



## Home Economics: Answering your property questions



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**Q: I am a company director in my 40s. I wish to set up a pension but the returns being quoted are very poor and I'm not convinced it's a good return for my money; there seem to be a lot of charges and fees attached. I have heard about self-administered schemes and wonder if this is the route for me with some property I own. I broached a loan with my bank, but they wanted a 50pc deposit, which seems hefty given I'm taking all the risk. Can you advise how these schemes work?**

A. DIY pensions are not for the faint-hearted; myriad choices pertain for self-employed and company directors. However, small self-administered schemes (SSASs) are available for companies with less than 12 employees. The attraction is control regarding the asset type, which is why they are often used as a vehicle for commercial property, which is what you propose.

Oisín Humphreys of MyAdviser.ie says there are restrictions. "Property is owned by the fund and must be at "arms length", i.e. the person selling or letting the property cannot be connected to the SSAS. Holiday homes are not permitted.

"While it is possible for the fund to borrow, as the property is owned by the fund, not the individual, the banks are exposed in the event of the value falling. In practice, SSASs directly holding property usually do so as a result of funds accumulated over many years being used to purchase a property outright.

"Including property in a fund adds cost to the annual fund charge, around 0.25pc to a typical fund charge of 1.1 pc.

"Often this is on top of other management or maintenance the fund, as the property owner will incur."

Regarding general considerations, Humphreys adds: "As you have 20 years to go before retirement, you have time on your side. Historically, the best returns in such a time frame are likely to come from equity investment.

"If charges and fees are putting you off, it is possible to get good value for a top quality diversified equity/bond portfolio including ongoing independent financial planning, for around 1.1pc p.a."

