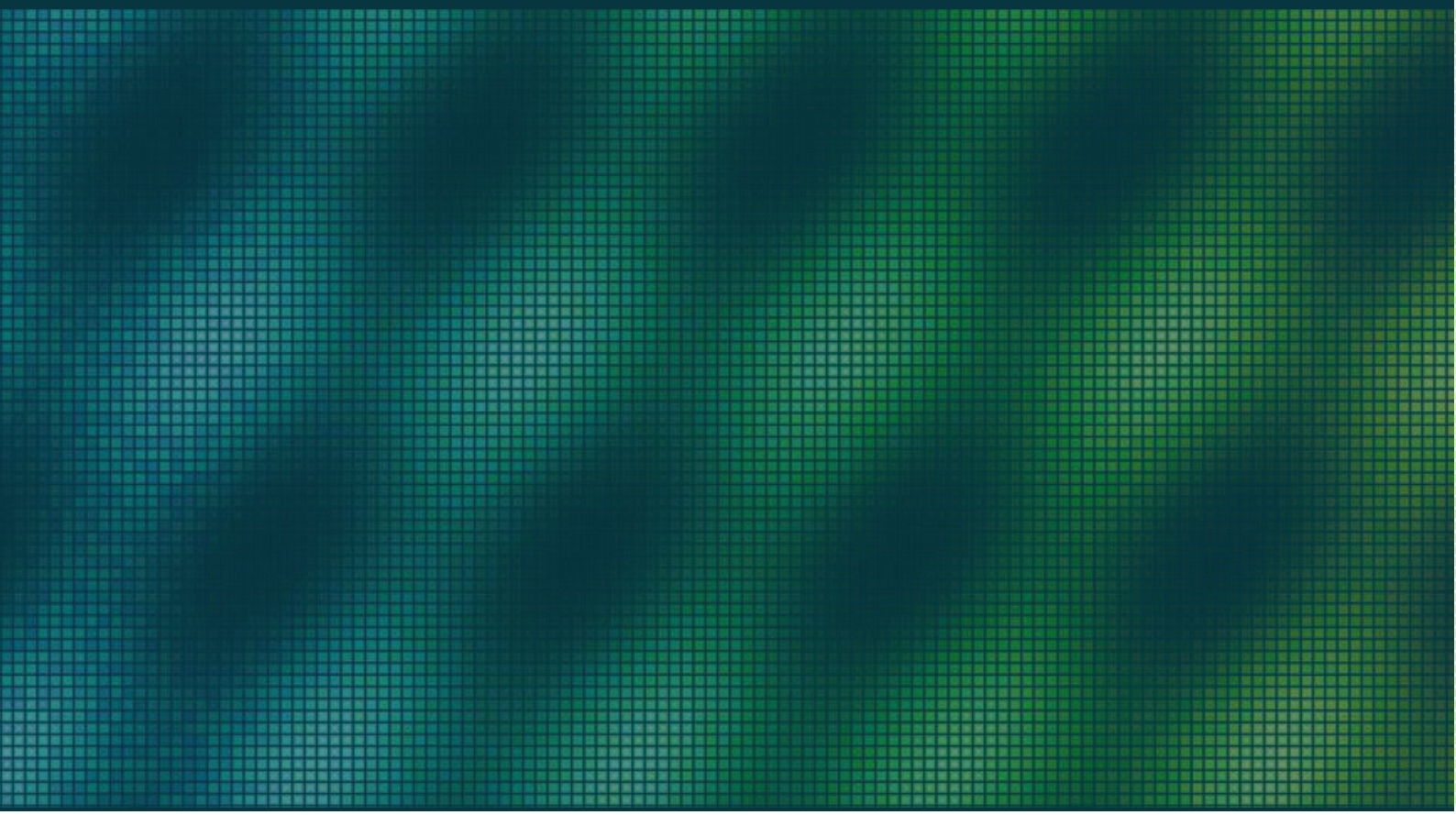


FACTSHEET THREE

How does a syndicate SIPP work?

For professional advisers only

Moneyfacts® 5 PRODUCT RATING SIPP Full SIPP 2023 – 2026
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How does a syndicate SIPP work?

Sometimes there aren't enough funds for a single person's SIPP to purchase a property or there are motivations for a group of people (e.g. business partners) to own a property collectively. However, SIPPs are flexible products and two or more parties can pool funds together to collectively purchase a commercial property – this is known as a syndicate SIPP

So how does a Syndicate SIPP work?

Phase 1 - Purchase

- Clients identify a property they wish to purchase
- The cost of the purchase is calculated – property value plus associated costs such as legal, surveyor, advice, taxes and SIPP fees
- The clients ensure they collectively have sufficient existing funds or arrange to make up any shortfall through additional contributions and/or borrowing from a lender – (a SIPP can borrow up to 50% of the SIPP fund's net assets)
- The clients establish their SIPPs, which @sipp link together in a syndicate arrangement
- The funds are transferred/contributed/lent and a solicitor is appointed to represent the syndicate
- Property ownership is transferred to the syndicate SIPP – now owned in accordance with the proportion of the funds each individual SIPP has contributed

Phase 2 – Ongoing ownership and returns

- Once the property is purchased, the solicitor will then prepare a lease for the tenant, be it a connected party such as the client's business, or an unconnected third party
- The tenant now pays rent to the SIPPs
- Each member can now reinvest their share of the rental proceeds into individual assets such as a DFM, wrap, TIP or other investment vehicle
- When the property is eventually sold, the sale proceeds (less costs) will be shared the same way that rent is, according to each SIPP's ownership share

General points to note

At the outset, it is important to plan for unexpected events or material changes in circumstances. We therefore require the syndicate SIPP members to enter into a formal agreement which sets out the process to be followed if a SIPP needs to realise its investment and exit the syndicate.

A property manager will need to be appointed to inspect, manage and superintend the property, under a formal property management agreement. The role can be undertaken by one of the syndicate members or a professional property management firm

Core Benefits

- By combining SIPPs, clients are able to purchase higher value assets that may otherwise not be possible individually
- Offers a means to structure ownership to achieve a desired collective model, e.g. to follow an existing business ownership model
- An alternative source of funding to allow a property to be purchased where this would not be possible using personal or business funds

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