

A Guide to Self-Invested Personal Pensions



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Welcome to Succession Wealth

Plan for the future, plan for success.

Succession Wealth is a national financial advice firm, which delivers independent advice to clients throughout the UK.

When you choose to work with us, our Wealth Planners will provide an exceptional personal service tailored to your unique financial needs and aspirations.

We view assisting you on your wealth journey as a privilege. The relationships we build last longer than a lifetime, and we are proud to advise across generations.

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 are retiring today - have you thought about how you are 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.

How can I benefit from tax relief?

SIPPs are governed by the same tax and contribution rules as other pensions, so 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. This means that for any contributions you make - within the limits detailed below - your SIPP provider claims back 20% (equivalent to basic-rate tax) from the Government and adds it to your pension pot. So if, for example, you pay in £800 then the Government will add another £200, giving £1,000 in total.

If you pay higher-rate tax (40%) or additional-rate tax (45%) you can claim the additional sums back from HMRC via your annual tax self-assessment.

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.

Prior to the 5th April 2024 a Lifetime Allowance (LTA) of £1,073,100 applied to the total value of pension benefits you could build up during your lifetime before suffering a tax charge. However, in April 2024 the LTA was removed. There is now no limit on the amount of pension that can be built up, but it should be noted that the Pension Commencement Lump Sum (PCLS) has been frozen at £268,375 (25% of the prevailing LTA).

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 consistent 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, and you should always receive professional financial advice before considering this option.

What flexibility do I have at retirement?

Rules introduced in April 2015 mean that you can access and use your pension pot from age 55 (rising to 57 from 2028). You can take money from your pension how you want, for example you could take regular lump sums, or purchase an annuity. Pension drawdown allows you to take a one-off tax-free lump sum of up to 25% of your pension pot (up to a maximum of £268,375) 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. You have the freedom to choose one option, mix and match, or delay making a decision.

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 or call us and we will arrange for someone to contact you.



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Please Note

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The content was accurate at the time of writing, changes in circumstances, regulation and legislation after the time of publication may impact on the accuracy of the article.

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

A pension is a long-term investment. The value can go down as well as up which could impact the level of pension benefits available. Your pension income could also be affected by interest rates at the time you secure an annuity.

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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