

Private Annuity Trust (PAT)



“The annuity rate offered by the Private Annuity Trust is substantially higher than the best rates offered by insurance companies”

Preserve capital
for future
generations

Private Annuity Trust – Value Brief

The private annuity is provided by a commercial trust established by an appropriate employer. Unlike an insurance company, the Private Annuity Trust is not permitted to make any profit.

This is a restricted trust. Its provisions are drawn so as to meet the very strict limitations imposed by the Inland Revenue upon the use of pension saving funds. It is administered by independent professional trustees, who must have their own trust administration license.

The annuity rate offered by the Private Annuity Trust is substantially higher than the best rates offered by insurance companies. This allows the provision of correspondingly higher taxable pension to the pension scheme members upon retirement.

The private annuity is an investment made by the pension scheme. Just like dividends from a share portfolio, the pension scheme will receive private annuity income from the member's retirement date.

The pension scheme must sell those income rights to an insurance company when the member reaches age 75. In return the scheme receives compulsory annuity income. However, the savings capital is retained by the Private Annuity Trust for the provision of retirement benefits.

For the first time in a generation, pension savings law is matched by pension investment reality.



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Who Benefits?

Your pension savings fund: -

- Receives a structured long term income, based on portfolio returns, not gilt rates
- Provides a higher pension in retirement • remains ring fenced by a restricted trust
- Still provides for a compulsory annuity, but is not destroyed by its purchase
- Is wholly used for the provision of retirement benefits

The Revenue: -

- Is protected against potential abuse of pension savings tax advantages by transfer of capital to a more restricted trust
- Obtains tax receipts on pension income
- Is assured that pension savings funds are used for the sole purpose of providing retirement benefits

If you feel this proven Solution may suit your requirements, please either forward these details to your own Professional Adviser or email us at elitesolutions@mardons.co.uk for an initial discussion and to arrange an exploratory meeting which can include your Professional Adviser.



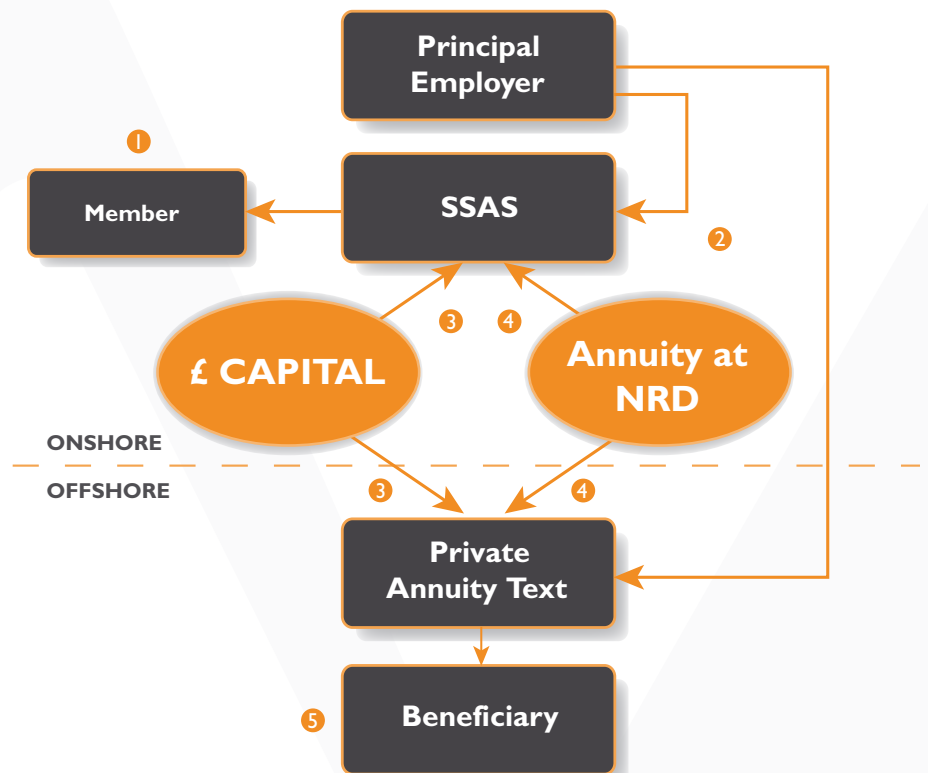
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- 1 Prospective clients will need to be a member of a SSAS or PPT, as the private annuity is an investment authorised by the Trustees of such a scheme. If no SSAS or PPT is in existence we will arrange for one to be established and for the client's pension benefits to be transferred in.
- 2 The principal employer establishes a PAT offshore, which is essentially a commercial trust; the sole purpose of which is to provide annuities to the company's onshore retirement benefit schemes.
- 3 The SSAS trustees then apply the members fund to the purchase of an annuity from the offshore PAT.
- 4 The annuity comes into payment at the member's NRD. Annuity is paid to the SSAS trustees. Trustees pay Member's pension.
- 5 Any residual capital on death is paid direct from the PAT to chosen beneficiaries.

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Private Annuity Trust - Case Study

PROBLEM

With ages ranging from 45-70, six members of a Small Self Administered Scheme (SSAS) decided they had to build up a total value of £5,000,000.

They realised the consequences of current restrictive benefits upon retirement.

SOLUTION

Without Trust Busting or moving offshore they wished to establish a revenue recognised product which avoided compulsory annuity purchase and gave unlimited death benefits.

The SASS purchased a special annuity Purpose Trust which preserves capital for future generations.

BENEFITS

- ① Offers unlimited death benefits
- ② Potentially can enhance the member's pension

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