

## CASE STUDY

# BUYING FORESTRY IN A SIPP

APPROVED FOR CLIENT USE | JUNE 2024



*A client wishes to acquire some forestry within a SIPP and is trying to find out whether this is possible.*

### The Challenges

Jasper is considering investing in woodland. He has identified some forestry close to his home that he wishes to buy, but isn't sure how he would fund the purchase, as he has recently used his personal cash reserves for home renovations. Jasper has a SIPP with Curtis Banks, and is wondering whether he is able to use his SIPP to buy the woodland instead.

Jasper speaks with his financial adviser Matthew to understand more.

### The Actions

Matthew confirms to Jasper that in principle, woodland is a suitable SIPP investment, subject to the usual due diligence requirements.

However, Matthew asks Jasper what his intention is in respect of a lease of the land. Matthew explains that a lease is going to be required if there are any ongoing obligations on the SIPP fund in terms of harvesting or maintenance.

Jasper considers this and decides that he will personally take a lease of the land on completion. He notes from his conversation with Matthew that any lease to a connected party must be granted on fair and reasonable terms as advised by a RICS qualified valuer. With this in mind, he contacts the selling agent, who is also a local valuer, to understand what the annual rent for this type of property may be. The valuer confirms that the rental income may only be £200-300, although this would be confirmed via a formal valuation.

Jasper relays this information to Matthew and Curtis Banks. They learn from Curtis Banks that if Jasper wished to proceed with the purchase, he would need to retain a float of cash within the SIPP following purchase, which would be ringfenced to be used (alongside the rental income) to pay the ongoing SIPP costs and property fees. The initial float would be enough for a 3 year period, after which time the float would need to be refreshed.

### The Results

Jasper agrees a purchase price with the unconnected seller, and submits a Property Form to Curtis Banks, who in turn instructs Jasper's chosen professionals to initiate the transaction.

As part of the standard purchase due diligence, the SIPP obtains a valuation from a local RICS qualified valuer, who confirms the annual rent as being £250. Curtis Banks calculates the required float on this basis, and Jasper ensures that there are sufficient funds within the SIPP to cover the float, purchase price, and costs.

Once due diligence has been satisfied, the purchase completes.

### **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, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

### **Contact Details**

If you'd like to speak to us about anything on this fact sheet, please contact us on:

**T 0370 414 7000**

We may record and monitor calls. Call charges will vary.

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