

Commercial Property Multiple Member SIPP

AT A GLANCE

How two or more people can pool their pension assets to buy commercial property

Important information: This document is for use by financial advisers only. It is not intended for onward transmission to a private customer and should not be relied upon by any other person. The information contained in this document is correct as at 1 June 2020 in accordance with Sanlam Investments and Pensions' guidelines regarding commercial property as an asset of a multi-member SIPP. We reserve the right to review our procedures and charges in light of any statutory, legislative or other changes that may arise from time to time.

Sanlam Investments and Pensions (Sanlam) can purchase a property and hold it on behalf of two or more members who all choose to invest in the same single property asset. This is known as a Multiple Member SIPP. There are two investment options available under Multiple Member SIPP (MMS):

- MMS (Connected), whereby each of the members is connected in accordance with the criteria below.
- MMS (Unconnected), where the members do not meet the criteria for a MMS (Connected).

Sanlam will make the decision, based on the proposed membership, as to which option applies.

Why use Sanlam?

- When combined with other facilities on offer, MMS could make a previously unfeasible proposition viable.
- Enables groups of individuals to pool their respective pension pots to provide a higher fund value so they are able to purchase a commercial property.

MMS (Connected) criteria

Sanlam will accept the following connection between members:

- member's spouse or civil partner;
- a member's parents;
- a member's grandparents (subject to Sanlam approval);
- co-director or co-business partner of member; or
- individuals where there is a close business association.*

* Must satisfy most of the following criteria: sharing premises; sharing staff; business dependency upon the other party; sharing business process; common services; common reception; businesses must complement each other; and/or shared client base.

Requirements

- Sanlam require an agreement to be signed by all members. This includes details of Sanlam's requirements regarding the management of the property, the factors which may prompt a sale of the property, the circumstances which may affect the investment return and how payment of benefits may be affected, to which all the members must agree. The members must also agree to establish an investment strategy, and to keep Sanlam Investments and Pensions informed of all material events that may affect the property and/or the fund for the duration of the property investment.
- If members cannot agree on action to be taken regarding the property, Sanlam may appoint an independent arbitrator to recommend the appropriate action, the cost of which will be taken from the fund.
- One member must be appointed as the co-ordinator for the other Investors and give instructions on their behalf. Instructions from the co-ordinator should be given in writing or as agreed with Sanlam.
- The members should agree a strategy between themselves to ensure the fund has sufficient liquidity to meet future income and liability requirements, including to pay benefits as required.

Other considerations

- It is the members' responsibility to ensure that sufficient funds are available to cover ongoing expenses.
- Membership will be held under a single MMS unless we are instructed otherwise. The members' MMS accounts are allocated units in the fund in accordance with the MMS amount each member has invested. All assets and liabilities will be apportioned within the fund in accordance with the unit holding unless the members have their own self-invested fund. The following factors may affect whether the members each have individual funds rather than one combined self-invested fund:
 - Sanlam must be advised if the members require a specific notional share of the property.
 - Sanlam must be advised if the members require different levels of lending to apply to their investment.
- A property can be held in shared ownership and our shared ownership criteria would also apply in this instance. Please refer to *Shared Ownership At A Glance*.
- An MMS will be set up purely for investment in commercial property. Should the members wish to invest in other allowable assets these will be held separately.

MMS (Unconnected) criteria

The MMS (Unconnected) has been designed to enable individuals who do not meet the requirements for an MMS (Connected) to collectively invest in commercial property subject to meeting certain requirements:

- Membership is limited to a maximum of six members.
- Members should be known to one another and be comfortable with the prospect of entering into a long-term investment where they are dependent on other members to make the arrangement viable.

Requirements

- The requirements relating to MMS (Connected) also apply with the addition that the members should seek appropriate advice before signing the agreement.

Other considerations

- A managing agent must be appointed in all cases. This cost will be met from the fund.
- The 'Other Considerations' relating to an MMS (Connected) will also apply with the exception of shared ownership.
- Shared ownership is not permitted for MMS (Unconnected) due to the lack of connection between the members.
- Due to there being less connection, care must be taken to ensure compliance with Treating Customers Fairly (TCF) and potential conflicts of interest between members. Financial advisers are required to comply with regulatory requirements for managing conflicts of interest.

Details of minima and charges

Minima

MMS (Connected): Minimum membership is two people; maximum membership would not be expected to exceed 10.

MMS (Unconnected): Minimum membership is two people; maximum membership is six.

Property charges (both options)

Please refer to the *Guide to Charges* for full details of applicable charges.

Time cost charges may apply for any additional time-consuming work.

Exiting a Multiple Member SIPP

- A property valuation fee may need to be paid by a member who elects to leave the MMS, or where a member is a party to a divorce or dissolution of a civil partnership and benefits are required to be provided under a pension sharing order.
- Should a member wish to realise their share in the property, leave the MMS due to a transfer out, retirement, death, divorce or dissolution where benefits are to be provided for the spouse/civil partner under a pension sharing order, the following requirements must be met:
 - There must be sufficient cash in the fund to pay benefits. The members will be given eight weeks to raise the required funding. If after eight weeks there is insufficient cash to pay benefits the property may have to be sold.
 - Members must accept that payment of benefits could be delayed if insufficient cash is available to meet the payment required.
 - Further cash may be generated by further borrowing, additional contributions from other member(s) or further members joining.
 - Any borrowing must be retested against the 50% authorised borrowing limit and reduced if necessary.
 - Members may elect to take a drawdown pension while retaining the property as an asset of the fund if cash levels permit. Any Pension Commencement Lump Sum (PCLS) may be restricted if insufficient cash is in the fund. Any members wishing to take a drawdown pension must have their assets transferred to another self-invested fund or our normal range of insured funds.
- In the event of a death claim, part or all of the property may be transferred in-specie to the beneficiary in settlement.