

What is a SIPP?

Overview

A SIPP is a type of personal pension that gives you a far greater level of freedom about how you invest your retirement funds than you can get with any other pension. For instance, a SIPP can invest directly in commercial property unlike personal pensions. You are in complete control of how and where your money is invested - you make the decisions that will determine how your pension pot performs.

SIPPs offer the same great tax benefits as other pension plans. For example for every £8,000 you contribute to your SIPP, the government pays in £2,000 and if you are a higher rate tax payer you can claim further tax relief.

Anyone under the age of 75 can pay into a SIPP- even if you are not earning, you can contribute up to £2,880 net each tax year and receive tax relief. Parents are able to open a Junior SIPP for their children, although you must remember that the child will not be able to access their pension until they reach 55.

Once you reach 55 you can access your whole pension pot. You decide how and when to use the fund built up in your SIPP to provide you with an income. You can take up to 25% of your fund as a tax free lump sum and use the balance to provide you with a pension through income withdrawal from your SIPP or through the purchase of an annuity.

Before investing in a SIPP, you must understand that the money is going to be locked in until you reach at least 55 years of age.

In conclusion

A SIPP is not right for everyone as other pension plans may more closely match individual requirements., It is possible to transfer money from their pension plans into a SIPP if there are advantages to doing so, but the only way to properly assess this is to first seek advice from a qualified and independent financial adviser such as AV Trinity.



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“Intelligent, Independent Financial Advice”

All information has been prepared with care to ensure accuracy and is based upon our understanding of legislation and HMRC practice, which can be subject to change. This is intended to provide information only and should not be considered as advice.

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