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sipp versus ssas

Self-invested or self-administered schemes are available in a number of different forms. When presented with a scenario where self-investment is a key part of the advice solution, it can sometimes be difficult to determine which type of scheme might be the most appropriate for a client, or a group of clients, especially where each of the products in question can achieve the same primary goals.

Where to start

There are any number of factors relevant when considering which type of self-invested or self-administered pension product might be appropriate for clients. This is especially the case where there are a group of individuals looking to undertake a transaction collectively.

These factors might range from cost, to investment or retirement flexibility, to the complexity of the arrangement and the level of participation of individuals, and so on. Matters are made more difficult by the fact that each of the various product types may be able to achieve the same goal (for example, property purchase) and therefore thought must be given to the broader requirements of clients when choosing the most appropriate product for them.

Individual SIPP

This is often the most common product used for clients and is the one that is most likely understood by both clients and advisers. Each client will have their own pension plan and, in the case of a joint transaction, will use funds from that plan as required to achieve the desired outcome. Using commercial property as an example:

Some potential positives:

- The property is purchased by each individual in fixed amounts, which can give them greater clarity when understanding what they have in their pension scheme.
- The individuals only need to interact when it comes to the property investment; all other investment transactions in their pension scheme are separate and private.
- An individual SIPP generally has less administrative burdens on the individuals than small group schemes.

Some potential negatives:

- Costs tend to be higher for a number of individual SIPPs as opposed to conducting the purchase through a group scheme.
- There is less 'fluidity' in holding property as part of an individual SIPP and those looking to retire earlier than other property holders may need to physically sell their share.
- The process in a SIPP can be somewhat more restrictive than a group scheme depending on the provider and whether they prescribe the method of purchase etc.

SSAS

A SSAS is a small occupational pension scheme often established by Directors of a Company for their own, and key individuals', pension provision. It has similar investment and retirement flexibility to a SIPP, with the added advantage of a Sponsoring Employer loan. All individuals are Members, and Trustees, of the scheme. Again, using commercial property as an example:

Some potential positives:

- Costs tend to be lower for multiple members of a group scheme. This is because there is just one scheme buying the property, as opposed to several schemes.
- Costs tend to be apportioned more fairly between members, as each person's 'exposure' to cost is based on their share of the overall pension scheme.
- Group schemes tend to be more fluid in retirement, as a member has a right to a 'share' of the overall pension scheme and so can draw benefits from any part of it.
- A SSAS can allow a Sponsoring Employer Loan, which neither an Individual SIPP, nor a Group SIPP, is able to do.

Some potential negatives:

- All members are trustees, and therefore they are involved in all decision-making and investments. This means individual members cannot operate privately from each other.
- There can be additional administrative duties or responsibilities for group schemes which members might find more burdensome.
- A SSAS is not regulated by the FCA which might be off-putting for some clients.

Group SIPP

A Group SIPP is again a standalone pension scheme that shares many of the characteristics of a SSAS in the way that it operates. Again, using commercial property as a comparison:

Some potential positives:

- Again, costs tend to be lower for a group scheme with multiple members because there is just one scheme buying the property, as opposed to several schemes.
- Likewise, costs tend to be apportioned more fairly between members, as each person's 'exposure' to cost is based on their share of the overall pension scheme.
- In the same manner as a SSAS, a member has a right to a 'share' of the overall pension scheme and so can draw benefits from any part of it, rather than having to sell their own specific investments.

Some potential negatives:

- All members will again be trustees, involved in all decision-making and investments. They can't operate independently from each other as they can with an Individual SIPP.
- There can be additional administrative duties or responsibilities for group schemes which members might find more burdensome.
- A Group SIPP does not offer the option of a Sponsoring Employer Loan, which would usually be feasible with a SSAS.