

THE SIPP 'TARP' **(Troubled Assets Relief Program)**

...or 'raising cash from illiquid or troubled assets'

Many investors, typically in their 40s and 50s, hold a succession of illiquid investments down-valued in the recession. Transferring such personally held assets into your own SIPP in exchange for cash is an under-used form of planning. Very simply, an allowable personal investment can be transferred "in specie" into a SIPP using an "arm's length" valuation.

A more sophisticated approach is to utilise the asset transfer as a net of 20% contribution plus a further 20% available tax relief for higher rate tax payers. This is an additional benefit beyond that of utilising your SIPP's longer-term investment horizon for "troubled assets" to recover in a tax exempt fund. Moribund assets that might be transferred into SIPPs range from the simple to the esoteric:

- Commercial properties, let out to a connected party or business, perhaps using the '50%' SIPP borrowing facility to further enhance returns.
- Quoted shares and in particular investment trusts which may be at a significant discount to net asset value.
- Units in geared property partnerships especially those which are denominated in Euros.
- Venture Capital Trust shares which have passed the 3 or 5 year initial Income Tax reclaim period.
- Interests in private equity partnerships.
- Units in hedge funds, not necessarily quoted on a recognised investment exchange.
- Private company shares satisfying a stringent set of criteria relating to maximum 20% ownership levels, ability to realise in an emergency situation, exit strategy, valuation etc.

The theory is great but the practicalities can make it daunting, particularly relating to valuation issues and the mechanics of the 'simultaneous' disposal & purchase. Add to this stamp duty, possible HMRC reporting, VAT and CGT issues, not to mention 'pensions planning', and it is no wonder it is the sophisticated advisers and smaller SIPP players that operate in this space. Planning should then take account of other matters such as contribution "input" periods and the maturing of ultimate pension benefits post age 50 or 55.

Then there is the liquidity position of your SIPP in the first place to fund the transaction. Whilst there are many pit-falls, particularly in the area of private company shares, this process may ease their own liquidity issues as well as more effectively funding retirement.

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