SELF-INVESTED PERSONAL PENSIONS

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IMPORTANT INFORMATION

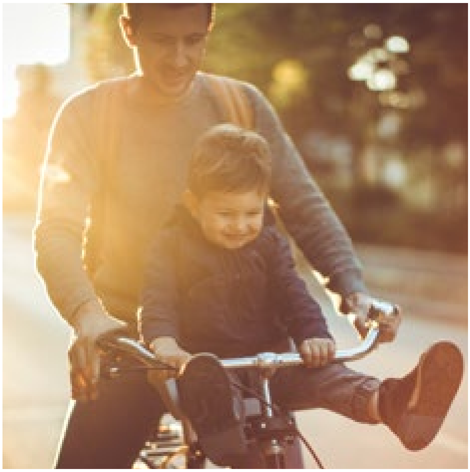
We've written this guide to give you useful information about SIPPs, but it's not personal advice. If you're thinking about investing and aren't sure if a particular investment is right for you, please ask for advice.

If you choose to invest in a SIPP, remember that investments can go down as well as up in value, so you could get back less than you put in. You should always consider any pension offered by an employer first.

The information in this guide was correct as at 17 March 2025, and all figures apply to the 2025/26 tax year. You can't normally access money in a pension until age 55 (57 from 2028). Pension and tax rules can change, and their benefits depend on your circumstances.

HOW A SELF-INVESTED PENSION WORKS

A Self-Invested Personal Pension, or SIPP, is a type of pension that lets you take control of your retirement money and investments. Anyone can start a SIPP. Whether you're a contract worker, business owner, self-employed or simply looking for flexibility when managing your retirement savings, a SIPP could be the right pension plan for you.



In the same way as other pensions, you can add money into a SIPP as and when you like and, if you're under 75 and resident in the UK for tax purposes, you can get a top up from the government in the form of tax relief. You'll usually get at least 20% tax relief on anything you pay in and if you pay tax at a higher rate you can normally claim even more tax relief through your tax return. Once it's in your SIPP, your money can also grow free from UK income and capital gains tax.

You have the freedom to invest almost anywhere you like, and can often choose from ready-made investment portfolios or pick your own individual investments. Investment choices could include funds, shares, investment trusts and more. You can change your investments as and when you like and when you reach your 55th birthday (or your 57th from April 2028), you're free to start withdrawing money, even if you're not retired. You can usually take up to 25% of your pot tax-free. The rest of your withdrawals will be taxed as your income.

There is a but. With the freedom and flexibility of a SIPP comes more responsibility and, as always, there's a risk with investing. The value of your investments can go down as well as up, so although there's the potential for growth you could get back less than you put in. This is why you need to be prepared to regularly review your investment performance and make your own decisions.

PENSION TAX RELIEF

A great incentive to pay more into your pension.

You're not alone in wanting the most for your retirement – it's also in the government's interest that you're able to retire well.

So for every contribution you make to a pension, the government will pay 20%, boosting the amount of money you've saved. This extra boost from the government is called **basic-rate tax relief**. Everyone who's UK resident for tax purposes and under 75 qualifies for basic-rate tax relief, even children and other non-taxpayers.
There are limits to the amount you can pay into a pension, which we explain on page 6.

This basic-rate tax relief is added to your pension automatically. Your pension provider claims it for you from the government, and adds it to your pension.

If you pay higher-rate tax (40%) you can claim up to a further 20% in tax relief through your tax return or local tax office.

Additional-rate taxpayers (45%) can claim back up to a further 25%.

You must pay enough tax at the relevant rate to claim back the full amount. For example, say you wanted to make a £10,000 contribution to your pension. You'd only need to pay in £8,000, and the government would pay £2,000 of basic-rate tax relief into your pension. Higher-rate taxpayers, could then claim back up to a further £2,000, or £2,500 for additional-rate taxpayers. Tax rules can change over time, and any benefits will depend on your circumstances.

The tax rates and bands are different if you're a Scottish taxpayer. Find out more, visit: **www.hl.co.uk/scottish-tax**

Try our tax relief calculator to see how much you could receive at **www.hl.co.uk/tax-relief-calculator**

PAYING INTO A SIPP

Make the most of your pension allowance.

To receive tax relief on your personal contributions, you can only contribute as much as you earn, or £3,600 (whichever is greater), each tax year. For example, if your salary in the current tax year is £30,000, this is the most you can contribute across all your pensions and receive tax relief. There's also an annual limit for contributions.

ANNUAL ALLOWANCE
The annual allowance is the maximum amount that can be paid into your pensions each tax year. It's currently £60,000.

This limit includes the total value of all contributions made by you, your employer, or anyone else on your behalf, as well as basic-rate tax relief added. It also includes any benefits built up in a final salary pension scheme.

There are a few exceptions which might mean your allowance is lower:

- If your 'adjusted income' is over £260,000, your annual allowance could be lower. Your adjusted income is broadly your total income, plus the pension contributions your employer adds for you.
- If you've flexibly accessed a pension, you can only contribute up to £10,000 each year to money purchase pensions (like a SIPP). Your pension provider should let you know if and when this starts applying to you.

For more details on these rules, visit **www.hl.co.uk/annual-allowance**

GOT ALLOWANCE LEFT OVER?
If you haven't used your full allowance from previous years, you might be able to carry it forward and use it in the current tax year. This could mean you can make a very large contribution, up to £220,000 in some cases.

To work out how much you might be able to carry forward, visit **www.hl.co.uk/carry-forward**

3 ALLOWANCES TO CONSIDER

There used to be a limit to the total value of pension benefits you could build up throughout your lifetime and generally receive up to 25% tax free. This limit was known as the lifetime allowance and was set at £1,073,100 for most people.

However, from 6 April 2024, the lifetime allowance was abolished and replaced with three new allowances. These are the lump sum allowance, the lump sum and death benefit allowance, and the overseas transfer allowance.

The lump sum allowance normally provides an upper limit to the tax-free amount of certain lump sums that can be taken across an individual's pensions. This allowance is £268,275 for most people. Payments that use up this allowance include pension commencement lump sums (PCLS) and the tax-free element of uncrystallised funds pension lump sums (UFPLS).

The lump sum and death benefit allowance applies to payments that use up the lump sum allowance as well as the tax-free element of serious ill health lump sums and certain non-taxable lump sum death benefits. For most people, this allowance will be £1,073,100.

The overseas transfer allowance provides a limit on transfers to Qualifying Recognised Overseas Pension Schemes (QROPS). This allowance is £1,073,100 for most people.

Any value that exceeds this allowance will normally be subject to the Overseas Transfer Charge (OTC).

To find out more about the new allowances, including how you may be affected if you used lifetime allowance or took benefits under the previous rules, visit **www.hl.co.uk/new-lump-sum-allowance**

Remember tax rules can change.

HOW MUCH SHOULD YOU CONTRIBUTE?

How much you should put in your pension depends on your circumstances. As a rule of thumb, if you want to retire at 65, you should consider saving an annual percentage of your salary that's equal to at least half your age when you start saving. So if you start saving when you're 24, you should consider putting at least 12% of your salary in your pension each year until you retire.

If you start at age 40, the above rule of thumb suggests you consider saving at least 20%. You should try and maintain this percentage as your earnings increase.

Use our pension calculator to work out the amount that's best for you: **www.hl.co.uk/calculator**

Remember you can't usually take money out of your pension until age 55 (57 from 2028).

CHOOSING INVESTMENTS

A SIPP gives you access to the very best fund managers, and more.

How comfortable you are making investment decisions, and how you feel about taking risks will probably determine how you choose to build your investment portfolio. When it comes to choosing investments, there's no rush to make decisions. You can hold cash in your SIPP while you decide where to invest, safe in the knowledge you've received tax relief on your pension contribution. But remember that with little growth potential, cash isn't likely to meet your needs over the long term and charges will differ depending on which investments you choose. If you're not sure about an investment decision, you should seek personal advice.

CASH VS. THE STOCK MARKET
Interest rates on cash savings are no longer low, but historically the stock market has delivered better returns. And because pensions are designed for long-term investing, you've usually got time to ride out any short-term falls to end up with overall growth. However, unlike the security offered by cash, there are additional risks with investing and ultimately the value of investments and income can fall as well as rise so could get back less than you invest.

PICKING YOUR OWN INVESTMENTS

If you'd like to choose your own investments, it's important to remember that diversity is key. Different types of investments and sectors perform well at different times, and so do different stock markets around the world.

While investment risk can't be eliminated altogether, making sure that your portfolio has a good variety of investments across a range of assets, regions and sectors can help shelter you when some areas don't perform as well as others. Fund managers also use a variety of strategies and favour different asset classes (even if their funds have similar objectives).

At different times, in different market conditions, some managers will outperform others. To help spread risk, you could consider choosing a number of fund managers so you're not relying on a single approach or asset class to be successful.

Our fund shortlist could help get you started. To see our full list visit **www.hl.co.uk/funds/help-choosing-funds/wealth-shortlist**

INVESTMENTS EXPLAINED

FUNDS

A fund is a collection of investments, chosen and run by a fund manager. Each fund manager has an objective, for example to grow your capital, or provide a decent income. When you invest in a fund, you're buying a slice of the fund's investments. Funds can be invested in many different types of asset, like shares, bonds and property. Some are focused on just one type, and some a mixture.

SHARES

A share represents part-ownership of a company. When you buy shares you literally own a 'share' of the business. You can buy and hold shares in your SIPP, along with other investments.

BONDS

Bonds are loans to companies and governments. They're listed on the stock exchange and trade like shares.

INVESTMENT TRUSTS

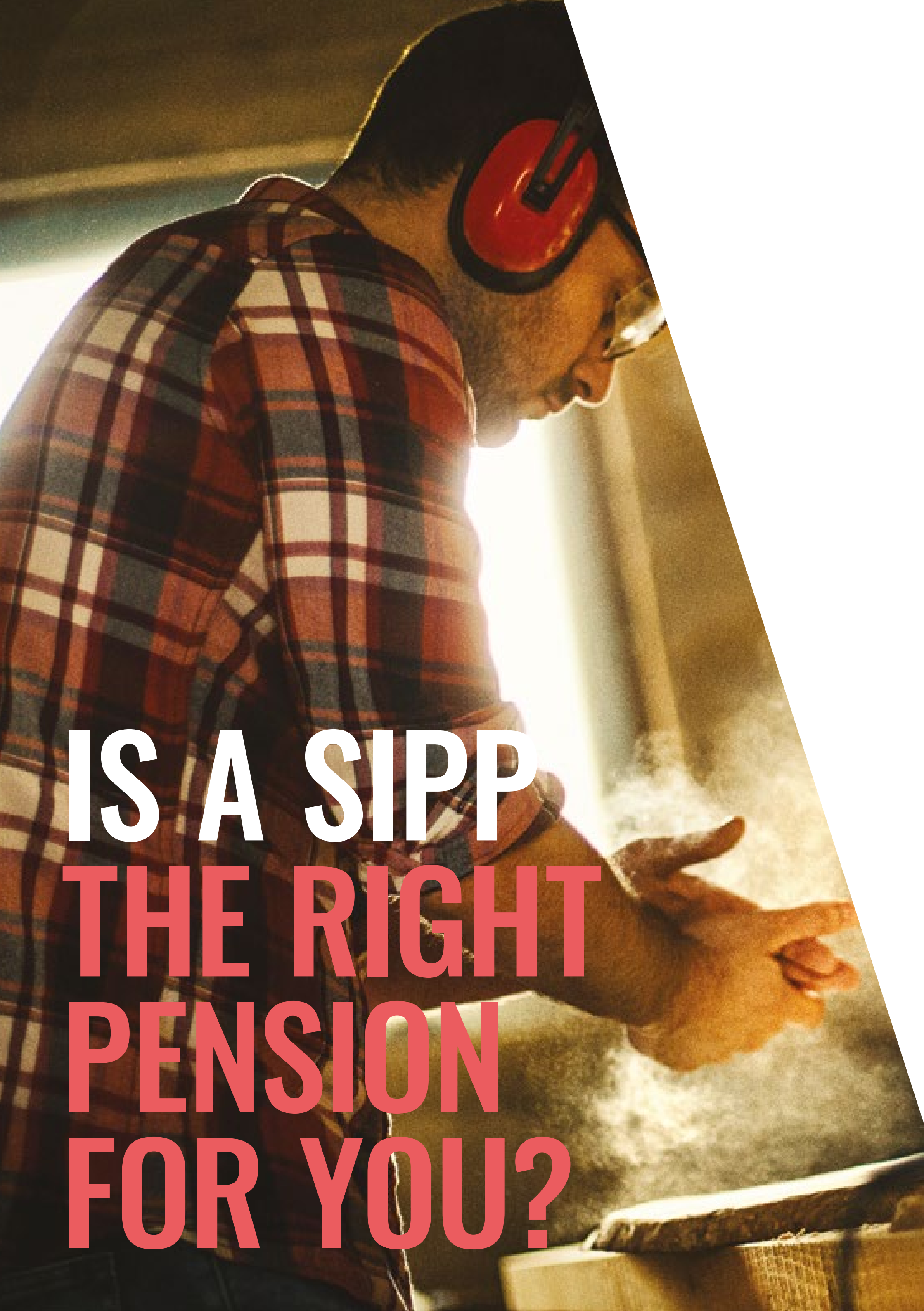
Investment trusts are similar to funds, but they're listed as companies on the London Stock Exchange, so they trade like shares.

EXCHANGE-TRADED FUNDS (ETFS)

ETFs are a type of fund that tracks a stock market or commodity. Even though they're funds, ETFs are listed investments, so they trade like shares.

CASH

If you don't want to invest straight away, you can also hold cash in your SIPP.



IS A SIPP THE RIGHT PENSION FOR YOU?

Traditional personal pensions tend to offer between a dozen and several hundred funds – but their charges can be hefty, particularly on older plans. Stakeholder pensions have lower charges, but tend to offer a more limited choice of funds.

The wide investment choice in SIPPs can make a significant difference to your pension. That's because how your investments perform can have a large impact on the size of your pension pot, and eventually your retirement.

Investment options	Personal Pension	SIPP
Collective investment funds		
Unit trusts	N	**Y**
Investment trusts	N	**Y**
Open-Ended Investment Companies (OEICs)	N	**Y**
Exchange-Traded Funds (ETFs)	N	**Y**
Insurance company funds	Y	**Y***
Stocks and shares		
UK shares	N	**Y**
Overseas shares	N	**Y**
UK government bonds	N	**Y**
Bonds and other fixed-interest securities	N	**Y**
Futures and options	N	**Y**
Permanent Interest-Bearing Shares (PIBS)	N	**Y**
Other options		
Cash and deposit	Y	**Y**
Traded Endowment Plans	N	**Y***
Commercial property and land	N	**Y***

*Please note, you cannot hold these investments in the HL SIPP.

A SIPP is just one type of pension for you to consider. You might not need or want the wide investment choice that a SIPP offers. Or you may already have a good pension through your employer.

If investment choice and flexibility are not important to you, and your pension contributions are going to be low, a stakeholder pension could be a better, cheaper option for you than a SIPP.

Most pension plans are provided by insurance companies, whose funds don't always have good performance records. If you'd like to be able to invest with the best fund managers in the market, a SIPP may be a better choice.

If you choose a SIPP, you should have the desire and confidence to make your own investment decisions. If you're not sure if a SIPP is right for you, ask for personal advice to help you with your decision.

TAKING MONEY OUT

A SIPP can make your transition into retirement more flexible.

You have more freedom than ever when deciding how to take money from your pension. With a SIPP you can normally start taking your pension money from age 55 (57 from 2028).

TAX-FREE CASH

Usually you can receive up to 25% of your pension completely tax free, and everything else will be taxed as income when it's paid to you. You can receive your tax-free cash as one single payment, or in stages – it depends what you decide to do with the rest of your pension. Remember, you don't have to access your whole pension in one go or withdraw any money at all if you don't want to.

GETTING READY TO RETIRE

As you approach your retirement, your investment strategy is likely to change depending on how you plan to use your pension.

This may mean moving into less risky investments like cash. Or it could involve switching from investments which focus on growth to those which aim to pay an income. A SIPP gives you the flexibility to manage your investments as you see fit.

THREE MAIN OPTIONS

There are three main ways to take money from a SIPP, and you can choose a mix of the options to match your needs. It's an important decision which many people need help with. So if you're not sure what to do, ask for advice or seek guidance.

Pension Wise is the government's free, impartial pension guidance service, created to help you understand your retirement options. Visit **www.hl.co.uk/pension-wise** or call **0800 138 3944** to find out more.

1 ANNUITIES

An annuity pays you a guaranteed income for life, no matter how long you live. You can buy more than one annuity and don't have to use your whole pension to buy one – which could help those slowly phasing into retirement. When you buy an annuity you'll have the option to take your tax-free cash or use it to help buy the annuity.

You can choose whether your annuity income stays the same throughout your retirement, increases by a fixed percentage each year, or increases with inflation.

Lots of people qualify for an enhanced annuity, which means they get a higher income by confirming details about their health and lifestyle. It's easy to do and could mean you receive significantly more income over your lifetime.

Your annuity can continue to pay your spouse or partner after you die (joint life annuity) or the annuity can stop (single life annuity). You can also guarantee your annuity for a period of five, ten or even 30 years. This means if you die within this time period, the income will continue to be paid to your estate, or to your beneficiaries, throughout the guarantee period.

There's even a money back option called value protection. If you choose an annuity with this option, you or your beneficiaries are guaranteed to get your money back, less any tax.

It's worth noting that once you've set up your annuity, you usually can't change the options you selected, even if your health changes.

We can search the whole market for the best annuity rate and help you understand your options. Find out about annuities at **www.hl.co.uk/annuities**

2 DRAWDOWN

Drawdown is a higher-risk option than an annuity. It lets you take your tax-free cash and leave the rest of your pension invested, taking money directly from your pension as and when you need it.

You choose where to invest your drawdown pot and the value will rise and fall depending on how your investments perform. You can choose how much money you take (from nothing to the whole pot), with your withdrawals being taxed.

Drawdown death benefits are more flexible than with an annuity. That's because your drawdown account can be inherited by your beneficiaries. Beneficiaries can normally then make tax-free withdrawals from your pot if you die before age 75. If you die after age 75, their withdrawals will be subject to income tax. Pensions aren't usually subject to inheritance tax, but please see page 15 for more information about how this will change in the future.

With this increased flexibility comes increased risk. Your income isn't secure, so if your investments don't perform well or if you withdraw too much money, your pension's value could fall and you could even run out of money altogether. You'll need to be confident that your investment and income choices mean your pension can last you throughout your retirement.

3 TAKE A LUMP SUM DIRECTLY

This option is called Uncrystallised Funds Pension Lump Sums (UFPLS). It lets you take money directly from your SIPP without having to choose drawdown. Each time you take an UFPLS, 25% of it will usually be tax-free and the rest taxed as income.

The rest of your pension stays invested, and while this creates the potential for growth, it also means your pension value isn't secure. Deciding whether to withdraw money over time or all at once is an important decision and can affect the amount of tax you pay.

MIX AND MATCH

You don't have to make a single choice from the three options above. You could choose a mixture instead. For example, you could use some of your pension to cover essential living costs through an annuity, and use the rest to provide a flexible income with drawdown.

WHAT HAPPENS TO YOUR SIPP WHEN YOU DIE

Pass your pension on tax-efficiently.

When you die, your SIPP can be passed to your beneficiaries, in most cases free from inheritance tax.

- If you die before you're 75, your beneficiaries can normally withdraw what they like from your pension without paying tax.
- If you die age 75 or older, withdrawals will be taxed as the beneficiary's income.

You can nominate one or more beneficiaries.This is usually a spouse or child, but it can be anyone you like and any number of people. You can change your beneficiaries at any time.

The inheritance tax rules surrounding pensions are expected to change following the announcements in the Autumn Budget 2024. From April 2027, where an estate is valued over the Inheritance Tax Threshold, some pensions may incur inheritance tax.

Why choose the multi-award winning HL SIPP?

Trusted by over 550,000 clients, the HL SIPP gives you the power to save tax and take control of your retirement savings.

- ✓ **Get expert support and award-winning customer service**, with calls answered in under 90 seconds, on average.
- ✓ **Manage your pension easily with our app** – trade, add money, and track prices.
- ✓ **Get award-winning investment research** and regular updates on Wealth Shortlist funds.
- ✓ **Enjoy access to a wide range** of funds, UK and overseas shares, investment trusts, ETFs and more.
- ✓ **Choose from guaranteed or flexible pension income** options or get expert financial advice.

TWO SIMPLE WAYS TO START A SIPP

Join the UK's largest direct SIPP provider.

SETTING UP PAYMENTS
You can start a SIPP alongside any other pensions you already have. You'll just need to make sure you stay within the overall contribution allowances.

With the HL SIPP you can set up monthly payments from as little as £25, or get started by making a one-off debit card payment of £100 or more. Once your account is up and running, you can change your pension contributions whenever you like.

You can find out more about the HL SIPP and how to apply online. Visit **www.hl.co.uk/sipp**

TRANSFER AN OLD PENSION
People regularly change their insurance or mortgage provider in order to secure the best deals. But not many people take the same trouble with their pension. Some people don't know they have the option.

Some older personal pensions have high fees and may suffer from poor investment performance. Transferring can mean a move away from outdated arrangements, not to mention the benefit of having all your pensions in one place. You'll know exactly how each of your investments are performing and only need to deal with one provider.

You can transfer a pension into a SIPP at any age. If you live outside the UK, there may be restrictions on the level of service we can offer.

The decision to transfer isn't a simple one, but the process isn't as difficult as you might think – just let your chosen provider know your wishes and they'll usually take care of the rest of the transfer for you.

WHAT TO WATCH OUT FOR
Before transferring a pension, first contact your existing provider to check you won't be losing any valuable benefits or need to pay high exit fees. You also need to bear in mind the time you'll be out of the market and unable to make changes. Pensions are usually transferred as cash, unless you request otherwise. This means that during the transfer your money won't be invested. That can work in your favour if the market falls, but if it rises you won't benefit. If you choose to transfer your investments, you'll be unable to access your investments until the transfer is fully complete.

To find out more, visit **www.hl.co.uk/transfer-pension**

ABOUT US

We're Hargreaves Lansdown – we're been helping UK savers and investors for over 40 years. We offer cash saving products as well as investment ISAs and pensions and are trusted by over 1.9 million clients.

Our clients like our wide investment choice, and how easy it is to manage their savings and investments online and with our app. Our Helpdesk is here six days a week to help.

FIND OUT MORE

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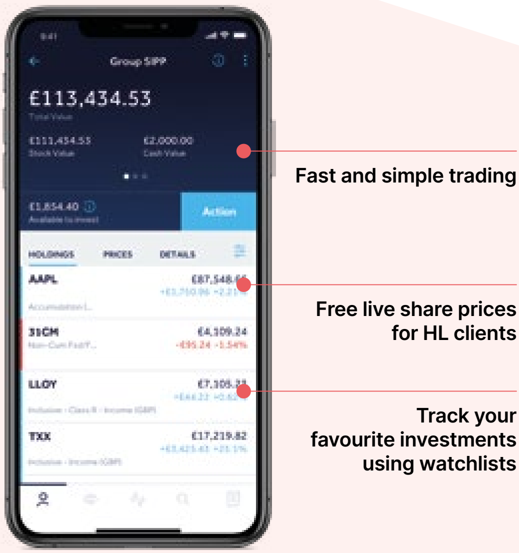

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