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CENTRED AROUND YOU

Self Invested Personal Pensions

A Self-Invested Personal Pension (SIPP), is a tax-efficient savings vehicle that is primarily used for retirement funding. Whilst there are lots of 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 unique personal circumstances.

Advantages

The pot is not subject to inheritance tax

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

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

The returns are not liable to income or capital gains tax

Contributions made between birth and age 75 benefit from tax relief

It is possible to use the previous three years contribution allowances

If you are 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)

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

* the Standard Lifetime Allowance is £1,073,100

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