

*W*ESTERBY
Trustee Services Limited



SMALL SELF ADMINISTERED SCHEME

WESTERBY

SMALL SELF ADMINISTERED SCHEME

Our aim is to provide you with a pension vehicle that will enable you to control the management of your own pension money, whether it be before or after your retirement.

We provide a fee based service designed to give you maximum flexibility and security.

GIVING YOU CONTROL OF YOUR PENSION

SMALL SELF ADMINISTERED SCHEME

THE WESTERBY SMALL SELF ADMINISTERED SCHEME

Westerby Trustee Services Ltd

Westerby Trustee Services Ltd is one of only a handful of independent trustees able to provide and administer Small Self Administered Pension Schemes (SSAS). Our specialist services also include the establishment and administration of Self Invested Personal Pensions (SIPPs).

Westerby Trustee Services Ltd is Authorised and Regulated by the Financial Services Authority Reg. No. 463533 and is also a member of the Association of Member-Directed Pension Schemes. Each Small Self Administered Scheme we establish is registered individually with HM Revenue and Customs as a tax exempt pension scheme.

Giving you control of your pension

With corporation tax relief on employer contributions and virtually tax free growth, a pension fund is likely to be one of the most tax efficient ways for company directors to build a sizeable fund for their eventual retirement.

Given the important role a director's pension fund can play in regard to personal wealth planning and business strategy, it is surprising that many directors have little idea of how their pension fund can be utilised for the benefit of their business, how their fund is being invested and what it is currently worth.

This booklet describes a product created to put pension provision for company directors back under their control.



Leslie J McLintic
Group Managing Director and Chairman
The Westerby Group

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Each day that passes
brings you ever closer
to your retirement

INTRODUCTION

The need for private pension provision in this country is widely accepted. The Government encourages private funding by offering generous tax concessions for registered pension arrangements. As with most major economies, the ratio between those in employment and those who have retired is increasing and as a result the position of the state pension schemes is becoming untenable. The UK state pension is unfunded - that is to say today's pensions are paid from today's revenues. Economists predict that in the future there simply will not be a sufficient number of working people to pay for the retired population.

The position is clear: private funding is essential for those who wish to maintain their standard of living in retirement. Retirement income may be generated from a number of sources. However, registered pension arrangements together with the excellent tax breaks available make these pension schemes the most popular method of generating income in retirement.

HM Revenue & Customs apply strict rules to pension schemes, primarily to avoid abuse of the tax concessions but also to protect the interests of the members. Company pension schemes are established under Trust so that the assets are protected from the liabilities of the company and the scheme members. The Trustees are the legal owners of the pension fund and are responsible for the overall management of the scheme. They must act in the best interests of all of the scheme members and their beneficiaries. Where the scheme membership includes ordinary employees the investment options are severely restricted in order to protect their interests.

Small Self Administered Schemes are specifically designed to provide exceptional pension funding opportunities for shareholding directors and other key employees of the company. Established and managed correctly, they can play a vital role when planning your company's financial strategy. With the ability to provide finance, funding for capital purchases and tax mitigation opportunities, these schemes form an essential part of modern corporate business philosophy.

WHAT IS A SMALL SELF ADMINISTERED SCHEME ?

A Small Self Administered Scheme or ‘SSAS’, as it is generally referred to, is a bespoke pension scheme designed exclusively for shareholding directors (normally with a controlling interest) and occasionally other senior employees.

All members are appointed as trustees to act alongside Westerby Trustees Services Ltd and together the trustees control all aspects of the running of the scheme. This will include deciding which employees are admitted to the scheme, how, when and where existing scheme funds and future contributions are invested, and which assets are used to provide funds when members eventually wish to withdraw their benefits from the scheme.

All self administered pension arrangements provide the advantage of separating administration from investment management, allowing you to appoint the most suitable people for each role. By not being tied to an insurance company you can change the provider of each service independently, so giving you the comfort of having access to the best investment opportunities.

Small Self Administered Scheme or Self Invested Personal Pension (SIPP)?

A SSAS has a number of advantages over a SIPP including:

- The ability for a SSAS to provide a loan to the sponsoring company or connected company
- Potentially lower running costs than taking out an individual SIPP for each director
- It can be easier to purchase assets jointly through a SSAS than through a series of SIPP's

Contributions

Making a contribution into a SSAS is one of the most tax efficient means of moving funds from the company for your personal benefit. Unlike bonuses, benefits or dividends the contribution is not subject to Income Tax or National Insurance Contributions – yet it qualifies for Corporation Tax relief.

Each year, for every member of the scheme, the company may contribute up to a limit known as the annual allowance into the scheme to provide benefits at eventual retirement. The maximum fund an individual can accumulate is however limited to the Lifetime Allowance. The annual allowance and lifetime allowance are:

Tax year	Annual Allowance	Lifetime Allowance
2007/08	£225,000	£1.6 million
2008/09	£235,000	£1.65 million
2009/10	£245,000	£1.75 million
2010/11	£255,000	£1.8 million

Any contribution in excess of the annual allowance or accumulated fund in excess of the lifetime allowance will not benefit from the tax privileges granted below these thresholds. From 2011 both the annual allowance and the lifetime allowance are expected to be indexed broadly in line with the retail prices index.

Further guidance on the appropriate level of contribution for your particular circumstances can be obtained from your financial adviser.

Transfers of existing pension plans

The SSAS may also accept transfers in of pension funds the members have already accumulated with other providers.

INVESTMENTS

Small Self Administered Scheme (SSAS) funds may be invested more freely than those held in most other types of pension arrangements. It is these wider investment powers that allow you to ultimately use the scheme as an integral part of the company's financial strategy. A SSAS provides the potential for your company to indirectly benefit from the pension funds and for cash to be moved out of the highly taxable environment of the company into an extremely tax efficient vehicle.

The rules relative to permissible investments are covered in more detail later in this guide but briefly, a SSAS may invest in:

- Shares in public and private companies, futures and options
- Shares in the sponsoring company itself
- Commercial property for lease to the sponsoring company, or unconnected third parties
- Residential property collective investment schemes
- Loans to the sponsoring company, or unconnected third parties
- Authorised unit trusts, OEICS, investment trusts, insurance funds and other managed investment vehicles
- Cash deposits in any major currency

The SSAS may also borrow funds in order to assist with the purchase of investments. Normally this is in relation to the purchase of property.

In addition you personally or your company may enter into transactions with the SSAS and the SSAS may purchase assets jointly in conjunction with you personally or your company.

This is not an exhaustive list of the permitted investments. Further guidance is available on request.

THE KEY TO A SSAS

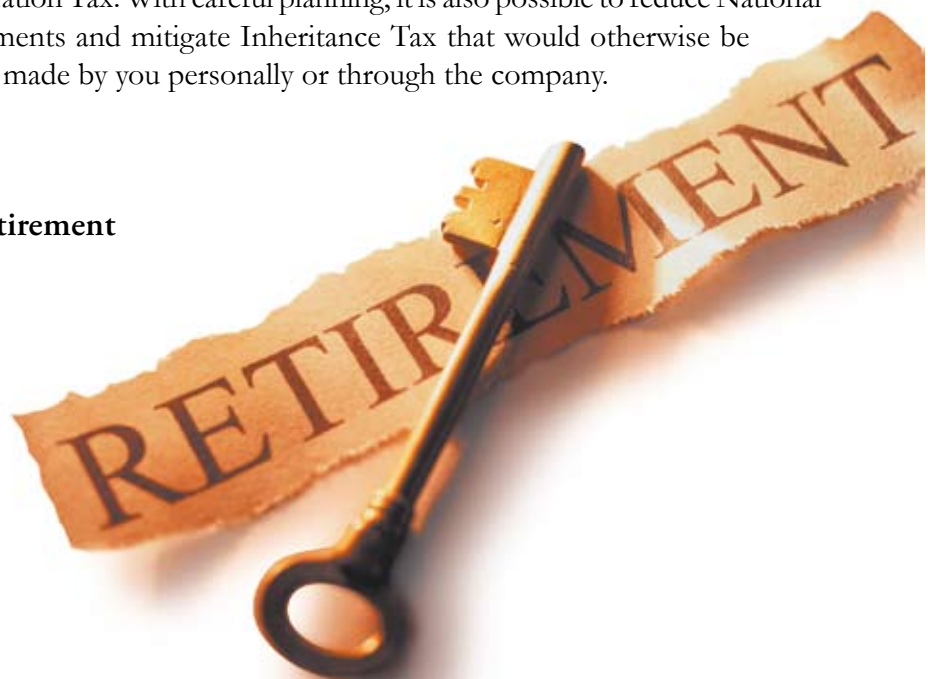
How can a SSAS benefit you and your company ?

The following are examples of how the wider investment powers available under a SSAS can be used to benefit you as a member of the scheme and also as a shareholder in the sponsoring company:

- The SSAS can purchase commercial property, which in itself can be an excellent investment. More importantly, provided that rent is paid at a commercial rate, the property can be leased to the sponsoring or an associated company. The SSAS can even purchase a property that is already owned by the sponsoring company or its directors and lease it back, freeing up valuable capital.
- The SSAS can make loans to the sponsoring company on a strictly commercial basis. This allows you much greater control over the structure of the company's loan arrangements and the satisfaction of knowing that even though interest at the correct commercial rate must be paid, it is you and your fellow scheme members who will ultimately benefit.
- This requirement to pay a commercial level of loan interest or rent is a positive factor because these payments are in addition to the maximum funding normally available under the scheme rules. A profitable company with sufficient cash flow may well wish to take advantage of this additional funding opportunity in order to reduce the company's Corporation Tax liability. The loan interest repayments and rent payable therefore are a tax-deductible means of moving more funds away from the company and into the SSAS.
- Even where purchases of a capital nature are to be funded by the company, it may still be more effective to make the purchase via a SSAS. Corporate expenditure of a capital nature does not attract immediate Corporation Tax relief and the combination of the capital outlay and higher tax liability increases the pressure on capital reserves. The solution is to make a contribution into the SSAS and then take a loan from the scheme or in the case of commercial property, the scheme can buy it directly. This method will reduce your tax liability, reduce the demand on your company's reserves and you will have created a tax-deductible ongoing expenditure to offset against future profits whilst accelerating the growth of your pension fund.

In essence the SSAS allows you to transfer capital or commercial property from the company and to make investments in a very tax efficient manner. This can reduce or in some cases eliminate Income, Capital Gains and/or Corporation Tax. With careful planning, it is also possible to reduce National Insurance contribution payments and mitigate Inheritance Tax that would otherwise be associated with investments made by you personally or through the company.

**The key to a successful retirement
is careful planning**



THE KEY TO A SSAS

Retirement

A SSAS offers the most flexible options at retirement:

- A tax free pension commencement lump sum - each member is entitled to up to 25% of their share of the fund (subject to the lifetime allowance) as a lump sum when they commence taking benefits. Members of the scheme do not have to cease working in order to take their benefits.
- As each member retires there is no requirement to liquidate assets and purchase an annuity. After payment of the pension commencement lump sum the pension income may be paid directly from the investments of the scheme. This is vital to good succession planning. It also allows time for assets to be sold and so provides an opportunity to hold out until the best price can be attained, whilst still accumulating growth and/or income in a tax efficient environment.
- The level of the pension income drawn directly from the SSAS fund can be varied within reasonably wide parameters and so you can tailor the income taken each year to meet your personal cash needs and tax status, and possibly the needs of the SSAS in the case of a family owned company.

Death Benefits / Inheritance Tax Planning

In the unfortunate case of the death of a member before they have drawn any pension benefits from the fund, the SSAS offers a great deal of scope for mitigating Inheritance Tax. The Trustees of the SSAS have discretion as to the recipients of lump sum payments on death. Each member should however make a formal written nomination of their preferred beneficiaries, usually being their spouse and/or children and the Trustees will usually settle benefits in accordance with the member's wishes. Because the payments are being made at the Trustees absolute discretion any lump sum payments will not be subject to Inheritance Tax.

Rather than nominating individual beneficiaries, the member could nominate a family trust which would provide even greater flexibility and opportunities for tax mitigation.

In the event of a member's death after they have commenced taking pension benefits the situation is rather more complex and tax charges may apply to lump sum benefits. Further guidance is available on request.

WHY CHOOSE A WESTERBY SSAS ?

A SSAS scheme is simply a 'Trust or 'vehicle' within which funds are held. The uses of a SSAS are clear and simple but the actual administration is complex and requires a complete understanding of the rules imposed by HM Revenue and Customs. If you are to make the most of your SSAS you need an administrator who not only has this level of knowledge but is also skilled in negotiations with the HM Revenue & Customs. A SSAS is a service rather than a product and therefore is only as good as the provider.

In order to make the most out of your SSAS your provider must demonstrate the following:

- A complete understanding of the complex taxation laws that the SSAS is subject to. This knowledge is essential if the opportunities that exist are to be maximised.
- Creative thinking - We are constantly arranging new schemes and taking over existing schemes simply because we have applied lateral thought in order to offer bespoke solutions that other providers have not.
- A good relationship with the HM Revenue & Customs - Some transactions or investments may lie in areas of the law where some uncertainty exists. We enjoy an excellent success record in negotiations with HM Revenue & Customs, which we attribute to the overall quality of our administration and our ability to present cases in a way that provides the maximum opportunity for the transaction to be allowed.
- An understanding of how a business operates. It is absolutely no use being a SSAS expert if you cannot apply this knowledge to the inner workings of a company and its future business objectives.
- A competitive, transparent and fair fee structure. Rather than having three or four tiers of complex, and sometimes hidden charges, we make an initial charge, an annual fee, and specific event fees most of which are in relation to property purchase.

The quality of the services delivered by Westerby Trustee Services Ltd is recognised by the fact that we are regularly being approached by frustrated and disillusioned clients, who wish us to take over their existing schemes from other providers. A SSAS is a vital tool for the successful owner managed company.

Helping you to navigate your way through the pensions maze



ESTABLISHING AND RUNNING A SSAS

We can establish your SSAS in one of three ways:

- A brand new scheme
- Take over the running of an existing SSAS and incorporate our own scheme rules
- Expand an existing company pension scheme into a SSAS

Within our standard fee structure we provide:

Initially

- Advice and expertise
- Bespoke documentation, including the Trust Deed and Rules and member announcements
- Registration of the SSAS with HM Revenue & Customs
- The appointment of Westerby Trustee Services as “Scheme Administrator”
- Registration of the scheme with the Pensions Regulator
- Establishment of the scheme bank account.
- Establishment of scheme administration records
- The transfer in of existing pension provisions
- An initial Trustees meeting

Ongoing

- Professional Trusteeship
- Scheme administration
- Full compliance with HM Revenue & Customs
- Full compliance with The Pensions Regulator
- Operation and maintenance of the scheme bank account
- Assistance with the completion of investment proposals*
- Technical advice regarding the operation of the scheme
- Member benefit calculations
- Provision of annual valuation reports
- Attendance at annual trustee meetings (if required)
- Completion of the pension scheme annual returns

* property investments are subject to additional fees

**Take action in respect to your
pension affairs before it is too late**

RULES SUMMARY

The following is a summary of the main issues, as the legislation is far too complex to cover fully.

Permitted Investments

- Shares in quoted companies, including preference shares, debentures and other fixed interest securities traded on a recognised stock exchange
- Shares in unquoted “private” limited companies
- Shares in the sponsoring company (but not exceeding 5% of the pension fund value)
- Commercial property
- Residential property collective investment schemes
- OEICS, Unit Trusts and Investment Trusts
- Insurance company managed funds
- Loans to third parties or the sponsoring company and associated companies, but not to a scheme member or other connected parties
- Cash deposits in any major currency

Prohibited Investments

- Any attempt, direct or indirect, to make loans to a scheme member or connected party
- Any transaction that would confer a non-pension benefit to a scheme member or connected party, such as the enjoyment of an asset held by the scheme
- ‘Pride in possession’ assets or personal chattels, for example, works of art, cars, boats.
- Residential property (other than through genuine collective investment schemes)
- Any investment that is not commercially viable or does not fit the ultimate aim of a tax approved pension scheme, which is to provide retirement benefits to its members

Scheme Borrowing

- The scheme may borrow to assist with the purchase of certain investments
- Borrowing is limited to 50% of the net asset value of the scheme

Transactions with Connected Parties

- This refers to scheme members and any other parties connected to them by virtue of a personal or business relationship
- Certain transactions between the SSAS and connected parties are allowable provided that such transactions take place at the open market value. In order to verify this an independent valuation of the market value will need to be obtained

Other

- The SSAS may purchase assets jointly in conjunction with other pension schemes, individuals or corporate bodies

Scheme Administration

- At outset the sponsoring company must appoint Trustees and a Scheme Administrator
- The Scheme Administrator is responsible for compliance of the SSAS with legislation and HM Revenue & Customs reporting requirements

Membership

- Membership of a SSAS is normally restricted to shareholding directors. Other employees can be included but it is recommended that documents are exchanged to demonstrate that they accept the additional risk involved
- In order for the SSAS to take advantage of the full extent of the rules all scheme members must also be Trustees and all decisions require unanimous agreement
- A SSAS can be run alongside other pension arrangements for employees who are not offered membership of the SSAS, without affecting those other arrangements
- One scheme can be used for a number of associated companies

THIS BOOKLET HAS BEEN PREPARED AND ISSUED BY WESTERBY TRUSTEE SERVICES LIMITED

IMPORTANT NOTICE

This booklet contains generic details of the Westerby Small Self Administered Scheme. The full particulars of each scheme are contained in its own individual Trust Deed and Rules. In the event of any conflict between this booklet and the Trust Deed and Rules, the Trust Deed and Rules shall apply.

The law and the tax implications are believed to be correct at the time when this booklet and the accompanying application form were prepared but no responsibility is accepted for any inaccuracies. You should take your own advice to satisfy yourself as to the suitability of these proposals for you.

Professional Trustee and Scheme Administrator

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Westerby Trustee Services Limited is Registered in England & Wales No. 02562924 and is Authorised and Regulated by the Financial Services Authority Reg. No. 463533. Westerby Trustee Services Limited is a member of the Association of Member-Directed Pension Schemes.



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