

FACT SHEET

April 2011

MASTERSIPP AND *IN SPECIE*

In specie contributions and transfers are some of the more complicated areas of administration for a pension scheme administrator.

For adviser use only – not 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.

Without all the facts, *in specie* transactions can seem a frustrating process, especially as it relies on information and cooperation from both third parties and other providers.

However, this doesn't have to be the case.

***In specie* transfers**

Why?

An investor may wish to transfer their pension funds and assets over to a new provider for plenty of reasons; however, it can be inconvenient if only cash can be transferred between pension schemes, as often assets are held in that format.

At Suffolk Life, we can accept *in specie* transfers – the ability to transfer assets already held, whether in property or shares, without having to sell and buy back, potentially losing money.

How?

In specie transfers can take time and are a specialised process. Not all administrators, including those arranging transfers out, have adequate resources available.

To perform an *in specie* transfer with our MasterSIPP we will need accurate details of the holdings, which can be provided on a valuation or using our *in specie* transfer schedule.

Each holding must be allowable in our scheme (see our Schedule of Allowable Investments).

Cost?

The basic fee for an *in specie* transfer is £100. In addition to this, where investments are to be held direct with the fund provider, there is a £25 charge per holding. Transfers to an investment manager or fund supermarket account are free.

There is a maximum fee for *in specie* transfers of £300 (per transfer, per plan). Please see our Schedule of Fees found at www.suffolklife.co.uk/asliterature for full details.

For transfer/purchase of property *in specie* there is an acquisition fee, and this is on a time cost basis generally between £1,700 and £1,900.

***In specie* contributions**

Why?

Since 6 April 2006, it has been possible for contributions to be made *in specie*. For example, assets such as shares can be contributed from the member or a company to the SIPP. A benefit of doing this is that tax will be relieved on the value of the contribution.

How?

The first step is to check the asset is allowable. If there is any doubt, contact allowableinvestments@suffolklife.co.uk.

The reason why this can be a complex process is that an asset cannot be declared as a contribution as it is not in monetary form. The member or employer must first make an application to make a contribution, consequently creating a "debt" before the asset can be transferred into the pension scheme.

This "debt" is expressed in monetary form, for example the client states they would like to make a £100,000 contribution into their SIPP. The client then informs us that they would like to fulfill this "debt" with an *in specie* contribution of assets which have a value of £100,000.



An Agreement will then have to be formed between us and the client which agrees to the terms of the debt which is about to be created.

Cost?

The fee for an *in specie* contribution is £700. Please see our *In Specie* Contributions 'How to' Guide for information of what this covers.

Please bear in mind we do not currently allow properties to be used as an *in specie* contribution.

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Connected party transaction

How?

Since 6 April 2006 it has also been possible to transact with connected parties. This means that a client (or someone connected to them) can sell assets directly to their SIPP at market value. If the SIPP does not have sufficient cash for this a loan can be taken out personally and used as a contribution into the SIPP. The money in the SIPP can then be used to purchase the assets, whilst the proceeds received repay the loan.

Why?

Similar to an *in specie* contribution, a connected party transaction is just another way of contributing invested assets into a SIPP without the requirement to sell them first. Generally a connected party transaction is more economical as it is on a time-cost basis but will normally cost within the region of £300.

However with a connected party transaction the investor already needs to have the funds in their SIPP prior to selling the asset. There is no “debt” created that needs to be paid off.

Taking benefits

It is important for an investor to plan ahead when considering an *in specie* transfer or contribution, or a connected party transaction as there are time restrictions.

With an *in specie* contribution or transfer we are unable to begin any new drawdown until the contribution or transfer has been completed.