

Client Scenario

Adrian and Emma look to land a new investment strategy

Family Pension Trust

Structured to open new opportunities in retirement and wealth planning.

- Scheme structure widens investment opportunities and benefit payment options.
- Investments can be made by individual members, or by group(s) of members pooling in common investment fund(s).
- Multiple common investment funds can be established, to access new investment opportunities, or new investment partnerships with other scheme members.
- Different attitudes to risk can be catered for.
- Succession planning opportunities for investments and death benefits.
- Income from assets can fund benefit payments, without forcing the sale of scheme assets.
- Comprehensive, flexible benefit options enable retirement income to be phased.
- Administration is of a truly bespoke nature and each scheme has a dedicated administrator.

By using the pension funds in their Rowanmoor Family Pension Trust, a couple switch to direct property investment to reduce risk and provide flexibility for future investment opportunities.

- Husband and wife in their late 40s.
- Two young children.
- Looking to reduce investment risk.
- Purchase land personally owned.
- Rental income boosts fund growth.
- Land development provides potential for higher returns.

Funding

Member	Amount
Adrian	£ 195,000
Emma	£ 109,000
Total	£ 304,000

Investment

Common Investment Fund

Land	£ 207,500
Trustee Investment Plan	£ 86,000
Member	Investment
Adrian	£ 188,500
Emma	£ 105,000

Individual Investment Funds

Cash	£ 10,500
Adrian	£ 6,500
Emma	£ 4,000

Meet Adrian and Emma . . .

Adrian and Emma Hurst own an arable farm and are both members of a Family Pension Trust, which they chose for its succession planning opportunities. They have two young children who they hope will follow them into the business when they are older. The farm is a family run business passed down through the generations since the 1800s.

The working farm has approximately 1,500 acres of land that includes an unused, isolated field of 25 acres. Their nearby neighbour and lifetime friend, Ted Fundell, is interested in using field for grazing his livestock and has agreed in principle to a farm tenancy agreement.

The majority of pension scheme assets are currently held within a common investment fund and include a discretionary managed investment portfolio and an insured plan. The remaining funds are held in cash. Recent volatile conditions in the equity market have worried Adrian and Emma and they are looking to find alternative investments to remove as much investment risk as possible initially, which will probably reduce growth. They have plans to increase the potential for higher investment growth before taking benefits.

Following a meeting with their financial adviser, the adviser suggests they purchase the field and lease it back to Ted through their pension. Although investment returns on land are typically very low the capital value should remain relatively stable. The need for additional commercial and residential developments locally means there could be opportunities to develop the land in the future.

Special care is required in circumstances where a pension arrangement is transacting with a connected party to ensure pensions legislation is not contravened. In this case the 25 acre section of land does not adjoin any part of the rest of the Hurst's land and they will not obtain any additional personal benefit once the land has been sold to their pension fund. Such transactions must be on a fully commercial basis at arm's length and supporting documentation is required from an independent Royal Institution of Chartered Surveyors (RICS) qualified individual. More details can be found in the Rowanmoor SSAS and Family Pension Trust Commercial Property Guide.

To finance the purchase of the land the discretionary investment portfolio is fully encashed and also part of the insured plan. Following the property purchase, after all fees and disbursements have been paid, the current value of the Family Pension Trust is £304,000. Adrian has funds totalling £195,000 and Emma £109,000.

In the event of the death of Adrian or Emma, their share of the fund could be designated to provide death benefits to the surviving member, or to their children in the form of dependant's or nominee's flexi-access drawdown, so the land can remain in the scheme without having to be sold. This way pension wealth can be retained in the scheme for multiple generations of nominated beneficiaries, which is particularly useful in this scenario. Any funds passed on this way, by a member who dies before age 75, will be paid tax-free to nominated beneficiaries, or their successors, when they are taken. This offers succession planning and keeps funds within a tax-efficient environment to provide financial security.

This scenario illustrates some of the features of a Rowanmoor Family Pension Trust. It is based upon our understanding of current pensions law and taxation and is correct at the time of publishing. Professional advice from a suitably qualified adviser should always be sought when considering retirement planning.

For more information on Rowanmoor's products and services please visit our website www.rowanmoor.co.uk, call 03445 440 550, or email enquiries@rowanmoor.co.uk.

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