

# Small Self Administered Pension



.....A simple guide to securing your future

## Who are we?

Wealth Options Ltd. is a leading distributor of innovative products to the Irish financial services industry. We were established in 2003. We source, produce and promote a diverse range of products to Ireland's financial advisor network. Our customers are financial brokers, financial advisors and other intermediaries. Wealth Options has already established a reputation for introducing innovative investment products aimed at individual, corporate, and institutional customers. We distribute a wide range of self administered pension products which will appeal to employees, company directors, the self employed and people who have retired.

We fundamentally believe in the value of financial advice and we strongly recommend that if you are reading this document that you also consult your financial broker.



## Background

The Irish retirement regime is one of the most liberal and innovative in the world. Coupled with that is the fact that over 90% of all businesses in Ireland are small or medium sized enterprises, run by owner-directors.

For the owner-director a Small Self-Administered Pension (SSAP) should be the number one choice for retirement planning. A SSAP is established under trust by a company's directors. The director is the 'member' and 'Trustee' of the pension scheme.

A SSAP provides a tax-efficient environment in which a company's funds can be invested to provide retirement benefits for directors. As the fund grows it is ringfenced for the member and is free from creditors should the company go into liquidation.

A SSAP gives company directors the opportunity to maximise their pension funds prior to retirement by giving them control over their investments. Unlike other pension schemes the directors can control and choose their investments. The range of investment options are extensive and include: property, structured deposits, direct investment in stocks and shares etc.

Since the introduction of the Finance Act 2004 the Trustees of single member SSAPs can also borrow money in order to invest for the benefit of the scheme. There are certain rules with regard to borrowing and your financial broker or Pensioner Trustee can explain these to you.

## What is a Small Self Administered Pension?

A Small Self-Administered Pension (SSAP) is a corporate pension scheme with 12 or fewer members. The Wealth Options SSAP offers single member schemes a SSAP established under trust by your employer, for your benefit. Each member should have their own SSAP as this allows more flexibility in terms of investments that the SSAP can make. It should be noted that you do not have to be a director of a company to establish a SSAP. Any employee can set up a SSA P with the permission of your employer.



## Who are the parties to the SSAP?

### Member Trustee

You are the Member Trustee of the SSAP. The Trustees are responsible for, and control all aspects of the SSAP's investment strategy and payment of retirement benefits.

### Pensioner Trustee

One of the Trustees must include a Professional Trustee known as a 'Pensioner Trustee'. A Pensioner Trustee is an individual or company who are pension experts and are approved by the Revenue Commissioners to act as a Pensioner Trustee.

Wealth Options Trustees Limited is a Revenue approved Pensioner Trustee and will administer the SSAP on behalf of you the Member Trustee. They provide all the legal documentation required to set up the SSAP, seek initial approval from the Revenue, and provide all ongoing services e.g. annual accounting and actuarial valuations etc. Wealth Options Trustees Limited will also act as the registered administrator to your SSAP.

## What are the tax benefits of a SSAP?

A SSAP is established under trust. This provides the Member Trustees with considerable tax advantages as follows:

- 🌀 Contributions made by the company qualify for Corporation Tax relief
- 🌀 Members' personal contributions qualify for Income Tax relief
- 🌀 Investments grow free from Capital Gains Tax and Income Tax
- 🌀 Deposits grow free from DIRT Tax
- 🌀 A tax free cash lump sum can be taken at retirement
- 🌀 Any balance can be transferred into an Approved Retirement Fund
- 🌀 A tax free sum can be payable on death before retirement

The Member Trustee controls the funds in their SSAP. The Pensioner Trustee must be party to all financial transactions. The Pensioner Trustee determines whether an investment is allowable under Revenue rules.

## Types of Investments

Here are some examples of which investments can and cannot be made by your SSAP. These are not exhaustive lists but give you an indication of the flexibility and range of your investment choice under a SSAP. With some of the investments there are specific Revenue rules which you can discuss with your financial advisor or Pensioner Trustee.

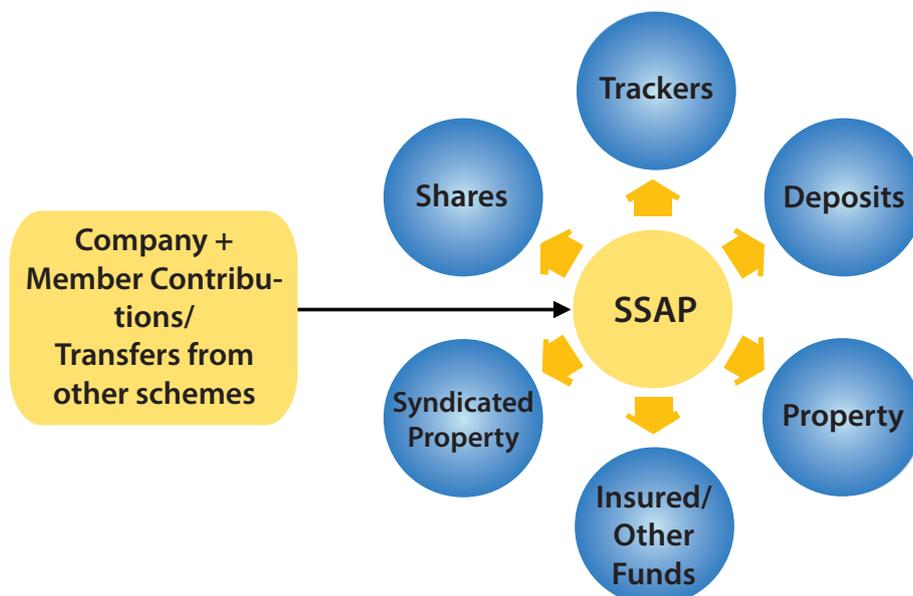
### Authorised Investments

- ↻ Approved property
- ↻ Land
- ↻ Property syndicates
- ↻ Shares in private companies (subject to limits)
- ↻ Quoted equities on recognised worldwide stock exchanges
- ↻ Gilts, bonds and fixed interest stocks
- ↻ Investment trusts
- ↻ Unit trusts
- ↻ Insurance company funds
- ↻ Bank and building society deposits
- ↻ Offshore managed funds
- ↻ Futures and options
- ↻ Copyrights
- ↻ Loan notes

### Prohibited Investments

- ↻ Holidays homes with personal usage
- ↻ Shares in your principal employer
- ↻ Rare books and stamps
- ↻ Works of art and antiques
- ↻ Fine wines
- ↻ Loans to Member Trustees or their families
- ↻ Secured and unsecured loans to the principal employer or connected person
- ↻ Assets that could be used for member Trustees' personal gain, e.g. golf membership
- ↻ Furniture and oriental rugs
- ↻ Yachts and vintage cars
- ↻ Jewellery and gem stones
- ↻ Gold bullion
- ↻ Connected party transactions

The seller of any asset must be at arms length from the scheme and the employer. If the asset is a property the property must be let, and eventually sold on an arms length basis and all rents received must be lodged to a scheme account. Property development is generally not permitted as the Revenue regard this as trading and not investment.



## Funding the SSAP

### Contributions

The maximum contribution that can be made to a SSAP in any one year is determined by Revenue rules and limits. An actuarial report is provided to the Member Trustee at outset and every three years after establishing their SSAP.

The 'actuarial valuation report' details the maximum contributions that can be made to the SSAP to provide benefits for the member and their beneficiaries. The company's directors use this information to determine the employer's normal annual contribution to the SSAP. Special, one off contributions may be made to fund for past service.

Members may make personal contributions and get valuable tax relief. This must take account of any contributions they are contributing to any other occupational pension schemes or PRSAs. Full details are available from your financial broker.

### Existing Pension Arrangements

It is likely that the member will have existing company sponsored pension arrangements in the form of insured policies with a life assurance company. The following courses of action are open to the Trustees:

- Transferring the value of the assets in the insured arrangement into the SSAP (this will increase the funds under the control of the Trustees)
- Making the insured arrangement 'paid up' and leaving the funds with the life assurance company continuing to run the insured arrangement alongside the new SSAP



## How much does it cost to set up a SSAP?

The cost of running a SSAP is an important factor to any Member Trustee. Wealth Options Trustees charges an annual administration fee to administer the pension.

Your financial broker will advise you of the charging structure. SSAP's are very keenly priced when compared to more traditional pension plans.

## What are the inheritance considerations?

**Death before retirement:** your spouse or estate is entitled to up to four times your current salary plus the current value of all personal contributions as a tax free lump sum.

**Death after retirement where you have an Approved Retirement Plan (ARF) in place:** your spouse or estate is entitled to the benefits from the ARF. Any drawdowns will be taxed.

**Death after retirement where an ARF is in place and where your spouse dies:** the balance of the ARF forms part of the estate and rules relating to the age of the children affect the tax position. Your financial broker will explain these to you.

## Retirement Options

**Normal Retirement Age:** The Member Trustee selects the normal retirement age for the SSAP (between ages 60 and 70).

**Early Retirement:** The member may retire earlier than the normal retirement age, for example upon the cessation of their employment and the sale of their shares, with the consent of the company. This can be at any time from age 50 onwards. If early retirement is taken, benefits may be reduced.

**Tax-free Cash:** A retiring member may take a lump sum of up to 25% (subject to a maximum of €200,000 tax-free, balance taxed at up to 20%) of the accumulated fund at retirement. The balance of the fund can be invested in an approved retirement fund under which the retiree can exercise investment control subject to certain Revenue limits.

Or

A retiring member may elect to receive a cash lump sum, up to a maximum of 1.5 times final remuneration (subject to a maximum of €200,000 tax-free, with the balance up to €500,000 taxed at 20%) and the balance of the fund must be used to purchase an annuity i.e. a pension.

**Pension:** Members with ten years' service or more at their normal retirement age may take a maximum pension equating to two thirds of their final remuneration. The actual pension payable on retirement will depend upon funds being available within the SSAP. The pension may increase in payment at a fixed rate or in line with the Consumer Price Index (CPI), and can also include a spouse/dependants pension.

## In Summary Key Benefits of a SSAP

### Control

A SSAP allows the member to control where the assets are invested. There is an unlimited range of investments\* that the beneficiary can choose from.

### Security

All assets are held off balance sheet under a trust readily identifiable for the beneficiary.

### Transparency

A member can clearly see what assets are in the scheme and what the costs associated are.

### Borrowing

A member can borrow to purchase an asset for the SSAP.

### Charges

A SSAP is usually less costly than a traditional pension scheme.

### Confidentiality

Not being part of a group/corporate pension scheme gives you greater confidentiality in terms of benefits.

### Portable

You can easily move the scheme from one employer to another without having to liquidate assets. You can easily remove and replace Pensioneer Trustees. You can transfer the assets to a self administered Personal Retirement Bond in the event of having to make the scheme paid up without having to liquidate any assets. You can transfer the assets to a post retirement self administered Approved Retirement Fund (ARF) without having to liquidate the assets.

The above is based on our understanding of Revenue rules and practice.

\*Subject to normal Revenue restrictions

Note: The SSAP structure is not regulated by the Central Bank of Ireland. It is however subject to the statutory regulations under the Pension Acts and is under the supervision of the Pensions Board. Tax relief and benefits are granted by the Revenue Commissioners under the Taxes Consolidation Acts. Each scheme is individually approved by the Revenue Commissioners.





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