

# CASE STUDY

April 2011

## IN SPECIE CONTRIBUTIONS

Contributions can now be made using assets in lieu of cash.

### Approved for use with clients

This factsheet is intended for information purposes only. Its contents are not to be used as legal, financial or tax advice. The tax treatment and tax benefits are based on our understanding of current tax and other legislation, and depend on a customer's individual circumstances. They may be subject to change in the future.

### Key points

#### Facts

- » Investor has a MasterSIPP which owns a commercial property, but with little liquidity
- » £10,000 of shares are inherited, held in a personal Investment Manager (IM) account

#### Recommendation

- » Move shares into MasterSIPP

#### How

- » Through an *in specie* contribution, the shares can be moved into the MasterSIPP, still via the IM account

#### Benefits

- » Tax privileges
- » Shares need not be sold and re-purchased

### Background

Andrew is a self-employed architect in London. Having started his own business a few years ago, he transferred his personal pension funds into a Suffolk Life MasterSIPP so he could use his funds to purchase a property to use as his business premises.

Recently, Andrew inherited £10,000 worth of listed shares from a deceased uncle. Andrew is now holding these in his personal account with an investment manager, but would like to move the cash into a tax-privileged environment so any growth is free from capital gains tax.

Andrew speaks to his financial adviser, Ian, to discuss his options.

### Process

Ian looks at Andrew's financial situation and suggests moving the shares into his MasterSIPP as it seems to be the most tax advantageous option.

Ian explains to Andrew the process of completing an *in specie* contribution, whereby assets such as shares can be contributed in lieu of cash from the member of a company to a SIPP.

With a SIPP, it is not possible to contribute the assets directly, as contributions must be in a monetary form. To contribute the shares, a "debt" must be made by the SIPP.

The first step is to ascertain the assets are allowable. Ian contacts [allowableinvestments@suffolklife.co.uk](mailto:allowableinvestments@suffolklife.co.uk) and is assured.

Ian speaks to Suffolk Life, and is directed to the right process to create the "debt". The debt in this case would be worth £10,000, which will be fulfilled by an *in specie* contribution of the assets with a value of £10,000.

Ian sends in the first client letter which indicates Andrew's intention to make a contribution, and after acknowledgement from Suffolk Life by way of sending back the terms of the debt, a second client letter is sent from Andrew agreeing to these.

There are two different processes for the settlement of the debt: a manual process whereby a new broker account must be opened, and a 'broker to broker' process, whereby the shares are already held with a broker or IM outside of the SIPP, and the client wishes the same broker to hold the assets within the SIPP.

Andrew had already decided on the latter method, so Ian can instruct the broker to proceed with the transfer.

Once everything is completed, Suffolk Life confirms the value of assets received back to Ian and Andrew, and advises whether there is a further sum to pay (if the assets were less than the debt) or if the amount is over the previously committed contribution.

### Outcome

Andrew has successfully moved his inherited assets which were in a taxed environment into his SIPP. They are still managed by the same broker but there is now tax relief available, as with any other contribution into a SIPP.

Andrew is pleased to hear that the value of assets slightly exceeded the debt initially created; therefore he now has the choice of having a cheque sent to him personally or instructing the money to go into his SIPP bank account as a further contribution. He decides on the latter to replace the fees he spent on the *in specie* transaction.

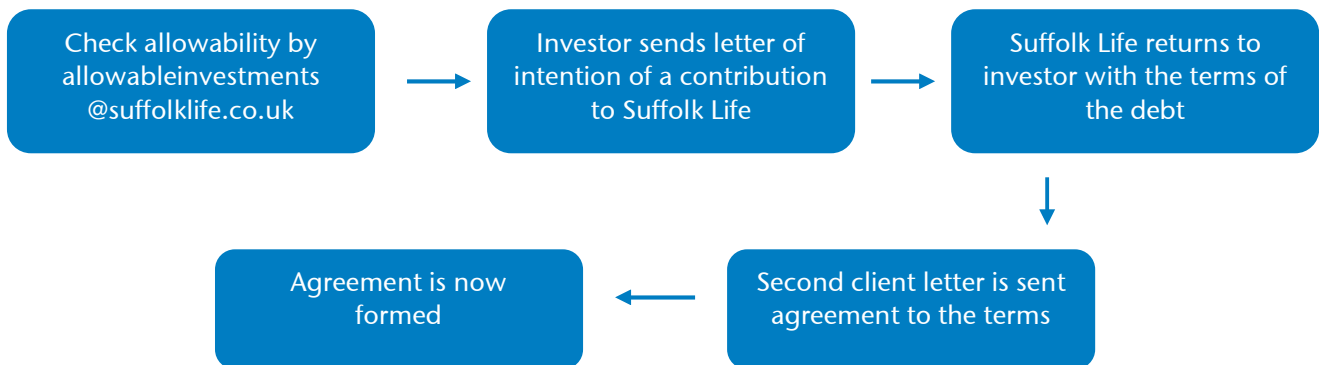
Please be aware an *in specie* contribution can be a complex and costly process. Please see our *In Specie Contributions 'how to' guide* for more information on the processes and fees.

All the literature mentioned in this document can be found at [www.suffolklife.co.uk/asliterature](http://www.suffolklife.co.uk/asliterature).

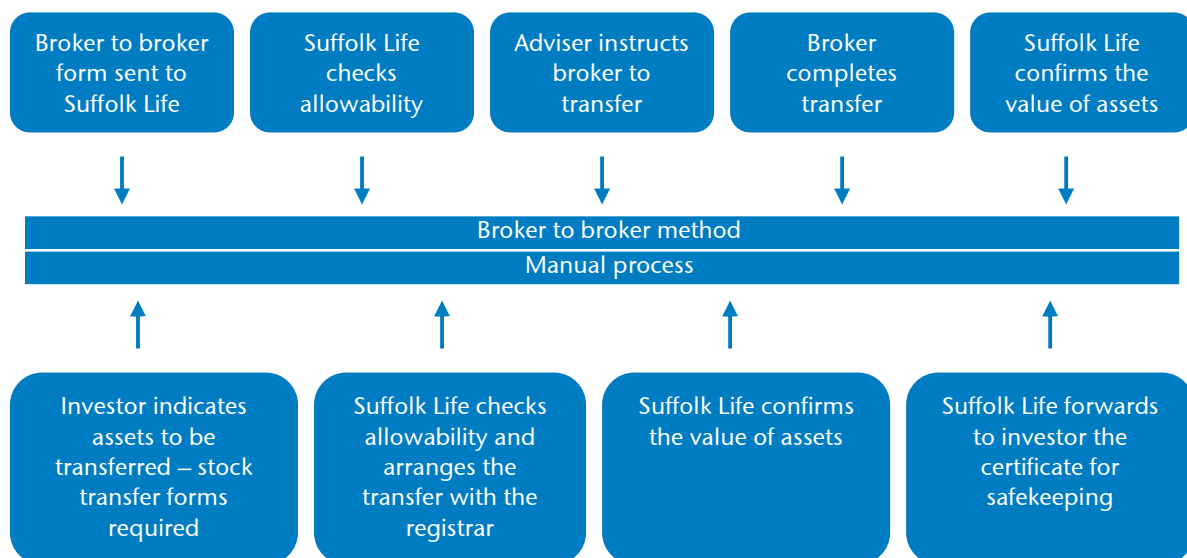
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## CONTINUED

### Creation of debt



### Settlement of debt



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Suffolk Life operates and administers self-invested pensions and similar pension products.

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