

How a Builder used his pension fund to provide the finance needed to build new premises, and free up a valuable town centre development site

Background

Ken (58) Mary (52) owned a cramped Builders yard and offices in the middle of a Borders town. They had owned a plot of commercial land on the outskirts of town for 10 years which they wanted to develop but never had the money to commit to the project



**Ken was saving £500pm
into a pension
worth circa £145,000**

**Ken and Mary have
always wanted to
build their own home**

**Their son was
interested in joining
the business**

Challenges

- Ken's key objective was maintaining his current lifestyle in retirement.
- His yard was right in the middle of town making access for clients and works vehicles difficult
- This was constricting his potential profits.
- His "ideal plan" was to relocate the business and develop the plot with purpose built workshop, yard and offices. This in turn would allow him to develop the town centre site for residential use but he did not have sufficient funds to undertake this venture.
- How to Pay for the development at the new builders yard – approximately £120,000 and to develop the town centre residential property

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This case study is an example of how we have helped an actual client in the past and should not be seen as advice. Names and some details have been changed to protect identities. Our advice is always bespoke and dependent on your own specific circumstances and objectives.

What we did

- We explained that his Pension fund could invest in commercial property by using what is known as a Self Invested Pension Plan (SIPP)
- The SIPP was allowed to buy the land, apply for planning permission and pay for the entire building project.
- We liaised with the company accountant and discussed alternative solutions to ensure that this was likely to be the best possible scenario for both Ken and his business.
- Ken's pension fund was transferred to a SIPP
- We helped Ken to negotiate the numerous hurdles associated with using his pension to buy / build property
- His pension now owns the property which provides easy access for all customers, suppliers and staff.
- Ken's business now rents a purpose built property from his pension fund
- Income generated from the property rent is now accumulating in Ken's pension till he retires.
- He has released a prime residential site for development in the town – his next project

The Results

- Ken was able to execute his "ideal plan" for the business, which is now more profitable, able to take on bigger projects and presents a better image to new and existing clients.
- Ken's desired retirement lifestyle can be adequately covered thanks to the income derived from the rental of his business premises, which is now held in a tax efficient environment.
- Ken now has an exit strategy as his son David has now joined the business.
- David will be allocated shares in the business by Ken who will gradually take less and less active interest
- David will help Ken when he retires by renting the premises from his pension. The Rent is paid into his pension fund and income is paid out for Ken
- Ken is actively investigating costs for the new residential property project on the site of the old yard which will keep men busy and allow him and Mary to be where they want to be by the time they retire
- Mary can stop working to be with her new grandchild – David's arrival in the business is perfect timing!

**A more profitable
Business with
purpose built premises**

**Potential for a residential
property development
in town**

**Retirement income
and a readymade
succession plan**

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