

FACT SHEET

PROPERTY VALUATIONS FOR BCEs

APPROVED FOR CLIENT USE | JUNE 2023



Where a Property needs to be valued as part of the Drawdown process and the activities that surround this in order to accurately value and reconcile the pension.

Property Valuations

Property Valuations for BCEs events

If you wish to commence Drawdown and take your Pension Commencement Lump Sum (PCLS), normally up to 25% of your pension fund value, we will need to formally value your pension fund, which will include obtaining the current market value of the property held.

Which surveyor

We are happy to instruct a surveyor of your choosing - the property valuation should be in accordance with RICS Valuation - Professional Standard (the 'Red Book'). If you do not have a chosen valuer, we can approach our Panel of Property Professionals and ask that they appoint someone suitable.

How long will the valuation last

We will rely on the market valuation as being current for a period of 6 calendar months, from the date the valuer confirms the valuation is valid from. This assumes there have been no material changes to the property, i.e. tenant has left. Should this occur we would expect to have the property re-valued at a cost to the SIPP, should the need arise.

Property reconciliation - what this entails

Obtaining a market value of the property is just one element, where there are external factors, such as but not exhaustive, loan account, external service account, External Property Manager, External Nominee. We will require up to date statements and for our accounting colleagues to reconcile the property elements before we can confirm your SIPP property value. Please be aware that whilst we will ask and chase for this information, anything you can do to expedite this would be appreciated. We are unable to place any timescale on obtaining this information, as we are reliant on third parties. Once we have the information we will do our very best to reconcile the information as swiftly as possible.

Costs

We will be unable to proceed with instructing a professional to value your SIPP's property if there are insufficient funds in your SIPP to cover the cost. You will need to make funds available - contribution / TFI. If there is any SIPP debt, this will have to be cleared ahead of instructing a new cost to the SIPP.

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Difference in Valuations

Market Valuation

Valuation of the property in its current state - with the benefit of current tenancy/occupier. The market value of the property is an estimate of the price that would be achieved for a sale of the property on the open market on standard commercial terms.

Reinstatement Valuation

Purely for insurance purposes. The Reinstatement value is based upon how much it would cost to rebuild the property in the same materials and design in the event of total devastation. The rebuild cost can be completely different from its market value, and typically higher. The rebuild cost has no effect on the market value and the amount the property may sell for.

Rent Review valuation

A valuation of how much annual rent should be charged for a year. When requesting a rental valuation, you wouldn't expect to receive a market valuation, unless specifically requested.

Order of Events

- Benefits team receive a request to commence drawdown. The Benefits team will request detail of the chosen valuer, contact details etc and they will pass this information onto the Property Valuations Team. Property Valuations will not instruct a valuer for the purpose of drawdown without this coming via our Benefits team.
- The reason being that valuations are only valid for 6 months, and should there be a reason for delay in the overriding process, i.e. drawdown, we don't want the investor to incur unnecessary charges to their SIPP, e.g. having to re-obtain the property valuation at a later date, for the same purpose.

- Property Valuation team will formally instruct chosen valuer - seeking a fee quote initially and gaining approval from the investor/adviser. The valuer will require access to the property, where possible the investor is to co-operate with this in order to eliminate any potential delay.
- All property assets to be reconciled - instruction will be sent to various teams applicable to the case to commence the reconciliation process.
- Only when we have fully reconciled all property assets up to date, will the information be passed back to our Benefits teams so they can proceed completing the full pension valuation and paying the requested PCLS.

Ad-hoc Valuations

There are no on-going requirements from a property perspective to have the property within your SIPP valued. However should you wish to obtain a current market value, we would be happy to instruct your chosen surveyor, or we do have a panel (see Panel of Property Professionals). There will be a cost associated to your SIPP, and if the property in your SIPP is owned by multiple investors, the lead investor would need to confirm agreement to the cost, prior to instruction.

Limit Review

If you entered drawdown before April 2015, you would have entered Capped Drawdown as opposed to Flexi-Access Drawdown. As Capped Drawdown limited the income available due to pension fund size and age, it is necessary to formally revalue the pension fund, currently every 3 years until age 75 is attained, and re-set the income limits. The Benefits team will contact you if/when this becomes applicable. They will request chosen surveyor details from you. Should you not respond, or we are unable to instruct the professional due to a lack of funds in your pension to pay for the valuation, you run the risk of your income being set to zero.

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Age 75 test

When funds are placed in drawdown, the value is tested against an individual's Lifetime Allowance (LTA) and tax charges paid on any excess amounts. A final LTA test is completed when an individual reaches 75. However, this year's Budget introduced legislative changes in respect of this;

6 April 2023 onwards, whilst we are still required to complete an Age 75 test, due to the changes in the Budget 2023, we will no longer require for any property within your SIPP to be valued at this point. This is because there will no longer be any LTA charges, therefore the property being valued or not will not alter the end result.

5 April 2023 and before - where we are informed that the property in your SIPP requires valuing - we will instruct your chosen valuer, and the various property will need to be reconciled as above in order to conclude this. Please note that should your SIPP not have enough funds to cover the property valuation, and if this is not rectified, we may need to issue our Order of Disposal in order to dispose of assets in your pension to cover the cost. Notice would be provided should this be needed.

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 01473 296 802

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

E propertyvaluations@curtisbanks.co.uk

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