Working for your financial future

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Guide to

Self-Invested Personal Pensions

Putting you in control of
your financial future

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Welcome

Putting you in control of your financial future

In our *Guide to Self-Invested Personal Pensions*, we look at how the retirement landscape over the past few years has fundamentally changed for the better, giving people more choice and control over their retirement income. We can help you to structure the right retirement income for your requirements and help you make the choices to meet your needs.

Even though saving for retirement is important to Britons, a large number haven't started yet. For many, this contributes to a feeling of confusion around retirement goals.

Currently, according to BlackRock, four in ten Britons haven't started saving for retirement. More than half think they either aren't on track to reach their retirement income goals or have no idea.

KEY FINDINGS

In September 2017, the Office for National Statistics published analysis of the changing work and retirement patterns of those aged 50 and over.

People are retiring later

- Male average retirement age up 1.9 years since 1997 to 65.1 years
- Female average retirement age up 2.8 years since 1997 to 63.6 years

People are working longer

- Employment rate for people aged 50–64 has risen substantially in recent decades, while the gap between the employment rate of older and younger workers has narrowed

The value of your investments and any income from them can go down as well as up. The value of your fund may be less than you paid in.

Before you choose a SIPP, make sure you understand its aims and risks. A SIPP requires active management and investment expertise. You should make sure you review your investments regularly. You normally cannot take an income from your pension until age 55.

Laws and tax rules may change in the future without notice. The information here is our understanding in October 2017. This information takes no account of your personal circumstances, which may have an impact on tax treatment.

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Time to take control of your retirement planning?

A tax-free wrapper in which you hold a wide range of permitted investments

Self-Invested Personal Pensions (also known as 'SIPPs') are being used by a rising number of private investors keen to take control of their retirement planning. First introduced in 1989, SIPPs have evolved into the favoured investment vehicle for individuals seeking more control and flexibility in their retirement planning.

SIPPs are a form of pension available to all investors who choose to invest into a private pension, but they have one distinctive element: they allow the investor to self-invest, or to take control of the pension (which is why sometimes they are referred to as 'self-controlled' pensions).

The SIPP itself is essentially a type of tax-free wrapper in which you hold a wide range of permitted investments, and the contribution limits, tax reliefs, eligibility and the age at which you can start drawing an income are all exactly the same as other pensions.

Favourable tax treatment associated with SIPPs may change in the future, and the value of this tax treatment to you will depend on your individual circumstances, which can also change. The only major difference between a standard personal pension and a SIPP is the self-investment element – one that creates a series of advantages for pension investors to benefit from.

Investing in a SIPP is a tax-efficient way to save for your retirement. Not only do your investments grow free from Income Tax and Capital Gains Tax, but you are also eligible for tax relief up to 45%.

Who can have a Self-Invested Personal Pension?

Saving for a retirement that puts you in control of your financial future

Just like any other kind of pension, Self-Invested Personal Pensions are designed to help you save for retirement and take an income when you reach it. Any individual who is resident in the UK under the age of 75 may make contributions to a SIPP, and in certain circumstances non-UK residents who have had UK earnings in previous years may also be eligible.

Even if you've already retired, you can still open a SIPP and take advantage of the extra flexibility that it gives you over your pension savings in retirement – but you may be limited by how much you can pay into it.

An individual may be a member of as many pension schemes as they wish, and contributions may be paid directly by the member, their employer and by transfer of previous pension plans.

ANY INDIVIDUAL WHO IS RESIDENT IN THE UK UNDER THE AGE OF 75 MAY MAKE CONTRIBUTIONS TO A SIPP, AND IN CERTAIN CIRCUMSTANCES NON-UK RESIDENTS WHO HAVE HAD UK EARNINGS IN PREVIOUS YEARS MAY ALSO BE ELIGIBLE.

Self-Invested Personal Pension tax relief

One of the most tax-efficient ways of saving for retirement

Self-Invested Personal Pensions are one of the most tax-efficient ways of saving for retirement, and you can invest up to the annual allowance for tax relievable pension contributions (currently £40,000). As always, please bear in mind that tax relief will depend on your individual circumstances, and tax laws may change.

Effectively, whenever you contribute into a pension, the Government will give you tax relief calculated on your gross contributions based on the tax band you are in. Each tax band will get a different percentage, but it is a great boost to help you save for the future.

Non-taxpayer: You are entitled to 20% tax relief on £3,600. Therefore, you can contribute up to £2,880 into the SIPP.

Basic-rate taxpayer: You are entitled to 20% tax relief which is added to your pension pot.

Higher-rate taxpayer: You are entitled to 40% tax relief. Your SIPP will claim 20% and add this to your pension pot, but you will need to claim the further 20% through your tax return. The tax relief claimed from your tax return will not be automatically added to your SIPP.

Additional-rate taxpayer: You are entitled to 45% tax relief. Your SIPP will claim 20% and add this to your pension pot, but you will need to claim the further 25% through your tax return. Tax relief claimed from your tax return won't be automatically added to your SIPP.

Non-taxpayer: Even if you don't pay Income Tax, you're still entitled to tax relief at the same rate as a basic-rate taxpayer. The maximum you can claim relief on is £2,880 per tax year. If you contribute £2,880, you'll receive £720 tax relief, making the overall contribution into your SIPP £3,600.

EXAMPLES OF HOW TAX RELIEF IS APPLICABLE:

	Total gross contribution in your SIPP	Your net contribution	Tax relief added to your pension pot	Tax relief from your tax return
Non-taxpayer	£3,600[1]	£2,880	£720	£0
Basic-rate	£10,000	£8,000	£2,000	£0
Higher-rate	£10,000	£8,000	£2,000	£2,000
Additional	£10,000	£8,000	£2,000	£2,500

Making Self-Invested Personal Pension investments

Flexibility over where your money is invested to fit in with your overall investment strategy

Self-Invested Personal Pensions are likely to be most suited to experienced investors who are comfortable choosing and managing investments themselves. You need to have the necessary skills to invest your own pension fund, and you must remember that the value of investments can fluctuate, so you could get back less than you invested.

Investing your retirement savings in a SIPP may not be for everyone, however. If you are uncertain as to what type of investment to invest in, then you should seek professional financial advice.

Although SIPPs offer greater flexibility than traditional pension schemes, they often have higher charges, and the time involved in research means they may be more suitable for experienced investors.

Most SIPPs allow you to select from a range of assets, such as:

- Unit trusts
- Investment trusts
- Government securities
- Insurance company funds
- Traded endowment policies
- Some National Savings and Investment products
- Deposit accounts with banks and building societies
- Commercial property (such as offices, shops or factory premises)
- Individual stocks and shares quoted on a recognised UK or overseas stock exchange

These aren't all of the investment options that are available – different SIPP providers offer different investment options. Residential property can't be held directly in a SIPP with the tax advantages that usually accompany pension investments.

However, subject to some restrictions (including on personal use), residential property can be held in a SIPP through certain types of collective investments, such as real estate investment trusts, without losing the tax advantages.

ALTHOUGH SIPPS OFFER GREATER FLEXIBILITY THAN TRADITIONAL PENSION SCHEMES, THEY OFTEN HAVE HIGHER CHARGES, AND THE TIME INVOLVED IN RESEARCH MEANS THEY MAY BE MORE SUITABLE FOR EXPERIENCED INVESTORS.

When is a Self-Invested Personal Pension the right option?

Deciding the investment freedom and flexibility you need

A Self-Invested Personal Pension could be right for you if you are looking to build up a pension fund in a tax-efficient way and are prepared to commit to having your money tied up, normally until at least age 55. You need to understand that the value of your investments can fall as well as rise.

Right for you if:

- You want to build your pension pot tax-efficiently
- You're comfortable with the risk involved
- You're prepared to have the funds tied up for a long time – normally until you're at least 55

Wrong for you if:

- You might want access to the money before you retire
- You'd be nervous when faced with market volatility
- You still have to make previous years' contributions

A SELF-INVESTED PERSONAL PENSION COULD BE RIGHT FOR YOU IF YOU ARE LOOKING TO BUILD UP A PENSION FUND IN A TAX-EFFICIENT WAY AND ARE PREPARED TO COMMIT TO HAVING YOUR MONEY TIED UP, NORMALLY UNTIL AT LEAST AGE 55.

"YOU CAN EITHER PAY LUMP SUMS INTO YOUR SIPP, OR YOU CAN MAKE REGULAR CONTRIBUTIONS – WHICHEVER SUITS YOU BEST. YOUR EMPLOYER OR ANYONE ELSE CAN ALSO MAKE CONTRIBUTIONS INTO YOUR SIPP ON YOUR BEHALF."

Self-Invested Personal Pension contributions

Limiting the amount of contributions you can make each year which attract tax relief

Every year, you receive an allowance for making contributions into a Self-Invested Personal Pension. The Government sets this limit because your pension contributions are topped up with tax relief.

You can either pay lump sums into your SIPP, or you can make regular contributions – whichever suits you best. Your employer or anyone else can also make contributions into your SIPP on your behalf.

There's a limit on the amount of contributions you can make each year which attract tax relief. For most people, this is currently £40,000 per tax year, or 100% of your earnings – whichever is the lower. If you have enough income in the current year, you can increase contributions by any unused allowances for any of the last three tax years, provided that you belonged to a pension scheme at that time.

The usual £40,000 annual allowance is cut for people with annual earnings of more than £150,000. The allowance reduces by £1 for every £2 earned above £150,000, down to a minimum of £10,000 for those earning more than £210,000.

Non-taxpayers and children can currently also make pension contributions of up to £2,880 a year (making £3,600 with basic-rate tax relief).

Your annual allowance will be reduced if:

- You have drawn a taxable sum from a personal pension (in which case, the amount that you can pay into pensions and receive tax relief reduces to £4,000 per tax year), or 100% of your income – whichever is lower
- If you earn over £110,000 and your income and pension contributions made on your behalf exceeds £150,000, your annual allowance will be tapered

Lifetime allowance

Maximum total amount that an individual can hold within all their pension funds

There's also a maximum total amount that an individual can hold within all their pension funds without having to pay extra tax when you withdraw money from them. The lifetime allowance is a limit to the amount you can save in your Self-Invested Personal Pension or other pensions over your lifetime, but excludes your State Pension.

The allowance is currently £1 million – you will pay tax on any pension savings you make in excess of this. The excess is taxed at 25% (plus Income Tax) as income, or 55% as a lump sum.

Every time a payout from your pension schemes starts, its value is compared against your remaining lifetime allowance to see if there is additional tax to pay.

If the cumulative value of the payouts from your pension pots (including the value of the payouts from any defined benefit schemes) exceeds the lifetime allowance, there will be tax on the excess – called the 'lifetime allowance charge'.

The way the charge applies depends on whether you receive the money from your pension as a lump sum or as part of regular retirement income. Any amount over your lifetime allowance that you take as a lump sum is taxed at 55%.

There were and are schemes that allow you to protect your lifetime allowance. If your total pension savings exceeded £1 million on 5 April 2016, there are still two schemes you can apply for – Individual Protection 2016 and Fixed Protection 2016.

From 6 April 2018, the Government intends to index the standard lifetime allowance annually in line with the Consumer Prices Index (CPI).

EVERY TIME A PAYOUT FROM YOUR PENSION SCHEMES STARTS, ITS VALUE IS COMPARED AGAINST YOUR REMAINING LIFETIME ALLOWANCE TO SEE IF THERE IS ADDITIONAL TAX TO PAY.

"TO USE CARRY FORWARD, YOU MUST MAKE THE MAXIMUM ALLOWABLE CONTRIBUTION IN THE CURRENT TAX YEAR (£40,000 IN 2017/18), AND YOU CAN THEN USE UNUSED ANNUAL ALLOWANCES FROM THE THREE PREVIOUS TAX YEARS, STARTING WITH THE TAX YEAR THREE YEARS AGO."

Pension carry forward

Making pension contributions above your annual allowance from the last three tax years

Pension allowances changed in 2016, and some people lost the Government's generous tax relief for pension contributions. Under pension carry forward rules introduced from 6 April 2011, you can make pension contributions above your annual allowance by carrying over unused allowance from the last three tax years.

You can carry forward the unused allowance, as long as you had a Self-Invested Personal Pension or other pension in place for each of the three years and your total contributions don't exceed your current earnings.

To use carry forward, you must make the maximum allowable contribution in the current tax year (£40,000 in 2017/18), and you can then use unused annual allowances from the three previous tax years, starting with the tax year three years ago.

Carry forward may be particularly useful if you are self-employed and your earnings change significantly each year, or if you're looking to make large pension contributions.

Giving you more control over your retirement investments

Transferring other pensions into a Self-Invested Personal Pension

If you have a UK registered pension scheme with another company, you can transfer its value into your pension fund. However, by transferring benefits from another pension provider into your Self-Invested Personal Pension, you may give up the right to guarantees over the kind of benefits, the amount you will receive and the level of increases that will be applied to your pension in the future.

Your existing pension provider may apply a penalty (or other reduction in the value of your benefits) if it is transferred. There is no guarantee that you will be able to match the benefits that you give up by transferring your pension.

If you are in any doubt about the benefit of transferring, you should seek professional advice before arranging the transfer.

SIPP TRANSFER TO ANOTHER PENSION SCHEME

You can transfer the value of your SIPP to another UK registered pension scheme at any time. If you have started taking benefits from your SIPP, then you must transfer the whole of that part of your fund from which you are drawing benefits to your new scheme.

If you have uncrystallised funds, you can choose to transfer all, or only a part, of those uncrystallised funds to another pension scheme.

The transfer can be in the form of a cash payment, in which case you will have to sell all of the investments held under your SIPP before the transfer is completed, or you may be able to transfer them in their existing form (known as an ‘in-specie transfer’).

Pension freedoms

Major shift in how you can access your pensions

New rules about pensions came into effect on 6 April 2015, providing more choice for anyone who has a private or occupational money-purchase pension.

You can withdraw some or all of the money held in a money-purchase workplace or personal pension. This is providing you are over the age of 55 and have not already begun to draw on your pension or bought an annuity.

While you can still convert your pension into an annuity or invest it in a drawdown product, the new rules also enable you to withdraw the entirety of your pension, either as a lump sum or a series of withdrawals, subject to Income Tax above the first 25%.

However, bear in mind that if you withdraw too much from your pension in one go, it could move you into a higher Income Tax bracket.

From the age of 55:

- You can take a pension commencement lump sum, and/or;
- Start taking your pension income at any time, even if you are still working

You may start taking a pension income before age 55 only if you are forced to take early retirement through ill health or you have a protected pension age.

Since April 2015 (subject to your pension scheme rules), for most pension investors aged at least 55, you will have total freedom over how you take an income or a lump sum from your pension.

- You can choose to take your entire pension pot as cash in one go – 25% tax-free and the rest taxed as income
- Take lump sums, as and when required, with 25% of each withdrawal tax-free and the rest taxed as income
- Take up to 25% tax-free and then a regular taxable income from the rest. Either via income drawdown (where you draw directly from the pension fund, which remains invested and is known as a 'flexi-access drawdown') or via an annuity (where you receive a secure income for life)
- A combination of the options

YOU CAN WITHDRAW SOME OR ALL OF THE MONEY HELD IN A MONEY-PURCHASE WORKPLACE OR PERSONAL PENSION. THIS IS PROVIDING YOU ARE OVER THE AGE OF 55 AND HAVE NOT ALREADY BEGUN TO DRAW ON YOUR PENSION OR BOUGHT AN ANNUITY.

Drawdown

Helping you make the most of the new pension freedoms rules

Drawdown allows you to take income directly from your pension fund without the need to purchase a lifetime annuity. In turn, this allows your pension fund to remain invested in the assets of your choice whilst taking an income.

Income drawdown is a way of using your pension pot to provide you with a regular retirement income by reinvesting it in funds specifically designed and managed for this purpose. The income you receive will vary depending on the fund's performance – it isn't guaranteed for life.

You can normally choose to take up to 25% (a quarter) of your pension pot as a tax-free lump sum. You then move the rest into one or more funds that allow you to take an income at times to suit you.

Some people use it to take a regular income. The income you receive might be adjusted periodically depending on the performance of your investments.

There are two main types of income drawdown products:

- **Flexi-access drawdown** – introduced from April 2015, where there is no limit on how much income you can choose to take from your drawdown funds
- **Capped drawdown** – only available before 6 April 2015 and has limits on the income you can take out; if you are already in capped drawdown, there are new rules about tax relief on future pension savings if you exceed your income cap

There is no upper age limit on how long you may stay in drawdown, but death benefits will change when you reach age 75 if you have not withdrawn all of your benefits by this point.

Although drawdown allows people more flexibility with their pensions, income drawdown products are complex. You should always seek professional financial advice before committing to one.

Lifetime annuity

Guaranteeing you a regular retirement income for life

An annuity allows you to use your pension fund to buy an income from the provider of your choice. The annuity guarantees regular payments until you die. Normally, once purchased, it cannot be altered. There are different types of annuity available in the market, and you should consider the best product to suit your circumstances.

A lifetime annuity is a type of retirement income product that you buy with some or all of your pension pot. It guarantees a regular retirement income for life. Lifetime annuity options and features vary – what is suitable for you will depend on your personal circumstances, your life expectancy and your attitude to risk. You can choose to purchase a lifetime annuity with your drawdown fund at any time.

You can normally choose to take up to 25% (a quarter) of your pension pot – or of the amount you're allocating to buy an annuity – as a tax-free lump sum. You then use the rest to buy an annuity, which will provide you with a regular income for life. This retirement income is taxed as normal income.

As a rule of thumb, the older you are when you take out an annuity, the higher the income (annuity rate) you'll get.

There are two types of lifetime annuity to choose from:

- **Basic lifetime annuities** – where you set your income in advance
- **Investment-linked annuities** – where your income rises and falls in line with investment performance, but will never fall below a guaranteed minimum

BASIC LIFETIME ANNUITIES

Basic lifetime annuities offer a range of income options designed to match different personal circumstances and attitude to risk.

- Choices include one that provides an income for life for you only – a single life annuity, or one that also provides an income for life for a dependant or other nominated beneficiary after you die, called a 'joint life annuity'
- Payments to continue to a nominated beneficiary for a set number of years (for example, ten years) from the time the annuity starts in case you die unexpectedly early – called a 'guarantee period'
- 'Value protection' – less commonly used, but designed to pay your nominated beneficiary the value of the pot used to buy the annuity less income already paid out when you die

Your choices affect how much income you can receive. Where you expect to live when you retire might also affect how much income you get.

If you have a medical condition, are overweight or smoke, you might be able to get a higher income by opting for an 'enhanced' or 'impaired life' annuity.

INVESTMENT-LINKED ANNUITIES

Investment-linked annuities also pay you an income for life, but the amount you receive can fluctuate depending on how well the underlying investments perform. If the investments do well, they offer the chance of a higher income.

It's important that you are comfortable with the risk that your income could fall if the investments don't do as well as expected. All investment-linked annuities guarantee a minimum income if the fund's performance is weak.

With investment-linked annuities, you can also opt for joint or single annuity, guarantee periods, value protection, and higher rates if you have a short life expectancy due to poor health or lifestyle.

NO ONE LIKES TO THINK ABOUT DYING. BUT NATURALLY, YOU'LL WANT TO KNOW WHAT WOULD HAPPEN TO YOUR FINANCES IF YOU WERE TO DIE.

Annuities on death

Different tax rules apply depending on your age

No one likes to think about dying. But naturally, you'll want to know what would happen to your finances if you were to die. If you have a single annuity and no other features, your pension stops when you die, and different tax rules will apply depending on your age.

If you die before age 75:

- Any lump sum payment due from a value protected annuity will be paid tax-free
- Income from a joint annuity will be paid to your dependant or other nominated beneficiary tax-free for the rest of their life
- If you die within a guarantee period, the remaining annuity payments will pass tax-free to your nominated beneficiary, then stop when the guarantee period ends

If you die age 75 or over:

- Income from a joint annuity or a continuing guarantee period will be added to your beneficiary's other income and taxed as normal
- Joint annuity payments will stop when your dependant or other beneficiary dies
- Any guarantee period payments stop when the guarantee period ends
- Any lump sum due from a value protected annuity will be added to your beneficiary's income for that year and taxed as normal

Shopping around for an annuity

One-time purchase that affects your whole retirement

Due to the current economic climate, it has never been more important to make the correct decisions when deciding how to invest a retirement fund. If you decide an annuity is right for you, it's important to shop around. It's a one-time purchase that affects your whole retirement, and you cannot change your mind later on.

You don't have to accept the annuity that your pension provider or pension scheme offers you. You have the option to shop around to find an insurance company or pension provider who will offer you a better rate.

The Open Market Option (or 'OMO') was introduced as part of the 1975 United Kingdom Finance Act and allows someone approaching retirement to 'shop around' for a number of options to convert their pension pot into an annuity, rather than simply taking the default rate offered by their pension provider.

If you stay with your current provider, you may not get the best available terms. Rates and options vary between different providers, so it's worth comparing what they can offer you. According to Moneyfacts, by shopping around you could receive up to 40% more income.

It is particularly important to shop around:

- To find out if the annuity offered by your scheme is competitive
- If you are in poor health, as this may mean you can get a higher annuity
- If your lifestyle may qualify you for a higher annuity, for example, if you smoke or do a particular type of job

CONSUMERS COULD BE MISSING OUT ON THOUSANDS OF POUNDS

Research finds consumers could be missing out on thousands of pounds in retirement by not shopping around for their pension product. This means their pension pot may not stretch as far as they hope it will, yet a significant proportion of people expect their retirement income to cover much more than just the essentials.

Research conducted by the Pensions Policy Institute for LV= has found that in 2016, there were around 30,000 people who took out an annuity with their existing provider and missed out on additional income by not shopping around. In total, they lost out on an additional £130 million, which equates to on average £4,000 over the course of their retirement.

MISSING OUT ON A BOOST TO YOUR RETIREMENT INCOME

Since April 2015, you've been able to withdraw as much of the money as you want when you reach age 55, although it will be taxed as income. Arranging an annuity is a complicated process, so it's important to know what you need to do at each stage. And it's vital that you shop around to get the best annuity rate, as you could miss out on a boost to your income if you fail to do so.

The research also identified that people are increasingly expecting their retirement income to cover more than just the essentials, which means their money needs to work even harder. Nearly six in ten (57%) of those planning to retire in the next five years want their retirement income to also cover home maintenance costs, while 53% want it to cover holidays and a quarter (24%) say they'd like to leave money behind as an inheritance. In addition, one in six (17%) want to be able to use their retirement income to help their children or grandchildren with a property purchase, and 14% would like care costs to be covered as well.

PROFESSIONAL FINANCIAL ADVICE

Taking professional financial advice is the best way for someone to ensure their retirement savings meet all their needs throughout retirement. While some people may not understand the need for advice, the value of it is clear to consumers who have used it. Nearly nine in ten (87%) of those who took advice feel confident they made the right choice about what to do with their money, while three quarters (75%) say financial advice helped get more for their money. Revealingly, one in five (19%) who didn't take financial advice say that even though they don't regret not using it now, they worry that they might regret it in the future.

Last year alone, consumers missed out on a staggering £130 million over their retirement by remaining with the same provider when taking out an annuity. This is echoed across the retirement space, with consumers failing to access the best retirement products. People are expecting their pension pot to stretch even further nowadays, so it's crucial they take control and get support to help them make the most of their savings.

Source data:
Methodology for consumer survey: Opinium, on behalf of LV=, conducted online interviews with 2,404 UK adults between 12 and 27 March 2017. Data has been weighted to reflect a nationally representative audience.

Methodology for amount missed out on in retirement: the Pensions Policy Institute (PPI) reported that around 80,000 annuities are purchased each year, of which 52% are purchased from the existing provider. PPI calculated that if 80% of those who purchased an annuity from their existing provider continue to lose around 6.8% of retirement income, that could represent a loss of around £130 million over the lifetimes of those purchasing in annuities in 2016.

[1] LV= calculated that 52% of 80,000 annuities were taken out each year with existing providers, 80% of which would lose out on retirement income, equating to 30,000 people. With 30,000 people missing out on £130 million, that works out at around £4,000 per person throughout retirement.

Self-Invested Personal Pension benefits on death

Declaring who you want the payments to go to

If you die, your Self-Invested Personal Pension benefits will be paid to your beneficiaries – either as a lump sum or an ongoing pension. You'll need to complete a nomination form declaring who you want the payments to go to. The tax treatment of any death benefits paid from your SIPP will depend on your circumstances.

IF YOU DIE BEFORE THE AGE OF 75

Upon receipt of a death certificate, the investments held under your SIPP will be realised and their full cash value used to provide benefits for your spouse or registered civil partner, dependants, family members, or other beneficiaries nominated by you for this purpose.

The scheme trustees will decide who will receive benefits and the form of the benefits, in their absolute discretion. However, they will take into account any wishes you have expressed through the completion of a death benefit expression of wish. You may complete a new nomination at any time.

A beneficiary can usually elect to receive their benefit as a lump sum or a flexi-access dependant's pension. Alternatively, they may be able to use it to purchase a dependant's annuity with an insurance company of their choosing.

Payments of death benefits are normally free of any Income Tax or Inheritance Tax, but there is no guarantee that this will be the case.

Any amount of the fund over your personal lifetime allowance may be subject to a tax charge, which will be determined by your personal representatives. If a beneficiary dies whilst still in receipt of the death benefits you bequeathed them, then the remaining benefits will be paid to a successor.

The successor or successors will be selected by the scheme trustees in their absolute discretion and can be anyone appointed by the beneficiary or selected by the scheme trustees in light of the beneficiary's personal circumstances.

IF YOU DIE AFTER AGE 75

If you die after age 75, then the process is the same as described above. A tax charge will be levied upon payment of the benefits, however.

Payments will be taxed in accordance with PAYE based on the recipient's marginal rate. If you do not leave a surviving spouse, registered civil partner or dependants, then the value of your fund may be paid to a charity nominated by you for this purpose. Any funds paid to a charity will be exempt from tax.

If you die after the age of 75, any subsequent payment of death benefits are not subject to the lifetime allowance.

Feeling confusion about how to achieve your retirement goals?

One-time purchase that affects your whole retirement

Increasing longevity means that those who wish to retain a good standard of living in their retirement years must build up ever larger savings. It makes sense to do so (where permitted) in a tax-efficient vehicle like a Self-Invested Personal Pension. To discuss the options available for your retirement goals, please contact us – we look forward to hearing from you.

Self-Invested Personal Pensions are for people comfortable making their own investment decisions. The value of investments can go down as well as up, and you could get back less than you invested. Tax reliefs will depend on your personal circumstances, and the pension and tax rules are subject to change by the Government. Once funds are held in a pension, they are not usually accessible before age 55 (rising to 57 from 2028).

IT MAKES SENSE TO DO SO (WHERE PERMITTED) IN A TAX-EFFICIENT VEHICLE LIKE A SELF-INVESTED PERSONAL PENSION. TO DISCUSS THE OPTIONS AVAILABLE FOR YOUR RETIREMENT GOALS, PLEASE CONTACT US – WE LOOK FORWARD TO HEARING FROM YOU.

Seeking more control and flexibility in your retirement planning?

Saving in a tax-efficient manner towards your pension is always desirable, and Self-Invested Personal Pensions make this possible, along with the added benefit of flexibility – to discuss the options available, please contact us.

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2017/18 tax year, unless otherwise stated.

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