for your tomorrow

Premier SSAS Risk Warnings

Important – Risk Warnings – Property & Land

Commercial property/land provides a unique way of diversifying the investments within an investor's pension scheme portfolio as it has different characteristics from other asset classes, it is however, not without risks.

Before proceeding you should discuss the investment with your financial adviser and be comfortable that you have a clear understanding of the risks and responsibilities that come with holding property/land as an asset of your pension scheme. In particular following the COVID-19 Pandemic, these risks have been magnified.

Typically, risks include but may not be limited to:

- Void periods are when there is no tenant. Not only does the rental income cease but as landlord, the pension scheme will become responsible for costs such as insurance premiums, maintenance, security and business rates. In particular, if the pension scheme has borrowed to finance the purchase, the loss of tenant can have serious implications on the servicing of any outstanding mortgage.
- Liquidity risk is the risk that the property/land cannot be sold if for instance, benefits fall due or that the price achieved is below expectations due to market depression. Current HMRC rules dictate that any death benefit lump sum which has not been paid within 2 years of the trustee(s) being notified of death, will be subject to tax.
- Capital risk is the risk that the capital value on sale is less than the original purchase price. As with any investment, the value can fall as well as rise.
- Purchases are expensive, not only the high initial outlay but other cost considerations such as professional fees, borrowing fees, VAT and land tax need to be factored in.
- Once purchased, there will be ongoing costs such as maintenance, insurance, management fees, professional fees, marketing costs etc.
- Debtors or issues with tenants or neighbours. These can be costly and may involve legal fees.
- The negative effect of any future legislative changes both in pensions and property law.
- Whereas a lot of investments afford a quick exit, property and land generally do not.
- Property and land can increase in value substantially but the lifetime allowance has been reducing, creating greater risk of tax charges should the lifetime allowance be exceeded.
- Property and land investments are not covered under the Financial Services Compensation Scheme.
- Borrowing for investment purposes can carry risks as the interest on the borrowing may outweigh the investment return.

for your tomorrow

PART OF STM GROUP PLC

FOR MORE INFORMATION PLEASE CONTACT

OPTIONS SSAS LIMITED

2nd Floor, Fitzalan House,
Fitzalan Court,
Fitzalan Place,
Cardiff, CF24 0EL

optionspensions.co.uk
optionspremierssas@optionspensions.co.uk