Broadcast

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FACTSHEET: SIPP VS SSAS

SPECIAL ISSUE

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How Investing in a SIPP or a SSAS Can Boost Your Business and Your Retirement

When most business owners think about retirement planning, they focus on the long game—setting aside enough to enjoy life after work. But what if your pension could offer tangible, immediate benefits to your business as well?

Self-Invested Personal Pensions (SIPPs) and Small Self-Administered Schemes (SSAS) do exactly that. These flexible pension vehicles not only help build long-term wealth, but can also support your business growth, improve cash flow, and offer significant tax efficiencies along the way.

Here's a breakdown of how SIPPs and SSAS pensions work, the differences between them, and how to choose the right one for you and your business.

What Is a SIPP?

A Self-Invested Personal Pension (SIPP) is a government-approved personal pension that gives you more control over how your retirement savings are invested. While traditional pensions limit your investment options, a SIPP allows you to choose from a wide range of investments, including:

- Stocks and shares
- Commercial property
- Bonds and funds
- Cash and term deposits

Who is it for?

SIPPs are designed for individuals typically self-employed professionals, contractors, or business owners who want greater flexibility in how their pension pot is managed and invested.

What Is a SSAS?

A Small Self-Administered Scheme (SSAS) is a type of occupational pension scheme, usually set up by directors of a limited company for themselves and other senior staff. Like a SIPP, it offers wide investment flexibility, but in addition to the investment classes for a SIPP, it also allows for:

- Loan-backs to the sponsoring employer
- Joint control by all scheme members
- Pooling of assets across members
- Purchase of commercial property, which can then be leased back to the business

Who is it for?

SSAS pensions are specifically designed for company directors and key employees in SMEs. It can have up to 11 members, often family members or co-directors.

How SIPPs and SSAS Work in Practice

Both SIPPs and SSAS function as long-term savings vehicles with significant tax benefits:

- **Tax relief on contributions** – Personal contributions receive income tax relief at your marginal rate. Employer contributions (to either a SIPP or SSAS) are typically treated as allowable business expenses.
- **Tax-free growth** – Investments within the pension grow free from capital gains tax and income tax.
- **Tax-free lump sum** – From age 55 (rising to 57 in 2028), you can take 25% of your pension pot tax-free.

But here's where they really shine for business owners:

Commercial Property Purchase (SIPPS AND SSAS)

Both SIPPs and SSAS can purchase commercial property, which your business can then lease back—paying rent into your pension instead of to a third-party landlord. This rent is a business expense and is also tax-free inside the pension.

Loan-Backs (SSAS Only)

SSAS pensions allow the business to borrow up to 50% of the total scheme value through a secured, interest-bearing loan. This can be a lifeline for business expansion, cashflow management, or acquiring assets while your pension still earns interest on the loan.

Key Differences: SIPP VS SSAS

Feature	SIPP	SSAS
Structure	Personal pension	Occupational pension scheme
Membership	Individual	Up to 11 members
Investment control	Individual investor	Trustees (usually scheme members)
Loan-back to business	Not allowed	Up to 50% of fund value
Property purchase	Yes	Yes
Administrative complexity	Lower	Higher
Set-up cost	Lower	Higher (but shared if multiple members)

Which One Is Right for You?

Choose a SIPP if:
- You’re a sole trader or limited company director without other key staff
- You want investment flexibility and control without the added admin
- You're primarily focused on building retirement wealth and investing in property or shares

Choose a SSAS if:
- You run a limited company and want your pension to support business growth
- You’re interested in loan-backs or pooling pension assets with others
- You have a long-term strategy that includes property ownership and legacy planning

Additional Benefits for Your Business
- **Cash flow advantages**: Lease payments for property owned by the pension go directly into your pension fund instead of to a landlord.
- **Tax planning**: Pension contributions reduce corporation tax liability, while boosting personal retirement wealth.
- **Succession planning**: SSAS schemes can include family members, making them powerful tools for intergenerational wealth transfer.

Risks and Considerations
While these pensions are powerful tools, they come with responsibilities:
- **Compliance**: SSAS trustees must ensure the scheme stays within HMRC rules.
- **Liquidity**: Property is not easily sold, and pension funds are generally inaccessible until age 55+.
- **Costs**: Both structures have setup and annual fees. SSAS typically costs more to run due to its complexity.

Final Thoughts

Investing in a SIPP or a SSAS isn't just about planning for retirement. For business owners, these pensions can be strategic financial tools allowing you to grow your company today while securing your tomorrow.

Whether it's purchasing your own commercial premises or accessing finance through a pension-backed loan, these options offer a unique blend of flexibility, tax efficiency, and control that standard pensions simply don't.

Before making a decision, we recommend you speak with an independent financial adviser or pension specialist, who we can put you in contact with. The right setup can unlock significant value for both your business and your future.