

Helpsheet

Self Invested Personal Pension (SIPP)

Self Invested Personal Pensions (SIPPs) are offered by a number of specialist UK based institutions. The design and cost of these plans varies greatly so securing independent financial advice is very important before deciding which plan to choose.

Personal contributions paid to a SIPP attract income tax relief at the highest rate of income tax a policyholder pays. This can therefore be anything between 20% and 50%.

It is also possible for employers to make contributions to a SIPP on behalf of employees. There are potentially generous contribution levels and are allowable as a deduction against corporation tax.

The maximum contribution that may be paid into a SIPP varies according to income. Advice regarding maximum contributions should be taken before making large contributions so as to be certain that limits are not breached.

The main factor which differentiates a personal pension from a SIPP is investment flexibility. Unlike a personal pension, the plan may be subject to guidelines laid down by Her Majesty's Revenue and Customs (HMRC) and may be invested in a wide range of assets. Examples of these are commercial property, shares traded on a recognised stock exchange etc. Investment in residential property and wasting assets will be subject to a significant tax penalty. Great care needs to be taken and advice sought before making a SIPP investment.

Disclaimer

This publication has been prepared only as a guide and is not intended as advice. No responsibility can be accepted by Menzies Wealth Management for any loss from acting or refraining from acting as a result of any material in this publication.

SIPPs, like personal pensions and other UK authorised pension funds, grow free of all taxes. It is important however to bear in mind that any tax deducted at source cannot be reclaimed.

A pension may be drawn from SIPP funds at anytime between a policyholder's 55th and 77th birthdays. When a policyholder decides to draw the pension there is the option to draw up to 25% of the value of the fund free of all taxes. The balance of the pension may be drawn as income and will be subject to income tax at his highest rate.