Assets
INTERNATIONAL

Self Invested Personal Pension (SIPP)

A common sense way to build your pension

"When I was young I used to think that money was the most important thing in the world. Now that I am old I know it is"

Oscar Wilde

"Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense and managed with reasonable care, it is about the safest investment in the world."

Franklin D Roosevelt

You can now use your pension funds to invest in overseas property using a SIPP. A Self Invested Personal Pension, known as a SIPP, is a personal pension for which the person investing for retirement has a greater control and choice where their pension fund is invested.

Traditionally pensions are managed by a pension fund manager who may invest in volatile stocks and shares or boring old cash and the investor has no control or influence on this decision.

Arguably the biggest pension success story in recent years has been the rise of the SIPP (Self Invested Personal Pension). During a time when pensions have often been in the news for the wrong reasons, SIPPs have offered investors the opportunity to retake control of what is likely to be their most important asset other than their house.

With their wide investment choice SIPPs allow investors to pick the best investments, while benefiting from the generous tax relief offered by conventional pension plans. If an investor already has a SIPP, or once the SIPP has been set up, the investor selects the property they wish the SIPP Trustees to invest in. It is also possible to increase the amount of funds available in a SIPP by borrowing up to a further 50% of the value of the SIPP. For example if a SIPP has funds of £200,000, it can borrow another

An investor using a SIPP can make further contributions ongoing into their SIPP and is entitled to full tax relief which means that if a 40% tax payer paid in £60,000 it could be topped up to £100,000 (subject to limitations specified below).

As a result, astute investors have flocked to open a SIPP: leading them to grow from being relatively niche - largely the preserve of wealthy individuals - to bordering on becoming a mainstream way to save for retirement for those who are happy to make their own investment decisions.

Any type of pension can be transferred into a SIPP, for instance many people have several 'frozen' pensions from previous employment or businesses and/or personal pensions that they can transfer into a SIPP. This is a complex area and it does need professional advice. To this end our overseas developers have teamed up with some of the UK’s leading independent wealth management companies who specialise in providing independent pension advice.

What is a SIPP?

A Self Invested Personal Pension or SIPP is a form of pension plan where you choose where your money is invested, rather than the conventional form where a fund manager invests it for you. You have total control. You can invest a lump sum, a regular sum or transfer some or all of your existing pension plan(s), or a combination of some or all the above.

As with all pensions, you get income tax relief at your highest rate

Tax Relief overview:

This is subject to limitation, for example any gross pension contribution (i.e. the net contribution plus basic rate tax relief is treated as a loss of income)

For example, if the client earns £50,000 and the 40% tax threshold starts at £42,000, then a gross contribution of £8,000 will benefit from the full 40% tax relief.

A net contribution of £8,000 is automatically grossed up to £10,000 (20% basic rate tax relief) and the extra 20% can be reclaimed via your end of year tax return.

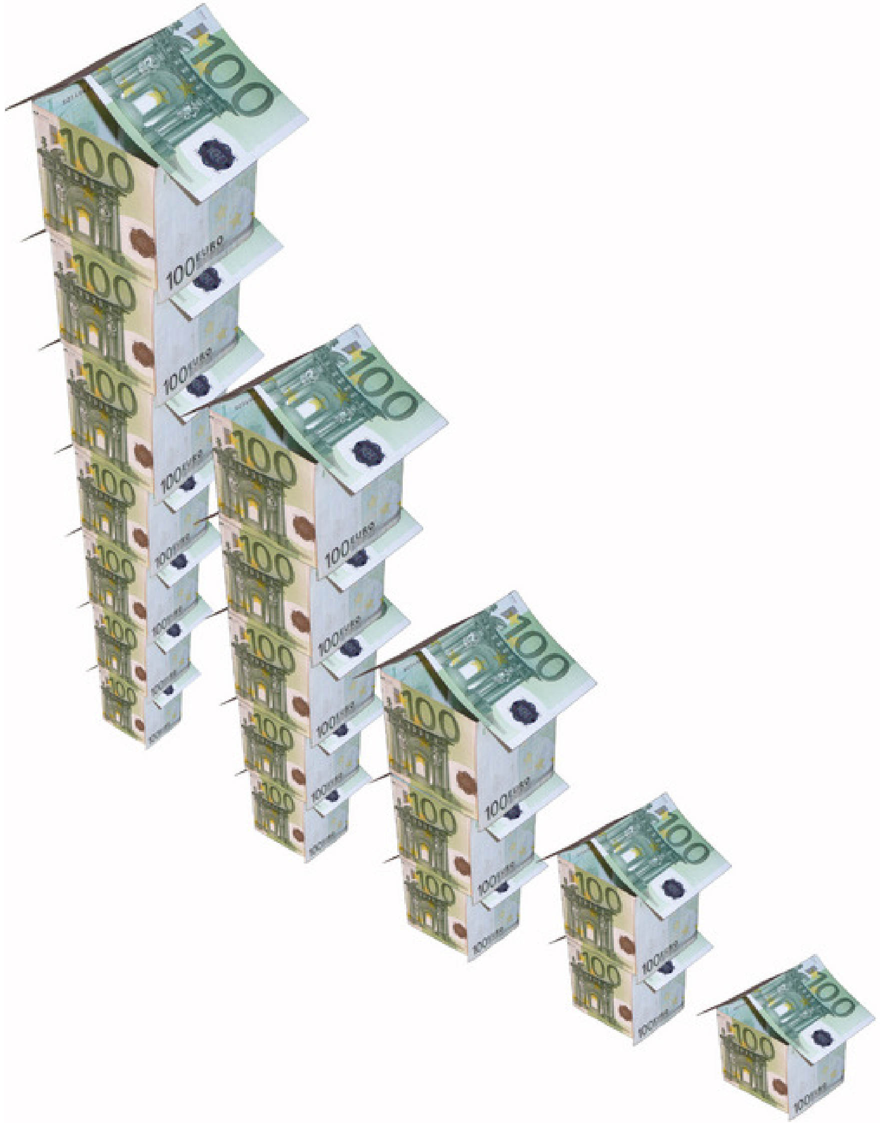
Any contributions up to £42,000 (in this example) will benefit from 20% tax relief, grossed up immediately upon entry into the SIPP.

Tax relief is applied to gross contributions that do not exceed the client's annual income in the tax year the contribution is made. So, if for example a client earns £20,000 and pays in £30,000 into a SIPP, tax relief at 20% will applied to £20,000.

Any contribution you make is net of basic rate tax at 20%. This means that if you were to invest £80,000 of your current pension plan value an additional £20,000 would be collected automatically from the HM Revenue and Customs on your behalf.

Tax relief is only payable on 'contributions' to your pension fund and do not apply to funds already held within your current pension/s, as these have already benefitted from tax relief at the point they were originally paid in.

All income and capital gains earned by your fund are free of all UK taxes and when you come to retire, aged 50 or more (55 from 2010 onwards), you can take out 25% of your fund as a tax-free lump sum. This is an ideal way to maximise your returns from property investments.



Your existing pension's:

Most pension plans are run by insurance companies, which generally do not have the best record for investment expertise. Obviously there are individual exceptions. If you are fed up with mediocre fund performance, and want to take control of your pension arrangements, SIPPs offer access to the funds of specialist investment companies.

Many people with ordinary pension plans think the job is done once they've made their contributions, and forget all about where they will be invested. This means they can end up going into a default fund, usually an insurance company's managed fund, which may be an inappropriate option. Investors who already have a personal or stakeholder pension should regularly review their arrangements, although few people do. Transferring to a new pension is easy, but while we think nothing of regularly changing our car insurer or mortgage provider, few of us take the trouble to re-examine our pension provision.

To this end Assets International are delighted to inform you that The Resort Group PLC, the developer of the five star luxury development in Cape Verde, Dunas Beach Resort, has now teamed up with one of the leading SIPP providers in the UK, Rowanmoor Pensions who have accepted Dunas Beach Resort as a SIPP compliant development. The project will be fully managed by a globally recognised hotel operator.

The rental income and future capital growth are set to be huge over the coming years, as this unique emerging market continues to witness significant touristic growth and popularity.

And the process is much easier than you may think...

The Resort Group PLC has partnered with one of the UK's leading pension and investment experts to give you the independent professional advice you need and to help guide you through your options. They will deal with transferring any "frozen" pensions from previous employment or businesses and/or funds from other personal pensions. All you have to do is select the property you want in your pension fund.

With property prices starting from as low as €100,000, the requisite deposit across any one of 3 different payment options, means that the vast majority of pension owners in the UK are in a position to consider this fantastic opportunity.

Even if your current pension fund falls short of the lowest deposit required by the developer, you still have the option to consider raising additional funds from the equity within your house, or any number of investment vehicles. And don't forget, contributions into your SIPP fund would benefit from tax relief!

In additional to the very significant tax benefits available, the developer themselves offer further discounts, free incentives and even a fixed enhanced exchange rate on your deposit (subject to specific payment plans).

This could involve a further 15% discount, an enhanced rate of €1.25 - £1.00 on more than 50% of the required deposit, free air-conditioning, hotel excellence furniture and a free legal service (Payment Option 3). (offer subject to availability)

In conclusion this would mean an individual contributing as little as €60,000 (as a higher rate tax payer) may be able to purchase a property at €100,000.

With capital appreciation rising steadily at 15% p.a. over the past few years, if this were to continue for another 5 years at only 10% p.a. the property would be worth €169,351.

In addition to the capital appreciation of the property(s) the expected rental yield for Dunas Beach Resort is set conservatively at 9% per annum which would provide further income to the fund of €9,000 per property per year. Over 5 years this would generate an additional €45,000 of income to the fund.

Add this to the property value of €169,351 and the total value of your fund based upon realistic projections, could be worth €214,351!

All for investing as little as €60,000 into your pension (subject to tax relief limitations stated above)

Furthermore, under SIPP rules it is possible to borrow up to 50% of the value of the fund, therefore based on the example provided above, you could borrow a further €107,175 to re-invest again in further SIPPable property, thereby potentially creating a huge pension fund by retirement age.

The question you should now be asking yourselves is quite simply…

How much upon retirement will your existing pension be worth to you if you do nothing?

The Next Step

If you would like to know more about how to invest your pension using a SIPP we can arrange for you to have a no obligation free consultation in the comfort of your own home in order that you can find out the opportunities open to you.

Further details call Assets International

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