

# Protected Pensions Trust (PPT)



“an opportunity for the member to leave their pension assets for the benefit of future generations”

Onshore  
self-administered  
occupational  
pension scheme

## Protected Pensions Trust (PPT) – Value Brief

The Protected Pension Trust (PPT) is an onshore self-administered occupational pension scheme. As a tax-exempt approved arrangement, all schemes will receive the appropriate Inland Revenue recognition and legal assurances, verifying that the scheme is fully compliant with existing legislation. In brief, the PPT affords the individual all benefits associated with true self-administration.

- **Provided all scheme transactions are on a wholly commercial basis there are no investment restrictions. The SSAS 1991 Regulations do not apply.**
- This commerciality ensures the PPT operates as a bone fide Retirement Benefits Scheme. For example, whilst loans to the members are not prohibited, nothing should be done which might prejudice the ability of the PPT to meet its pension obligations at normal retirement date. Loans on a commercial basis are therefore acceptable whilst disguised gifts are not.
- There is no compulsion to purchase an annuity at age 75 (or any age for that matter).
- The residual fund on second death is treated as a surplus and is returned to the sponsoring employer. This creates an opportunity for the member to leave their pension assets for the benefit of future generations.

**In summary therefore, the PPT will provide real value to the individual and their family both from an investment point of view and in terms of accessing benefits.**

## Client Profile

- Age 75 or below
- Accrued pension benefits of at least £500K, which does not include any element of GMP, Protected Rights or Post 97 Requisite benefits
- Benefits have not yet come into payment if existing funds are held within a personal pension arrangement

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



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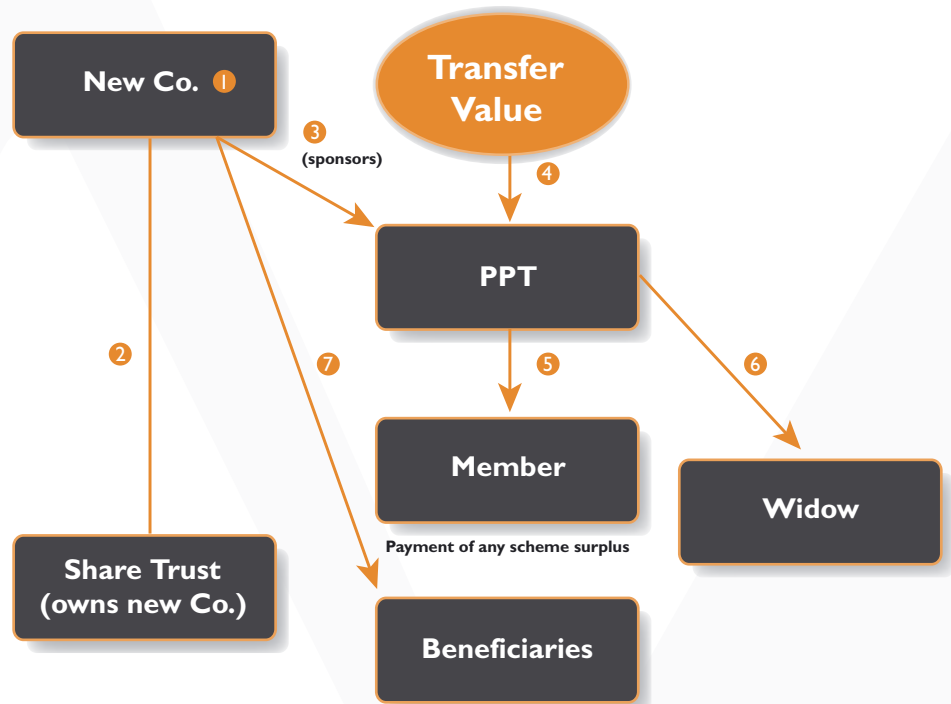
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## ALL ONSHORE



- 1 It will be necessary to establish a new company (New Co.) to sponsor the PPT.
- 2 £100 plus the subscriber shares in the Newco are settled into a Shares Trust.
- 3 The company can then establish a PPT.
- 4 The Professional Trustee will then arrange for the member to transfer existing pension arrangements into the PPT. On receipt of the transfer values all fees are settled. The funds within the PPT are free of investment restrictions and are not subject to compulsory annuity purchase.
- 5 Pension comes in to payment at Normal Retirement Date.
- 6 On death a 2/3rds widows pension is payable to the Widow.
- 7 On 2nd death the surplus funds return to the principal employer, which may make arrangements for distribution to the member's beneficiaries

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## Protected Pensions Trust – Case Study

### PROBLEM

Two controlling directors of a successful property development company are both members of a small self-administered pension scheme (SSAS) which has received substantial pension contributions over the last twelve years.

The directors have roughly an equal share of pension assets valued at 5,000,000.

Their existing advisors have identified the following areas as potential problems with regards to future pension planning:

- The government paper on pensions containing proposals to implement a lifetime limit on pension funds means that any investment growth over and above inflation will be taxed at 33%.
- Investment restrictions imposed by the revenue combined with poor market conditions are stifling portfolio returns.
- Future pension income is fixed by reference to open market annuity rates. These rates, which are at an all time low, bear no relationship to the investment returns on the directors' pension assets.
- The compulsory purchase of annuity at age 75 will result in the destruction of the director's retirement savings (and a windfall to the life office). Even if the compulsion was removed, the tax on the fund on repayment to the sponsoring employer and then on extraction from that entity would effectively reduce death benefits to 39p in the £. This scenario assumes the company is still in existence at this stage. In the absence of a corporate structure, the funds would be paid to the crown.

The Directors would like to maximise their income during their own lifetime and preserve capital for the benefit of their immediate family and future generations. Ideally this would be achieved via a vehicle with wider investment powers that also would not be caught by the green paper proposals.

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## Protected Pensions Trust – Case Study

### SOLUTION

The solution is to transfer pension assets to a sophisticated UK based retirement benefits arrangement.

### BENEFITS

- 1 The receiving trust, which will be a tax exempt Inland Revenue approved scheme, will afford the directors all the benefits associated with true self administration – thus meeting all their objectives.
- 2 Provided all scheme transactions are on a wholly commercial basis there are no investment restrictions. The SSAS 1991 Regulations do not apply.
- 3 This commerciality ensures the PPT operates as a bone fide Retirement Benefits Scheme. For example, whilst loans to the members are not prohibited, nothing should be done which might prejudice the ability of the PT to meet its pension obligations at normal retirement date. Loans on a commercial basis are therefore acceptable whilst disguised gifts are not.
- 4 There is no compulsion to purchase an annuity at age 75 (or any age for that matter).
- 5 The residual fund on second death is treated as a surplus and is returned to the sponsoring employer. This creates an opportunity for the member to leave their pension assets for the benefit of future generations.

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