

THE GROUP SIPP

These notes summarise the operation of the Curtis Banks Group SIPP. Online links to further detailed information are shown in underlined text.

What is the Group SIPP?

It is a pension product specifically set up to provide SIPPs for a group of people who wish to combine their pension assets into a single fund for investment purposes. Often this will be a group of directors or partners in a business using their combined pension funds to buy business premises, however it can be used for other investments. Each person has their own account within the product, but all the assets are combined into a single fund. It is a niche product which can provide significant benefits for the right client.

Each Group SIPP is set up as a separate SIPP product with its own master trust deed and rules and HMRC registration. It contains features of the standard Curtis Banks SIPP and operates in the same way as a normal SIPP product, except that there is a single fund. Members are not trustees of the Group SIPP, the Trustee is Colston Trustees Limited which act with the members together in operating it.

Group SIPP's are individually registered with HMRC and there is an application process to complete prior to HMRC granting approval. Details regarding the purpose of the SIPP are required as well as the future plans for membership and investment. Curtis Banks will endeavour to register and establish the SIPP upon request, however are bound to the HMRC decision and timeframes for review.

The Group SIPP will be unable to receive transfer payments or contributions until formal HMRC approval has been received.

Who is it suitable for?

The members of the Group SIPP are individuals who wish to pool their pension assets for investment purposes. Usually this will be in order to buy a commercial property, and the individuals would be connected business people. A typical Group SIPP might therefore consist of the partners or directors of a business, who wish to buy their existing premises or acquire new premises.

A Case Study – Group SIPP is available on our website giving a practical example of how a Group SIPP could be beneficial.

What are the benefits?

A Group SIPP has a number of advantages over a normal SIPP product, and these include:

- If the intention is to buy a single asset such as a property, then the administration is much easier if there is a single fund. The entire property can be bought by the fund, rather than each person having to buy their own share. A single bank account can be used for collection of rents and payment of expenses. The fund can borrow part of the purchase cost and can arrange a single loan, rather than individual loans for each member, greatly simplifying the process with lenders. The loan is subject to the normal SIPP limit of 50% of the fund.
- By pooling funds, individuals with modest pension funds are able to gain access to an investment which might be unavailable to them if they were acting on their own.
- The charging structure is tailored to reflect the nature of the product, making it very cost-effective. For example, only one property fee is charged when a property is purchased, rather than fees being paid individually by each SIPP member.

It should be borne in mind that a small self-administered pension scheme ("SSAS") can provide the same features as a Group SIPP and if there is a SSAS already in place it may do the job just as well. A disadvantage of a SSAS is that it is a company pension scheme and members may be unable to join it if they have no connection with the company, and for this reason a Group SIPP may work better.

Pooling of Funds

Each person's initial share in the pool will be based on what they pay in. For example, if a group of business partners transfers £1m of pension assets into the pool, and one individual has transferred £150,000, that person starts off with 15% of the pool. They will earn 15% of the total investment return and pay 15% of the costs.

Individuals can pay further sums in as pension contributions or transfer payments, and take funds out as tax free lump sums or pensions when they draw benefits. The percentage shares in the pool will be recalculated each time this happens. Each member receives an annual statement showing their share.

Individuals have the right to transfer all or part of their share out of the pool into other pension arrangements. If the Group SIPP is invested in a property, then there may be liquidity issues in financing a cash transfer. There would normally be a document in place stating that the other Group SIPP members have the option to increase their shares to buy out the departing member, failing which the property must be sold on the open market to raise cash. Group SIPP members can increase their shares by taking on increased borrowing within the normal limits for SIPP borrowing.

The Group SIPP only operates as a pooled fund, and individual self-investment of funds is not possible. If an individual has funds building up in the Group SIPP which they wish to self-invest, they can transfer these funds out to another personal pension arrangement of their choice.

Points to Watch

- If the advantages of pooling assets to make investments are not needed, then each person may be better off with other pension arrangements more suited to their own circumstances, such as annuities, personal pension schemes or stakeholder pensions.
- As this is a pooled arrangement, the members need to be able to work together in operating it. Individuals who wish to have complete control over their pension assets might be better with a normal SIPP product.
- If the Group SIPP is investing in something illiquid such as property, future cash outflows need to be predicted, to avoid being forced to sell the investment earlier than planned. The Group SIPP may not be suitable for individuals who are due to retire in the short term or are unlikely to stay connected with the other SIPP members over the longer term.
- The position on death needs to be considered. The early death of a member with a substantial share of the Group SIPP might lead to an unplanned sale of assets. Insurance can normally be taken out for protection.
- Although there is no minimum fund level for the Group SIPP, its advantages may not be worthwhile for smaller funds and typically this is a product for those with significant combined pension assets.

The Next Steps

These notes are a summary of the main features of the Group SIPP. If you are interested in setting up a Group SIPP or require more information, please contact Curtis Banks Ltd on (0117) 9107910 or by email to enqs@curtisbanks.co.uk. More details are also set out in the Group SIPP Key Features Document.

Curtis Banks does not give advice on whether to transfer from other pension arrangements or whether the Group SIPP would be a suitable pension product, and individuals should obtain advice from an Independent Financial Adviser before becoming members of the Group SIPP or arranging any transfer.