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## **SSAS up your business with a low rate loan**

By Stephen Watson

There is an alternative source of finance that is available to business, and quite often this can be overlooked. It is presently possible for a business to borrow at a fixed rate of 1% above bank base for five years.

This facility is available from a Small Self Administered Scheme (SSAS), a special type of pension fund that is tailored to an individual business and one that we are increasingly being asked to set up by clients looking to raise finance.

Unlike a Self Invest Personal Pension (SIPP) a SSAS can make loans to the business connected to its members, the sponsoring employer. Company Directors can therefore use their own pension savings to support their company by setting up a SSAS.

A SSAS is able to lend 50% of its net value. The interest paid on the loan is repaid to the pension fund rather than to an external lender. The minimum rate of interest is 1% above bank base but a higher rate can be used, up to 6% above bank base or anywhere in between.

Capital and interest is repaid by equal instalments over a maximum period of five years.

The loan must be secured as a first charge over assets equal to the loan and the interest. The interest is paid to the pension scheme for the benefit of the member and the employer can deduct this as a business expense.

A SSAS can be created without new contributions being made to it. It can be set up by transferring funds into it from other registered pension schemes. Naturally care should be taken to avoid any financial penalties or loss of benefits that can be incurred on the transfer of pension funds.

The cost of setting up a SSAS is comparable to that of a bank loan; the loan can be agreed quickly, directors do not need to spend any time at the administrator's office in order to justify their loan request and once the documentation is received the loan can be processed with the minimum of delay.

For small business owners, the current economic climate is not conducive to business expansion. Much of the problem derives from the difficulties companies experience in obtaining lending from the banks. Many directors of these small companies would rather use their own money, or borrow from friends, than seek help from the banks.

The facility for Directors to borrow money from themselves and repay interest to themselves has obvious appeal and can enable a combination of strategies to take place, from business expansion to tax planning.

Specialist advice is essential from experienced SSAS practitioners. There are some potential pitfalls that are best avoided, so experienced advice is imperative.