story and it is worth assessing the relative merits of SSASs and SIPPs to ascertain which of them is most able to cater for certain niche requirements.

Typically, SSASs are not used for individual investment and are generally only used in a limited company context, although the rules around this were softened at A-Day.

For those looking into the benefits of both products, their contrasting features seemingly contradict common arguments that investment flexibility is best achieved through a SIPP structure.

Investment pooling and the ability to lend to the employer are two of the most heavily publicised attractions for SSASs over SIPPs. Another attraction, the member driven investment range, is not as widely known but is a major difference between the two products. It is also one of the main reasons why insurers have shied away from the SSAS market since A-Day.

Members are able to exercise additional control over the investment range in a SSAS because all of the SSAS members will typically be trustees. Furthermore the pension scheme is set up by the employer rather than a separate trustee and administrator.

With a SIPP, the administrator operates the scheme and sets an investment range for their product. If the member wishes to invest outside that range they have the choice of staying put and not making the investment, or trying to find a SIPP that will accept the investment and transferring.

#### **Losing trustees**

SSAS administrators still exercise some control of the investment range, but this is achieved in a different way. Under a SSAS the members have greater powers to insist that an investment is made, but may find that the professional trustee and administrator objects or ultimately resigns from both roles if a consensus is not achieved.

The resignation of the trustee and administrator may seem an extreme course of action, but there is one very sound reason for taking this course: the scheme sanction charge. This is the tax charge applied to scheme administrators when an unauthorised payment is made from the scheme. Unauthorised payments can arise as a result of a pension scheme holding underlying investments deemed taxable property.

In a SIPP the administrator can stop this happening. Where the SSAS members insist on making an investment and the administrator believes that there is a risk of a scheme sanction charge, resignation from the scheme may be the only option.

So what choices do members of a SSAS have where the professional trustee/administrator has resigned?

First, they can choose not to appoint a replacement. There is no requirement to use a professional firm to operate a SSAS post A-Day; the members can act as both trustees and scheme administrator.

This option appears attractive until you recognise that the scheme administrator is required to comply with myriad ever changing regulatory and reporting requirements. Crucially, it also means that the members, as scheme administrators, are responsible for all tax charges if they get anything wrong.

Another option is to appoint a SSAS practitioner, which would act as an agent for the scheme administrator and so handle many of the day to day jobs with which the administrator would otherwise need to deal.

The fundamental difference is that they do not take on any of the tax liabilities of the scheme administrator, which will rest with the members. Typically the cost of employing a practitioner will be similar to that of employing a full scheme administrator.

Finally, the members can appoint a new scheme administrator and trustee. This remains the option taken by most SSAS members, although in truth if the reason for the resignation of the previous administrator was the risk of tax charges there may be difficulties in finding a replacement.

### Key questions

When looking for a provider to run your SSAS, the key questions to ask are: whether the provider accepts the responsibilities of being a trustee and administrator; whether they maintain investment records and could report accounts annually to the members; and whether they deal with the online reporting requirements to submit the HMRC Registered Pension Scheme Return, Annual Event Report, and Quarterly Accounting for Tax Return.

When asking a SIPP provider, the answers to these questions will invariably be yes. With SSAS providers the answers will vary and provide the client with a choice to be made from a number of options. This point is often ignored but should be an important added consideration in the SIPP/SSAS debate.

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**END**

Please note this document is intended for trade and national press individuals.

### Notes for Editors

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