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# Personal pensions

The different types of personal pension and what to consider when deciding if a scheme is suitable for you.

Personal pensions are pensions that you normally arrange yourself rather than through your employer.

They are almost always defined contribution schemes and as such work in much the same way as the defined contribution schemes offered by employers.

The amount of money you receive when you access your pension will depend on:

- how much you have contributed
- how the investments have performed.

Personal pensions are a way to grow your retirement savings without being restricted to a workplace pension scheme.

One of the biggest attractions of personal pensions is that most schemes are portable. This allows you to take your pension with you if you change jobs. You'll also be able to continue contributing if you stop working.

Having all of your savings in one place gives you the potential to build up your pot without having to manage or consolidate several smaller funds.

Some types of personal pension offer greater flexibility over investments and allow savers to play an active role in managing where their money goes.

However, this flexibility comes at a cost as the charges associated with personal pensions are generally higher compared to workplace pensions.

Your personal pension pot won't usually benefit from employer contributions. This is important to bear in mind when calculating how much you need to contribute to achieve your desired retirement income. Employer contributions (even if they are a small percentage of your earnings) can have a significant impact on the size of your retirement fund over the course of your working life.

## Who can get one?

Anyone can take out a personal pension but they are particularly beneficial to people who are not saving for retirement through an employer.

This includes people who:

- aren't working
- are self-employed
- are not eligible for auto-enrolment.

Personal pensions can be used in conjunction with other types of pension so it's possible to have both workplace and personal pensions.

A little confusingly, employers can offer a personal pension as a workplace pension. These are referred to as group personal pensions.

Parents can set up a personal pension for their child and can contribute a maximum of £2,880 a year and benefit from tax relief. Starting saving early can make a sizeable difference to the size of their fund when they come to retire.

It's also possible to make contributions on behalf of someone else (such as a spouse or partner).

Contact us about your retirement plans today.

## Contributions and tax relief

You can add to your pension pot in regular instalments, as one-off lump sums or a combination of both. The exact rules will depend on the pension provider and this is an important factor to consider when selecting a scheme.

Your employer can also contribute if they wish, although in most cases they will not be under any obligation to do so.

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# Personal pensions

You will usually get tax relief at your marginal rate if your:

- pension scheme is registered with HMRC
- savings are invested according to HMRC's rules
- your contributions are within the annual allowance and the value of the pension falls within the lifetime allowances (if you have already reached the cap there will be tax penalties for further contributions).

We can give more detailed information about contributing to a personal pension.

## Stakeholder pensions

Like a workplace pension, a stakeholder pension combines the contributions of many individuals which are then controlled by the scheme administrator.

This type of personal pension has to meet certain conditions set out by HMRC.

One of these conditions is that there are no penalties for missing or stopping payments. This flexibility is beneficial for people who can't commit to making regular payments or want to make ad hoc payments throughout the year.

There are also no charges for transferring so you won't be penalised for switching to a different scheme.

### Choosing a stakeholder pension

**Compare different products and providers**

Sometimes different schemes and providers are difficult to compare. Ask for the key facts document which will contain summary information of the main features.

**Can you afford the contributions?**

Some providers have set minimum contributions. Make sure you are comfortable with the contributions before committing.

**Charges and when you'll have to pay**

You will probably pay an annual management charge, but some providers may charge additional fees.

**Type of funds**

Check that the provider offers funds that match the level of risk you are comfortable with.

We can help you choose a scheme that suits your needs.

## Self-invested personal pensions

Self-invested personal pensions (SIPPs) allow you to choose and manage your investments.

Given the amount of management needed they are best-suited to people who have experience in investing. It is also possible to appoint an independent financial adviser (IFA) to advise you on the pros and cons of the different options open to you.

If you are not comfortable selecting your assets, you can hire a discretionary portfolio manager to act on your behalf or an IFA to advise you.

It is possible to have a mix of different investments to suit your appetite for risk and goals. Assets you can invest in (depending on the provider) include:

- quoted UK and overseas stocks and shares
- unlisted shares
- collective investments (for example OEICs and unit trusts)
- investment trusts
- property and land (but not most residential property)
- insurance bonds.

Many providers will allow you to buy and sell assets online using a similar dashboard to online banking.

There are charges for each stocks and share trades transaction (sometimes called dealing charges), though the exact fees will depend on the provider and how many transactions you make.

### Choosing a SIPP

**How much are the charges?**

In addition to dealing charges you might need to pay a set-up fee, an annual management fee, exit or transfer charges and a fee if you move into income drawdown.

The size of your portfolio can have a large impact on the amount you pay in charges.

**What can it invest in?**

SIPPs that offer more specialist investments such as property will cost more to set up and administer. You may also have ethical requirements about the kind of investments that can be made with your money.

**How much help do you need?**

Some platforms offer model portfolios that offer investments based on your risk profile.

**What tools can help you manage your portfolio?**

Most providers have online tools that help you keep track of how your investments are performing against benchmarks such as inflation.

**Compare providers and schemes**

It's not always easy to compare providers. However, consolidation of providers over the last 12 months means there are fewer to choose from.

## How we can help

Personal pensions can give you more flexibility and control but they are not right for everyone. If you are considering taking out a personal pension we can advise you on:

- moving investments
- charges
- types of fund
- tax advantages.

Get in touch today to talk about your retirement planning.