Self Invested Personal Pensions

A Self Invested Personal Pension (SIPP), is a tax-efficient savings vehicle primarily used for retirement funding. Whilst there are many advantages to using a SIPP, there are also certain disadvantages that should be considered. Ultimately, how appropriate it is for you will depend on your personal circumstances.

ADVANTAGES

25% of the fund is available tax free and can either be taken to form part of your income to increase tax efficiency, or as a lump sum.

SIPPs offer a wider range of investment funds and options.

The returns are not liable to income or capital gains tax.

Contributions made up to the age of 75 benefit from tax relief.

It is possible to use the previous three years' contribution allowances.

If employed, your employer can make payments into your pension fund.

Income tax relief up to your highest marginal rate is available on contributions up to the annual allowance (limited to 100% of earnings, capped at £60,000pa).

The pension pot is not currently subject to inheritance tax. *

On death before age 75, the pension pot currently becomes 100% tax free to your beneficiaries. *

DISADVANTAGES

Contributions are limited to the annual allowance.

The charges are generally higher than that of a Workplace Pension.

After your tax free cash allowance the remaining fund is subject to income tax.

You cannot access the fund until age 55 (or age 57 from 2028).

On death after 75, if paid to an individual, the recipient of your pension fund pays income tax on withdrawals at their highest marginal rate of income tax.

*From 2027 most pension funds will fall into your estate for inheritance tax purposes.