



Loans - Small Self- Administered Pension Schemes

RULES

Loans to connected parties

SSAS's can loan money to any UK company and many overseas companies. The criteria for a loan from a SSAS depends on whether the loan is to a company controlled by the pension members.

Not connected

Loans to companies that are not connected to the members of the pension scheme.

There are no specific restrictions on the amount that can be lent or the terms of a loan where either –

- The scheme members and their immediate families control less than 20% of the shares in the borrowing company,

or

- The scheme members and their immediate families control less than 50% of the shares in the borrowing company and none of the directors of the business are scheme members or connected to a scheme member.

Connected

Loans to companies that are connected to the members of the pension scheme.

Where the criteria in the section above are not met, a loan must satisfy the following -

- The loan must be repaid within 5 years
- The loan must not exceed 50% of the value of the SSAS.
- The interest rate must be commercial and fixed at outset at a minimum of 1% above base rate.
- The loan must be repaid in equal annual installments
- The loan must be secured by a first charge over assets of equal value to at least the total capital and interest due over the term of the loan

Many companies have overdraft facilities to help with cash flow within the business. These can be expensive due to high rates of interest and often require personal guarantees from the directors.

SSAS's are likely to be able to replace the overdraft facility with a loan to the company. Interest on the loan is paid to the pension scheme instead of the bank.



Case Study - Surf and Turf Ltd

Jerry and Joanne pay interest to their pension rather than a bank

They need to stock the store during winter to ensure full availability for customers when the season starts and therefore cash flow is a problem during the winter.

Jerry and Joanne have existing pensions of £250,000 combined.

They establish a SSAS so they can lend 50% of its assets back to the business – this loan is secured by a debenture over the assets of the business.

Surf and Turf Ltd repays the loan to the SSAS in equal installments of capital and interest.

Benefits

- Interest is paid to your pension scheme rather than a bank
- Pension fund income grows tax-free
- Personal guarantee are not required

**PERSONAL
GUARANTEES ARE
NOT REQUIRED**



PENSION
FUND INCOME GROWS
TAX FREE