WHAT IS A SIPP?

A SIPP (Self-Invested Personal Pension) is a type of personal pension designed for people who want to make their own investment decisions. How much to put in, where to invest it and how much to take out when you come to retire – is up to you. The value of investments can of course go down as well as up, so it is important to remember that you could lose as well as make money. For this reason, we recommend taking advice from an FCA-regulated financial adviser, before starting a SIPP.

How does it work?

SIPPs, like other pensions, are very tax-efficient ways of saving for retirement. Normally you can't access your money until age 55 (57 from 2028). Pension, tax rules and regulations can change, and the benefits depend on your circumstances. A SIPP, however, lets you do much more with your money than more traditional personal pensions, with a wider range of investment options, which leads to more opportunities for you.

What are the tax benefits of a SIPP?

- Your money grows free of UK income and capital gains tax.
- Your contributions (up to £60,000 a year) receive tax relief of up to 45% on personal contributions (or up to 46% for Scottish taxpayers).
- Death benefits can usually be passed on free from inheritance tax and in many cases completely tax-free.

What can I invest in?

You have access to a range of investments, including bonds, shares, unit trusts, investment funds, exchange-traded funds (EFTs) and exchange-traded commodities (ETCs). It is also possible to directly hold commercial property within a SIPP.

Why a SIPP?

Stakeholder pensions have lower charges than SIPPs but tend to offer a more limited choice of funds. The wide choice of investments in SIPPs can make a significant difference to how your investments perform. This is because investment performance can be a big factor in the eventual size of a pension fund.

How do I pay into my SIPP and what will I get back from it?

You make regular or one-off payments into a SIPP and your employer can also make one-off or regular contributions.

Once you reach 55 (or 57 from 2028) you can start withdrawing money from your SIPP, even if you're still working. You decide how and when to use the fund. You can take up to 25% of your fund as a tax-free lump sum and the rest of your withdrawals will be taxed as income.

IFG Pensions Limited. Registered office: Third Floor, Cotton House, Old Hall Street, Liverpool L3 9TP, United Kingdom. Registered in England and Wales No. 4826217. IFG Pensions Limited is authorised and regulated by the UK Financial Conduct Authority, No. 458576, for the purposes of setting up, administering and winding up personal pension schemes.

IFGLPENS028b_WHAT_IS_SIPP 05/23

IFGL | PENSIONS