CURTIS BANKS

CASE STUDY

JOINT PROPERTY PURCHASE

APPROVED FOR CLIENT USE | FEBRUARY 2021

Three vets want to purchase their business premises, and hadn't considered that they could do so using their pensions.

The Challenges

Veterinarians Heather, Alex, and Erica started working together 8 years ago when they started their practice.

They currently lease their premises from a third party landlord. They have a contracted-out lease with the landlord, which would allow him to require them to leave at the end of the lease if he wished to sell the property with vacant possession. When the group set up the lease they were busy with all of the other work required to set up their practice and didn't really think too much about this condition. Now, however, they are starting to fully appreciate that the situation is less than ideal.

In the years they've been running the practice, they have formed close ties with nearby animal sanctuaries, and have also realised that there are very few alternative properties in the area that would meet their requirements if they needed to relocate. They also feel it would be a challenging and expensive exercise to move a lot of the specialist equipment they've invested in over the last few years.

The group decide that the best solution for them would be to offer to buy the property from their landlord themselves. They believe he would be open to the idea; however, the group aren't sure how they would be able to afford the purchase, as they don't think their own savings would cover the cost.

Heather approaches Catherine, an independent financial adviser, to discuss their options.

The Actions

Catherine recently helped a dentist buy his business premises, and asks Heather if the vets have considered buying the surgery themselves using their pension funds. Heather hadn't considered this as an option.

Catherine finds that Heather has built up pension funds of just over £100,000. She reviews Alex and Erica's pensions and finds that they also have similar amounts in their pensions.

Catherine explains that if each of the partners opens a SIPP and transfers their pensions into it, they can use these funds to jointly purchase the practice. Their combined pension funds don't cover the purchase price, but Catherine confirms that each SIPP can borrow 50% of its net fund value, which would give them enough to purchase the practice.

The group still needs to pay rent, but because it will be paid to the SIPPs, it will help increase the vets' own retirement funds. The rent can also be used to repay the borrowing.

The Results

Catherine advises Heather and her partners to establish Your Future SIPPs with Curtis Banks and transfer their existing pensions into them. She sources the best borrowing arrangement for them, and instructs Curtis Banks to acquire the property on behalf of the three SIPPs.

Catherine is pleased to learn that Curtis Banks is happy to work with her choice of high street lender, and also that the provider will allow the partners to choose their own solicitor, subject to its due diligence requirements.

Once the property is acquired, the partners will begin to pay rent into the SIPPs. Curtis Banks will arrange mortgage repayments and arrange for surplus funds to be retained in each of the SIPPs.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55.

Contact details

If you'd like to speak to us about anything in this case study, please contact us on:

T 01473 296 950
We may record and monitor calls. Call charges will vary.
E enquiries@curtisbanks.co.uk

Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.