Optimum solutions
Independent Financial Advisers Ltd.

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Self-Invested Personal Pensions

Would you like to take more control over your pension fund investment decisions?

If you would like to have more control over your own pension fund and be able to make investment decisions yourself with the option of our professional help, a Self-Invested Personal Pension (SIPP) could be the retirement planning solution to discuss.

Freedom of choice

Essentially, a SIPP is a pension wrapper that is capable of holding a wide range of investments and providing you with the same tax advantages as other personal pension plans. However, they are more complex than conventional products and it is essential you seek expert professional advice.

SIPPs allow investors to choose their own investments or appoint an investment manager to look after the portfolio on their behalf. Individuals have to appoint a trustee to oversee the operation of the SIPP but, having done that, the individual can effectively run the pension fund on his or her own.

A fully fledged SIPP can accommodate a wide range of investments under its umbrella, including shares, bonds, cash, commercial property, hedge funds and private equity.

More control

You can choose from a number of different investments, unlike other traditional pension schemes, which may give you more control over where your money is invested. A SIPP offers a range of pension investments, including cash, equities (both UK and foreign), gilts, unit trusts, OEICS, hedge funds, investment trusts, real estate investment trusts, commercial property and land, traded endowment plans and options.

Once invested in your pension, the funds grow free of UK capital gains tax and income tax (tax deducted from dividends cannot be reclaimed).

Tax benefits

There are significant tax benefits. The government contributes 20 per cent of every gross contribution you pay – meaning that a £1,000 investment in your SIPP costs you just £800. If you are a higher or additional rate taxpayer, the tax benefits could be even greater. In the above example, higher rate (40 per cent) taxpayers could claim back as much as a further £200 via their tax return.

Additional rate (50 per cent) taxpayers could claim back as much as a further £300.

Carry forward

There is an annual maximum tax-relievable contribution level of £50,000 for 2012/13. You could contribute more, but would be taxed at your marginal rate. Commencing from the start of the 2011/12 tax year, it is now possible to carry forward any unused allowance from the previous three tax years (for this purpose the maximum allowance is £50,000 per tax year). We would strongly recommend that you obtain professional financial advice if you would like to utilise this option.

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Pensionable income, including employment income, bonus, benefits in kind, self employment and partnership profits, can all potentially be contributed. Pensionable income does not include investment income, rental income or pension income however.

Other considerations

You cannot draw on a SIPP pension before age 55 and you should be mindful of the fact that you'll need to spend time managing your investments. Where investment is made in commercial property, you may also have periods without rental income and, in some cases; the pension fund may need to sell in the property when the market is not at its strongest. Because there may be many transactions moving investments around, the administrative costs are often higher than those of a normal pension fund.

The tax benefits and governing rules of SIPPs may change in the future. The level of pension benefits payable cannot be guaranteed as they will depend on interest rates when you start taking your benefits.

The value of your SIPP may be less than you expected if you stop or reduce contributions, or if you take your pension earlier than you had planned.

As part of our service we also take the time to understand our client's unique retirement planning needs and circumstances, so that we can provide them with the most suitable solutions in the most cost-effective way. If you would like to discuss the range of retirement services we offer, please contact us for further information.