

## GUIDE TO SELF-INVESTED PERSONAL PENSION SCHEMES

A flexible, tax-efficient way of saving for your long-term future

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Welcome to our Guide to Self-Invested Personal Pension Schemes. Saving for your retirement is one of the longest and biggest financial commitments you will ever make. 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?

If appropriate to your situation a Self-Invested Personal Pension (SIPP) could be an option to consider as part of your overall retirement planning. A SIPP may be appropriate for you if you're confident making your own investment decisions and managing your pension payments against the relevant allowances.

### How do I know if a SIPP is right for me?

A SIPP could be right for you if you are looking for a wider choice of investment options and have sufficient knowledge and experience of investing to make your own investment decisions or have a trusted adviser to help you make these decisions.

A SIPP provides a range and flexibility of investment options that make it one of the most flexible methods of saving for retirement. You can invest money into your SIPP up until you reach age 75, and start withdrawing money from it as early as age 55 (57 from 2028).

As with all defined contribution schemes, the amount that you will have available when you retire depends on the contributions that you, and any employers, have made and how your investments perform over time.

If appropriate, almost anyone under the age of 75 in the UK could open and make tax-relievable contributions into a SIPP. Parents can even open a Junior SIPP for their children. SIPPs are not suitable for

every investor and other types of pensions may be more appropriate.

As with all pensions, SIPPs provide favourable tax treatment. Once in a SIPP wrapper, your savings will grow free from UK income tax and capital gains tax.

## Do the same tax and contribution rules apply to a SIPP as other pensions?

A SIPP enables you to save and grow your money so that you can see your retirement dreams come to life. They are governed by the same tax and contribution rules as other pensions. Anyone living in the UK who pays into a SIPP is eligible to claim pension tax relief, including low-income earners.

Tax relief is paid on your pension contributions at up to the highest rate of income tax you pay. Basic rate and non-taxpayers receive 20% pension tax relief. Higher rate taxpayers can claim 40% pension tax relief and additional rate taxpayers can claim 45% pension tax relief on any contributions matched by income taxable at those rates.

In Scotland, income tax is banded differently, and pension tax relief is applied in a slightly different way. Starter rate taxpayers pay 19% income tax but get 20% pension tax relief. Basic rate taxpayers pay 20% income tax and get 20% pension tax relief. Intermediate rate taxpayers pay 21% income tax and can claim 21% pension tax relief. Higher rate taxpayers pay 41% income tax and

can claim 41% pension tax relief. Top rate taxpayers pay 46% income tax and can claim 46% pension tax relief.

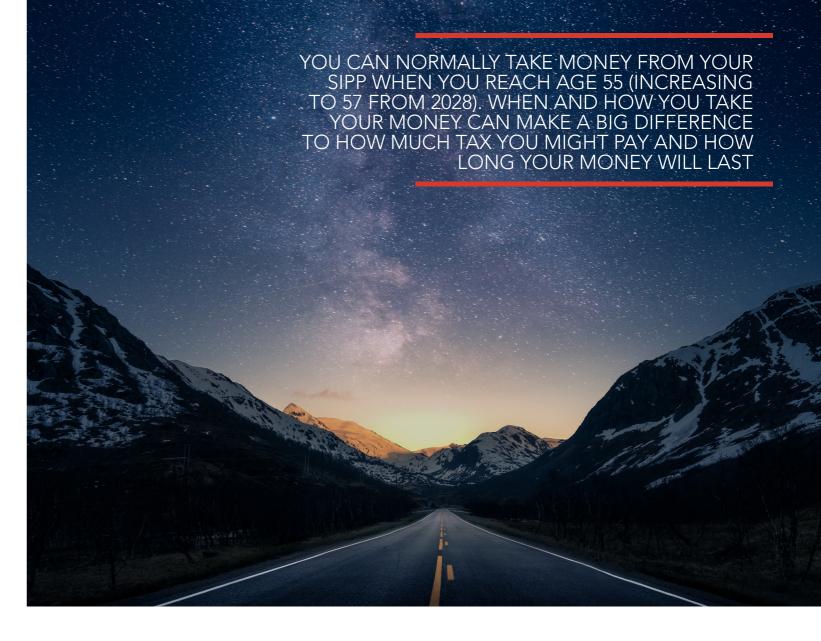
A Lifetime Allowance applies to the total of all the pensions you have, including the value of pensions promised through any defined benefit schemes you belong to, but excluding your State Pension.

The Lifetime Allowance for the tax year 2021/22 is £1,073,100. When you wish to withdraw your retirement funds, or on death before 75 or at age 75 if you have not drawn benefits, if the total value exceeds this limit then you will be liable to a tax charge on the amount above the Lifetime Allowance limit.

### Is tax relief on a SIPP subject to the Annual Allowance?

You may contribute up to the value of your earned income to a pension in any tax year (or £3,600 if more) and receive income tax relief on those contributions. Your employer can make contributions on your behalf and receive corporation tax relief as long as those contributions are deemed to be made wholly and exclusively for the purposes of the business (tax-relievable employer contributions aren't limited by your earnings).

Then in addition to the tax relief rules above, all contributions combined (your own, your employer's and any third party contributions) are subject to the Annual Allowance, which is currently



£40,000 for the tax year 2021/22. If your total income is over £200,000 you may have a reduced Annual Allowance.

The Annual Allowance is a gross figure, meaning that when calculating how much you may add to your pension, you could consider your own personal contributions, your employer's contributions, any other contributions and tax relief. If you exceed the Annual Allowance you may have to pay a tax charge.

If you earn more than the Annual Allowance or are looking at employer contributions, and you have not contributed up to the full allowance in the previous three tax years, you may be able to make a larger contribution in the current tax year, using 'carry forward'.

This enables you to make use of any unused portion of the Annual

Allowance from the previous three years as long as you had a pension plan in existence in those earlier years. Regardless of the amount of unused allowance you may have available, you may not personally contribute more to a pension than you have earned in the current tax year (or £3,600 if more).

## Should I consider consolidating my pensions into one SIPP plan?

During your working life you may have built up pension pots with several employers. This can often make it hard to keep track of them all and manage them well. For simplicity, it may make sense to consolidate your pensions into one plan.

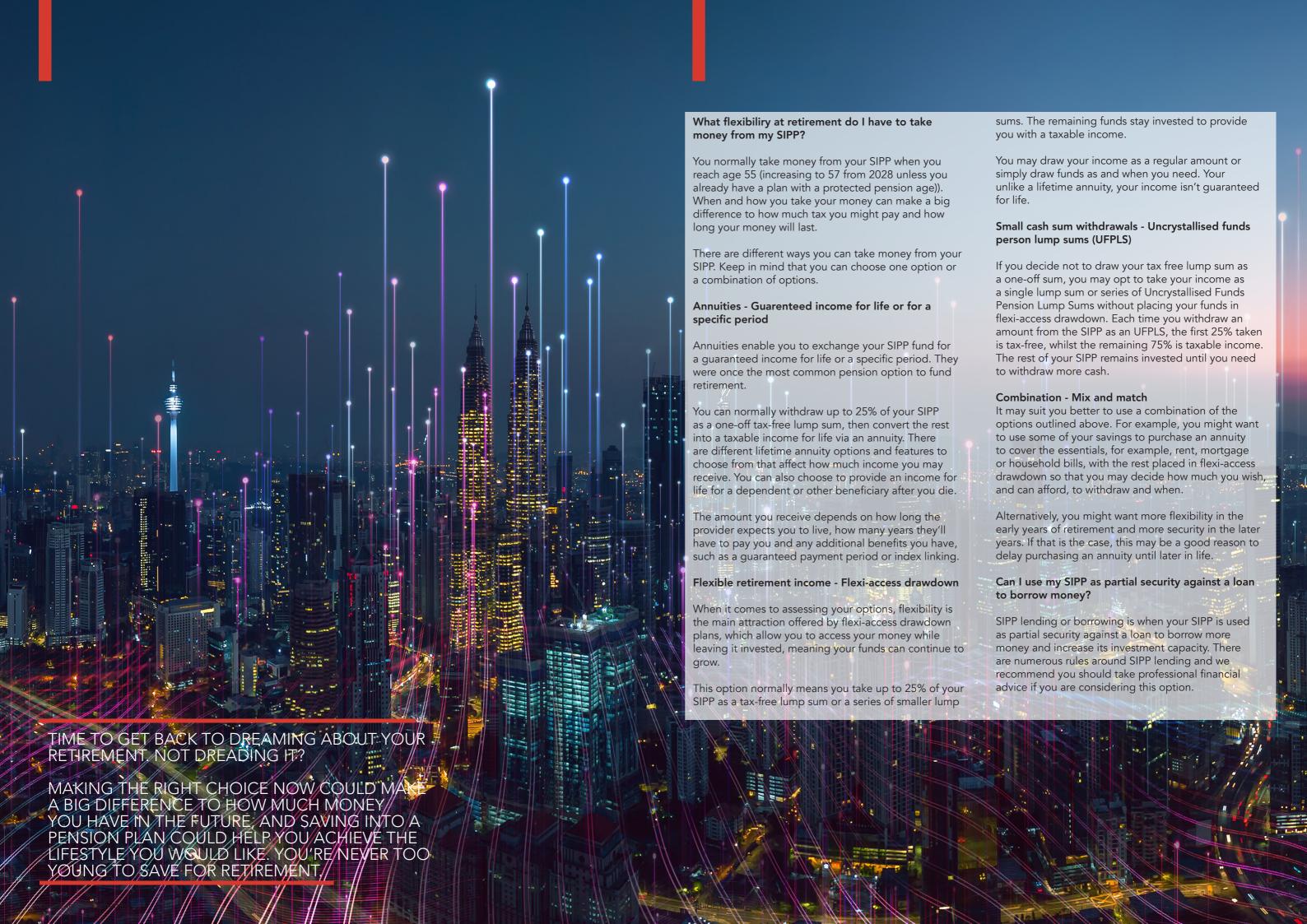
Modern flexible pension plans offer benefits that older plans do not, for example, flexi-access drawdown of your pension, or access to an income for your loved ones on your death.

Having several pension plans may mean you have more paperwork to keep track of. You may also have a range of different investments that you will need to review and make decisions about.

If you have a few pension plans, including some older ones that you may not have checked for some time, it is a good idea to review the charges. Higher charges can eat away at any investment returns.

There is no guarantee you will be better off as a result of transferring and we advise you take professional financial advice before you move a pension plan, to make sure you understand all the implications.

Guide to SIPP schemes





For further information please contact:

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The document is based upon our understanding of current rules and legislation. Personal circumstances differ and not all of this information is applicable to every client and/or their business, this information is general in nature and should not be relied upon without seeking specific professional financial advice.

You cannot normally access your pension until age 55 (this will rise to age 57 in April 2028).

Tax treatment depends on individual circumstances and all tax rules may change in the future.

The Financial Conduct Authority does not regulate Tax Advice, Estate Planning or Will Writing.

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