A Guide to Self-Invested Personal Pensions

SUCCESSION WEALTH

Welcome to Succession Wealth

Our Wealth Planners are here to help you take control of your finances and provide you with the confidence you need to go after the things that matter to you.

Succession Wealth Management Limited is a large national UK financial advice firm. Our teams of Wealth Planners deliver high quality independent advice to thousands of clients across the UK, and we're committed to helping people achieve more with their money.

Our clients are at the heart of everything we do and looking after their wealth journey is a privilege to us. The relationships we build last longer than a lifetime, and we are proud to provide advice across generations. When you choose to work with us, we promise to provide an exceptional personal service tailored to your unique financial aspirations.

What do your retirement plans look like?

Saving for your retirement is one of the longest and biggest financial commitments you will undertake. Imagine you're retiring today. Have you thought about how you're going to financially support yourself (and potentially your family too) with your current pension savings?

Whilst there are many pension options that you may consider, this guide specifically offers insight and information on Self-Invested Personal Pensions, or SIPPS.

What is a SIPP?

A SIPP could be right for you if you're looking for a wider choice of investment options and have sufficient knowledge and experience of investing to make your own investment decisions.

First introduced in 1989, unlike most forms of personal pension, a SIPP is independent of the investments it holds. This structure provides a range and flexibility of investment that makes a SIPP one of the most flexible methods of saving for retirement.

Almost anyone under the age of 75 in the UK can open and make tax-relievable contributions into a SIPP; a parent can even open a Junior SIPP for their children. However, SIPPs are not suitable for every investor and other types of pensions may be more appropriate, you should understand your suitability for a SIPP before you make any decisions.

A SIPP provides favourable tax treatment and a range of investment options. Once in a SIPP wrapper, your savings will grow free from UK Income and Capital Gains Tax. But if you're not comfortable choosing and managing investments, you should seek professional financial advice from a certified wealth planner on the best pension options to suit your needs.

What can I invest in?

You should aim to have a well-balanced portfolio, investing in a wide range of different assets and sectors. Most SIPPs allow you to select and invest in a range of assets, such as:

- Stocks and shares.
- Investment Trusts listed on any stock exchange.
- UK Government bonds, plus bonds issued by foreign Governments.
- Unit Trusts.
- Open-Ended Investment Companies (OEICs).
- Gilts and Bonds.
- Exchange Traded Funds (ETFs) traded on the London Stock Exchange or other European markets.
- Traded endowment policies.
- Bank deposit accounts including non-Sterling accounts.
- Some National Savings & Investments (NS&I) products.
- Commercial property.
- Real Estate Investment Trusts (REITs) listed on any stock exchange.
- Offshore funds.

Residential property can't be held directly in a SIPP with the tax advantages that usually accompany pension investments. Subject to some restrictions, including on personal use, residential property can be held in a SIPP through certain types of collective investments, such as REITs, without losing the tax advantages. But not all SIPP providers accept this type of investment.

What is a SIPP?

How can I benefit from tax relief?
SIPPs are governed by the same tax and contribution rules as other pensions, so for any contributions you make – whether or not you are a taxpayer – your SIPP provider claims back 20% (equivalent to basic-rate tax) from the Government and adds it to your pension pot. If you're under 75 and resident in the UK for tax purposes, you automatically receive basic-rate tax relief from the Government on your contributions.

Higher-rate taxpayers can reclaim another 20% through a self-assessment form. If you pay in £800 then the Government will add another £200, giving £1,000 in total. You can put up to 100% of your annual income into your SIPP, provided it is recognised as qualifying earnings up to an Annual Allowance limit which is currently £60,000 a year. If you're not a UK taxpayer, you can put in a maximum of £2,880 a year and still get the tax top-up of 20%, leaving you with £3,600.

If you pay higher-rate tax (40%) or additional-rate tax (45%) you can claim the additional sums back from HMRC in your annual tax self-assessment. You can only contribute and receive tax relief on as much income as you earn, but children and other non-taxpayers may contribute up to £3,600 every tax year.

A Lifetime Allowance (LTA) will apply to the total of all the pensions you have for the tax year 2023-24, but from 5/4/24 this limit has been removed. For 2023-24 this includes the value of pensions promised through any Defined Benefit Schemes you belong to but excludes your State Pension. The LTA for the tax year 2023/24 is £1,073,100.

Can I consolidate my pension?
If you have accumulated a number of pension schemes throughout your career, a consolidation into a SIPP may have significant attractions, as this will generally allow for a much more consolidated investment strategy and simpler administration. But care must be taken as some pensions offer guaranteed benefits or apply charges if you transfer and either could outweigh the advantages of moving.

If you have deferred pension benefits in a Defined Benefit Scheme, the pension freedom legislation now provides the opportunity for potentially bringing these assets into the SIPP structure. This is a highly specialised area of financial planning advice, and you should always receive professional financial advice before considering this option.

What flexibility do I have at retirement?
New rules introduced in April 2015 mean you can access and use your pension pot more flexibly, currently from age 55. You can take money from your pension how you want, you have the freedom to choose one option, mix and match, or delay making a decision. Pension drawdown allows you to take a one-off tax-free lump sum of up to 25% and gives flexibility as to how you can take the remainder of your money. An annuity provides you with a regular, secure income for the rest of your life. Alternatively, you can continue investing in a SIPP. This can allow your pot to grow tax-free, potentially providing more income once you access it.

There's a lot to weigh up when working out which option or combination will provide you and any dependents with a reliable and tax-efficient income throughout your retirement.

Planning for a better future
Investing your retirement savings in a SIPP may not be for everyone. If you are not sure which type of pension scheme is best for you, it's essential you obtain professional financial advice from a certified wealth planner to review your options.

Whether you have plans to retire completely or want to scale down your work hours, there are now more options than ever to choose from when thinking about making your savings work for you.

Contact us

If you would like to discuss this, or any aspect of financial advice with one of our Wealth Planners, feel free to email us at hello@successionwealth.co.uk or call us on 0800 051 4659 and we will arrange for someone to contact you.

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Important Information

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Succession Wealth Management Ltd is registered in England at The Apex, Brest Road, Derriford Business Park, Derriford, Plymouth PL6 5FL. Registered Number: 07882611.

Please note: This guide is for general information only and does not constitute advice. The information is aimed at retail clients only.

The content of this guide was accurate at the time of writing. Whilst information is considered to be true and correct at the date of publication, changes in circumstances, regulation, and legislation after the time of publication may impact on the accuracy of the guide.

The information in this guide is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change and tax implications will be based on your individual circumstances.

The value of your investment can go down as well as up and you may not get back the full amount you invested.

A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Your pension income could also be affected by interest rates at the time you take your benefits.

Accessing pension benefits early may impact on levels of retirement income and your entitlement to certain means-tested benefits and is not suitable for everyone. You should seek advice to understand your options at retirement.

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