Close Brothers
Asset Management

Guide to
The Close SIPP

What are SIPPs?

A 'Self Invested Personal Pension' is a type of pension scheme known as a SIPP which allows you to make your own investment decisions. The Close SIPP provides you with a means of saving for your retirement and should be seen as a long term investment.

Why chose a Close SIPP?

- No annual SIPP administration fee – unlike some other providers.
- You can choose from a wide range of investment options including funds, UK stocks and shares, gilts and fixed term deposits.
- You can manage your SIPP in the same place on our online portal as your other investments, giving you a single overview of your portfolio.
- Our investment team provide regular insights and research to help you make better informed decisions when it comes to investing in general.

What does the Close SIPP allow you to do?

The Close SIPP allows you to build up a lump sum which can then be used to provide you with an income when you retire. It allows you to choose where you want your retirement savings to be invested, instead of leaving a pension company to make the decisions. You can hold a wide variety of investments in a SIPP and only eligible investments will be made available to you when investing online in a Close SIPP.

SIPPs and tax

If you are a UK resident, the maximum amount of contributions on which you can obtain tax relief is the greater of £3,600 p.a. or 100% of your relevant UK earnings, subject to the Annual Allowance set by HM Revenue & Customs (currently £40,000, including both member and employer contributions across all arrangements). The same applies to those subject to the Scottish rate of income tax from 6 April 2018.

Where your total contributions exceed the Annual Allowance, an Annual Allowance charge may be levied on the excess.

Are there any risks?*

- The value of investments can fall as well as rise and you could get back less than invested.
- Benefits due to you may be lower than you expect if growth in your investments and interest rates are lower than those shown in any illustration you recieve.
- When you come to take your benefits and opt to access your pension flexibility, the higher the level of income withdrawals, the less you will have available to provide for dependants, or to buy an annuity in the future.
- Annuity rates can change substantially over short periods of time, both up and down. They could be worse when you buy an annuity than they are now.
- The tax efficient nature of registered pension schemes may change in the future.

*For a better understand of the risks involved with SIPPs, please see our Key Features of the Close Brothers Self Directed Service Key Features and Charges document.

Questions and answers

Q Does the Close SIPP accept transfers from other schemes?

Yes – you can open a Close SIPP to receive transfers of benefits from other pension arrangements you have. Examples of these include SIPPs, Personal or Stakeholder Plans, Occupational schemes (including EPP's and SSAS's) or Retirement Annuity Contracts.

The Close SIPP can accept transfers in drawdown whether partially or fully crystallised. If you are looking to take an income from your Close SIPP once in drawdown, this can be accommodated.

We are unable to accept transfers in from Recognised Overseas Pension Schemes (ROPS).

Q What can I contribute to the Close SIPP?

Although there is no limit on the level of contributions that you or your employer can make to your Close SIPP, consideration needs to be taken as to whether the contribution will qualify for tax relief purposes. Under current legislation if you are a UK resident and have UK relevant earnings, your contributions qualify for tax relief at the highest rate you pay. The same applies to those subject to the Scottish rate of income tax from 6 April 2018.

The maximum amount of contributions on which you can obtain tax relief in any given tax year is the greater of £3,600 and 100% of your relevant UK earnings.

Total contributions for tax relief purposes are also restricted to the Annual Allowance. The Annual Allowance is an annual limit set by HMRC. The current Annual Allowance is £40,000. Where total pension contributions exceed the annual allowance for a tax year, an annual allowance charge will be charged at your marginal rate of income tax on the excess above the annual allowance. If you exceed the annual allowance, you may be able to carry forward any unused allowance from up to three previous tax years.

Q How can contributions be paid?

Member contributions to the Close SIPP can be made in a single one-off payment or by way of regular contributions via Direct Debit. Regular contributions can be made on any date between the 1st and 28th of the month. Member contributions should be made net of basic rate tax.

We only accept one-off employer contributions in to the Close SIPP as we cannot accept automated employer contributions. Employer contributions can be paid by cheque or Direct Credit. The payment must be accompanied by a Close SIPP Employer Contribution Form. Employer contributions should be paid gross.

No contributions are accepted after age 75.

Q Are there any fees involved in setting up a Close SIPP?

No – there is no set up fee. There is also no fee for transfers in or contributions and no annual administration fee.

Q What is the maximum Pension Commencement Lump Sum payment I can take?

You will normally be entitled to a tax free lump sum known as a Pension Commencement Lump Sum (PCLS) from the SIPP. This will usually be 25% of the fund.

Q How will my pension income be taxed?

The remainder of your fund after the PCLS has been paid will be used to provide you with an income either by way of Capped Drawdown or Flexi-Access Drawdown. Please note that Capped Drawdown is only available if you have accessed Capped Drawdown before 6 April 2015. Income payments from your Close SIPP will be subject to PAYE income tax. When you first start drawing an income from your Close SIPP, HMRC rules state that we must use an emergency tax code until formal notification is received from them. We will notify HMRC when you receive your first income payment from your Close SIPP and they will then advise us of the correct tax code to use for future payments.

Q Can I take an Uncrystallised Funds Pension Lump Sum (UFPLS) payment from my Close SIPP?

Yes – the Close SIPP can accommodate UFPLS payments. A Close SIPP Uncrystallised Funds Pension Lump Sum Request Form will need to be completed. Once you have taken a UFPLS payment from your SIPP, the money purchase Annual Allowance Rules will then apply. The current MPAA limit is £4,000 per annum.

Q How is a UFPLS payment taxed?

The first 25% of each payment is paid tax free. The remaining 75% of the payment will be subject to income tax at your highest rate. As above, we will use an emergency tax code until we receive formal notification from HMRC of the correct tax code to use for any future payments.

Questions and answers

Q Are there any fees for taking benefits from the Close SIPP?

To set up a drawdown pension the fee is £50 plus VAT.

A £50 plus VAT fee is charged for UFPLS payments. This is charged each time a UFPLS payment is made.

The fee for reviewing income limits under Capped Drawdown is £75 plus VAT. The limits will be reviewed every 3 years for those aged 75 or under and annually after age 75. This fee is charged regardless of whether you are taking income or not from your Capped Drawdown arrangement.

Q What happens on death?

Under the Close SIPP, you can nominate beneficiaries of death benefits which you would like the Trustees to consider before making any payment. This nomination can be changed at any time. On death, the beneficiary or beneficiaries can elect to:

- Take the whole of the remaining pension fund as a lump sum.
- Continue taking drawdown (via Flexi-Access Drawdown).
- Purchase a lifetime annuity.

Any combination of these options can be taken. If you are under age 75 at the date of death, no matter which option(s) is taken there will not currently be any income tax to pay as long as the funds are designated to the beneficiary or beneficiaries within two years of the date of notification of your death. These options can be taken regardless of whether the funds have been crystallised or not. If you are over age 75 at the date of death, the same options can be taken, however any payments will be taxed at the recipient's marginal rate of tax.

If on the death of a beneficiary some of the pension fund remains, this can be passed onto other beneficiaries in the same manner. The tax position will depend on the age of the beneficiary at their date of death.

CBAM4597 10.05.2018.