Personal Pension and Self Invested Personal Pension (SIPP) Factsheet 2026/2027

What is a personal pension?

- A personal pension is a tax-efficient way to save for retirement.
- You can normally access your pension from age 55 (rising to 57 from 2028).
- Your investments can grow free of income tax and Capital Gains Tax.
- You can make regular contributions or one-off lump sums.
- Contributions receive 20% basic rate tax relief automatically. If you are a higher or additional rate taxpayer, you may be able to claim further tax relief via your tax return.
- You can usually take up to 25% of your pension fund tax-free (currently capped at £268,275). The remaining funds can be withdrawn as needed and are taxed as income at your marginal rate.

How much can I contribute each year?

- Tax relievable contributions are subject to the annual allowance of £60,000 for the current 2026/27 tax year.
- Personal contributions: You can contribute up to the greater of £3,600 gross or 100% of your UK relevant earnings each tax year, up to the annual allowance.
- Employer Contributions: Employers are not capped by your earnings, but contributions do count towards your annual allowance. Contributions must meet HMRC's "wholly and exclusively" rule to qualify for tax relief.
- Carry forward
  - You may be able to use unused annual allowance from the previous three tax years.
  - This can allow for higher contributions, subject to eligibility.
  - Personal contributions must not exceed your earnings in the current tax year.
- Money Purchase Annual Allowance (MPAA)
  - If you start taking **taxable income** from your pension, the MPAA may apply.
  - This reduces the amount you can contribute with tax relief to **£10,000 per year**.
- Tapered Annual Allowance
  - For high earners, the annual allowance may be reduced if:
    - Your threshold income exceeds £200,000, and
    - Your adjusted income exceeds £260,000
  - Your annual allowance will reduce by £1 for every £2 of income above £260,000, down to a minimum of £10,000
- Third Party Contributions
  - Pension contributions can be made by a third party on behalf of an individual (e.g. a parent or grandparent contributing to a child's or grandchild's pension).
  - For tax purposes, these contributions are treated as if they were made by the pension member themselves and as a result, they use up the member's available annual allowance (subject to the rules outlined above).
  - Contributions made by a third party are usually treated as a gift for inheritance tax purposes and may fall within the normal gifting rules.

Self-Invested Personal Pension (SIPP)

Key Facts

A SIPP offers a greater level of flexibility and control over how your pension is invested.

SIPPs provide wider investment choice than standard personal pensions, subject to HMRC rules. This allows you to tailor your investments more closely to your objectives and risk profile.

The tax benefits are the same as a personal pension, including tax relief on contributions and tax-efficient investment growth.

SIPPs can be particularly attractive for investors who wish to hold commercial property within their pension.

With our recommended SIPP provider, your pension is structured with both a cash account and an investment account. This can be especially useful when you begin taking income.

We may recommend holding 2–3 years' worth of planned withdrawals in cash. This approach can reduce the need to sell investments at unfavourable times, potentially lowering transaction costs and helping to mitigate the impact of market volatility.

Pension Lump Sum Allowances

- Both the Lifetime Allowance Tax Charge and the Lifetime Allowance were abolished on 6th April 2024. From this point, a new regime was introduced that tests an individual's tax-free lump sum allowances, with a **maximum** £268,275 available as tax free cash (LSA) and £1,073,100 on death before age 75 (LSDBA).

Pension Plan Income Options:

1. Annuity

You can use your pension fund to purchase a guaranteed income for life, known as an annuity. This provides a secure and predictable income. The level of income will depend on:

- Annuity rates at the time of purchase
- Your age and health
- The options selected (e.g. inflation protection, spouse's benefits)

2. Flexi-Access Drawdown

Flexi-access drawdown allows you to keep your pension invested while taking income as needed.

- You can withdraw **as much or as little as you like**, at a frequency that suits you.
- Your remaining fund stays invested, offering the potential for **continued growth**.
- Any withdrawals (beyond your tax-free entitlement) are **taxed as income at your marginal rate**.

3. Uncrystallised Funds Pension Lump Sum (UFPLS)

This option allows you to take ad hoc lump sums directly from your pension without moving into drawdown. Each withdrawal is typically made up of:

- 25% tax-free cash (subject to the overall limit of £268,275)
- 75% taxed as income

This can be useful for occasional or one-off withdrawals.

What happens to your pension on death under current legislation? (prior to proposed changes in April 2027)

Pensions provide a highly tax-efficient way of passing wealth to your chosen beneficiaries.

- Pension funds are generally held outside of your estate and are not normally subject to Inheritance Tax (IHT).
- You can nominate beneficiaries to receive your pension benefits on death.

Death before age 75

The remaining pension fund can usually be passed on free from Inheritance Tax and income tax. Beneficiaries can choose to receive:

- Regular income payments, or
- A lump sum (typically tax-free up to £1,073,100, less any tax-free cash you have already taken)

Beneficiaries can access the funds at any age — there is no minimum age requirement.

Death after age 75

- Pension funds can still be passed on **free from Inheritance Tax**.
- However, any withdrawals by beneficiaries (whether as lump sums or income) are **subject to income tax at their marginal rate**.

Beneficiaries can again access the funds **at any age**.

Please note that during the Autumn Budget 2024 the government announced that unused pension funds and death benefits payable from a pension plan will form part of a person's estate for inheritance tax purposes from 6th April 2027. The necessary amendments to current legislation are being finalised.

Risk Warnings

The information provided is based on our current understanding of taxation legislation and regulations, which may change in the future. The value and availability of any tax reliefs will depend on your individual circumstances.

The value of your pension can fall as well as rise, and past performance is not a reliable indicator of future performance. You may get back less than the amount originally invested.

A pension is a long-term investment, and its value may fluctuate over time. The level of income you receive at retirement will depend on factors such as the size of your fund, future investment returns, interest rates, and prevailing tax legislation.

This document is intended as a summary only. Full details of the product, including specific terms and conditions, can be found in the documentation provided by the insurer or investment provider, which should be read carefully.