

Tax Wrappers Explained:

SIPPs

A Self-Invested Personal Pension (SIPP) is a type of pension wrapper that allows you to save and invest for retirement in a highly tax-efficient way.

Unlike standard workplace pensions, a SIPP offers greater flexibility over the investments you can hold, while still benefiting from government tax relief on contributions.

What do I need to know about a SIPP?

SIPPs are:



Available to UK residents of any age, although those under 18 would require a parent or guardian to set one up on their behalf, and tax relief on contributions stops above age 75.



Tax-efficient: contributions, even for children, are eligible for income tax relief, meaning that for every £80 you contribute, the government adds £20 (basic rate relief). Higher- and additional-rate taxpayers can claim back further relief via self-assessment.



Flexible: you can invest in a broad range of assets, including funds, equities, bonds, cash and more, and you control how the portfolio is built and managed (or you can delegate management to someone else, such as a professional).



Long-term wrappers: funds cannot be accessed[^] until you reach the minimum pension age (currently 55, rising to 57 from 2028).



Key features and benefits



Contribution allowances: adults can contribute up to £60,000 each tax year (or 100% of UK Relevant Earnings~, whichever is lower) and £3,600 (made up of £2,880 personal contributions plus £720 tax relief) per child per tax year*. Contributions above this may incur a tax charge.



Growth sheltered from tax: investments within a SIPP grow free from UK income and capital gains tax.



Employer contributions: a SIPP can receive contributions from your employer as well as from you personally.



Accessing funds: from minimum pension age, you can usually take up to 25% of your SIPP tax-free, with the balance taxed as income when drawn in a way that suits you (e.g. lump sums, drawdown, or annuity).



Death benefits: SIPPs offer flexibility on the way benefits can be passed onto beneficiaries (e.g. lump sums, drawdown, or annuity).



Complementary to other pensions: you can have a SIPP alongside workplace pensions and other retirement savings.

Points to consider



SIPPs are designed for long-term retirement planning – early access is not normally possible – though you can transfer them between providers and products.



Tax treatment depends on your personal circumstances and may change in future.



Investment values can fall as well as rise, and you may get back less than you invested.



SIPPs may involve additional costs compared with standard pensions, reflecting the wider investment choice.

For more information about SIPPs, speak to your Adviser or visit [killik.com](https://www.killik.com).

~UK Relevant Earnings currently include: employment income; self-employed income; income from patent rights; certain redundancy payments; earnings from overseas crown employment; royalties.

**Some individuals may also be able to carry forward unused annual allowances from the previous 3 tax years.*

^ In very limited circumstances you can access prior to normal minimum pension age.

Learn more at moneyhelper.org.uk.