GUIDE TO SIPPS & PERSONAL PENSIONS

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We all dream of spending our well-earned retirement doing what we love without worrying about money. But getting your dream retirement can take a lot of effort and discipline to ensure you have enough cash to be comfortable during your golden years. In fact, according to a recent study, you'll need at least £13,400 a year to have all your basic needs covered in retirement [1].

How to plan for retirement

When it comes to planning for retirement, it's important to understand how pensions work. Generally speaking, a pension is a sum of money that is paid to you on a regular basis as soon as you stop working.

But not all pensions are the same! They all come with different benefits and rules.

Here in the UK, there are three types of pension: the State Pension, workplace pensions, and personal pensions (which includes SIPPs, short for Self-Invested Personal Pensions). They each have their own benefits and potential drawbacks:

State pension

The State Pension is simply a regular payment paid to you by the government when you reach the State Pension age. However, as mentioned above, this can begin later in life than any workplace or personal pensions you may have.

The age you'll become entitled to it is determined by the year you were born; check your State Pension retirement age here (and see when you'll be given your free bus pass using the same link). Similarly, the amount you receive for your State Pension depends on you having paid a certain amount of National Insurance contributions over your working life, so it varies from person to person.

It's worth noting that you can continue to work when you reach the State Pension age, although this could impact your entitlement to other benefits, like Pension Credit, Council Tax reductions, or Housing Benefit.

If you're employed and earn over £242 a week, the process should be automated, as your company should start to pay your National Insurance contributions out of your PAYE salary after this amount 2.

If you're self-employed, however, you'll need to arrange the National Insurance contribution payments yourself.

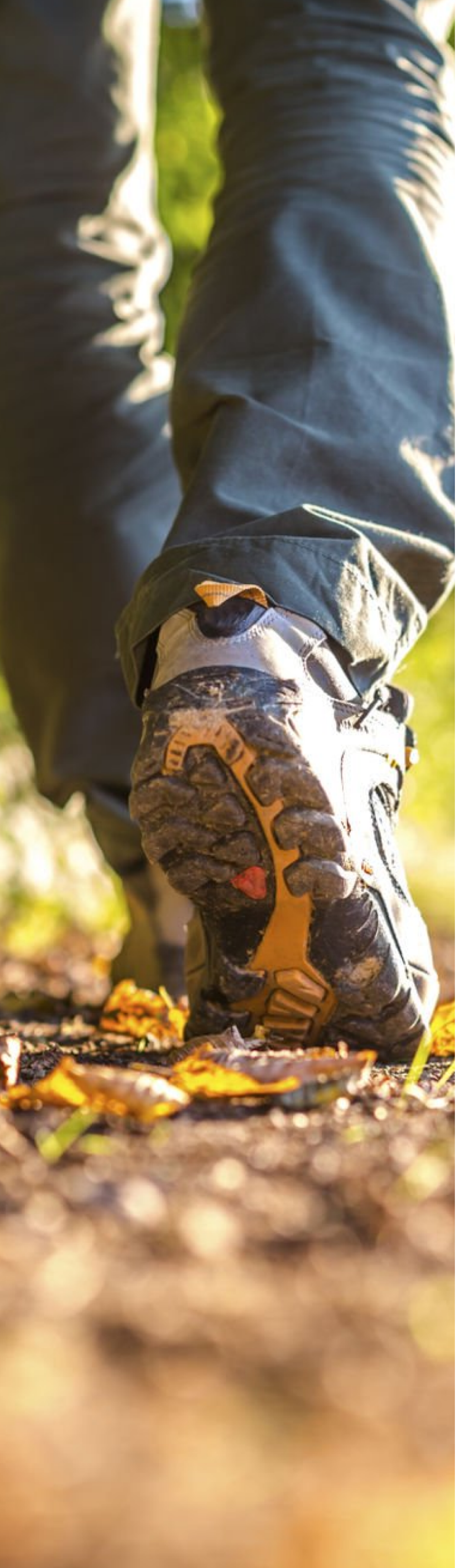
To get any pension at all, you'll need at least 10 years' worth of contributions – if you don't have enough, then you may not receive any State Pension.

As things currently stand, the full rate for the State Pension is £230.25 per week (£11,973 a year) and you'll need at least 35 qualifying years' worth of contributions to be able to claim the full amount.

A 'qualifying year' is a tax year (April 6th to April 5th the following year) during which you've paid; have been treated as having paid; or have been credited with enough National Insurance Contributions to make that year qualify towards a Basic State Pension 3.

If you want to check your National Insurance contributions, you can do it on the HMRC website: www.gov.uk/check-national-insurance-record

After you've logged in, you may find that you have gaps in your contributions. If this is the case, it could be worth contacting HMRC to check how many years you need to catch up and/or whether you're eligible to pay voluntary contributions, if that's what you intend to do.



Workplace pension

A workplace pension is a scheme that lets you put money aside for retirement, and it's generally arranged by your employer.

If you're employed, this means you could be automatically enrolled in your workplace pension, depending on your personal circumstances.

Check your employment contract or speak with your company's Human Resources team to confirm this. While you're at it, find out if you're enrolled into a Defined Benefit pension scheme, are entitled to Deferred Benefits, or a Defined Contribution scheme. well understood, but charges and fees will eat into your potential returns and as a consequence, they could make a significant impact to how much money you'll receive in later life. So, when looking for a provider to transfer your pensions to, make sure you do your research. However, don't just focus on fees and consider other things, like customer service, user experience, and investment strategy.

Deferred benefit schemes

It's worth confirming which type you have, especially if you have or have ever had a public service role; because defined benefit schemes (sometimes called 'final salary' or 'career average' schemes, depending on the type) typically offer you a set income for the rest of your life in line with inflation.

The amount depends on your salary amount and how long you were enrolled on their scheme – and it's usually paid to you monthly for the rest of your life.

Deferred contribution schemes

Defined contribution schemes on the other hand are the most common type. All businesses need to set up a workplace pension for their eligible employees, and automatically enrol them.

This type of pension also carries a tax benefit if you are a basic tax rate payer; meaning you'd get an additional 20% added by the government whenever you choose to top-up extra money into your pot.

Whichever type you have though, once you're enrolled in the workplace pension scheme, typically, you and your employer will add money to your pension pot and this money will be invested in funds – think of them as hampers full of different investments, such as shares, bonds, and property.

The amount that you have in your pension pot will depend on how much has been paid in and how your investments have performed over time. It's important to understand that the value of investments can go down, as well as up, and that you could get back less than was paid in.

Your workplace pension contributions are calculated based on the earnings you receive (again, check your workplace's policy to confirm). Your earnings can include the following:

- Your wages.
- Any commission you earn.
- Your bonuses.
- Overtime pay, if applicable.
- Statutory Sick Pay, maternity, paternity or adoption pay 3.

Depending on your employer's pension scheme, a minimum contribution of 8% must be made towards an auto-enrolled employee's pension. Although employers have to pay at least 3% towards the minimum of 8%; they could contribute a more generous percentage meaning the employee contributes less each month under auto-enrolment. It's best to check your own contract to confirm.

The process is fully automated, and you don't need to arrange any payments (the money will go to your pot every month before tax).

If you were to increase your contributions, your pension could potentially grow a little faster. So, many people opt to top their contributions up throughout their working life.

Personal Pension

A personal pension is a type of pension that could give you more control and flexibility over your retirement savings. It's an additional top-up to build on your workplace and State Pension. Or in the case of people who are self-employed (or aren't earning their income in a typical employment sense), a personal pension is the replacement option for their workplace pension.

As well as being able to choose how much you pay into your pot, you can also opt in to receive 20% tax relief on each contribution you make. So, as a basic rate taxpayer, if you were to contribute £800, then the government will top it up by another £200 — bumping your total up to £1,000!

If you're a higher or additional rate taxpayer, the top-up you get should increase, but you'll need to get in touch with HMRC to claim that extra money.

Wealthify offers a Personal Pension Plan (formally called a Self-Invested Personal Pension, or SIPP for short), allowing people to consolidate their past workplace pensions, or start a new pot completely from scratch.

Either way, it's an opportunity to invest your retirement wealth at a comfort level that suits you, and within Original or Ethical Plans, all at competitively low fees.

Our Personal Pension Plan is also a defined contribution pension scheme; meaning the money paid into it is then invested on your behalf by our team of in-house experts. The amount you get in retirement will depend on the amount of contributions made and how your investments have performed. The value of investments can go down, as well as up, and you could get back less than what you put in.

Self-employed individuals can opt to set up a personal pension like a SIPP, too. However, if you're self-employed and looking for a pension product that will allow employer contributions, that isn't something that Wealthify's SIPP can currently offer.

The benefits of opening a pension

Many people assume that they'll be just fine with a State Pension and the savings from their workplace pensions, but as they retire, they could be in for a bit of a surprise. With the ever-increasing cost of living, relying solely on your workplace and State Pension might not be enough to reach your retirement goals.

Topping your State Pension up by having a personal pension like a SIPP (and getting the 20% tax relief it offers on personal contributions) could help boost your future income.

SIPPs can give parents who haven't returned to work after having children, for example, the opportunity to rebuild the pension pots that they are missing out on by not paying into a workplace pension

You also have flexibility with a personal pension; with the option to combine your previous workplace pensions by transferring them into one pot. Whether you've lost track, or you've moved jobs multiple times over the years, tracing your old workplace pensions is pretty simple to do these days.

Many people opt to have all of their past pension schemes in one place, as this could help them stay in control of their past pension schemes. That said, you should always check with a financial adviser if you're unsure whether this is right for you (particularly if you had a past employer that was paying you a generous deferred benefits style pension or there are high fees).

Opening a personal pension isn't a small decision, and before you take the plunge, it's important to consider your financial situation and personal circumstances, especially as tax treatment will depend on those.

Generally speaking, it's a good idea to have your finances in order before you start a personal pension. Speaking to a financial adviser could be a wise course of action in any case, if you're concerned about your daily budgeting versus future financial security, too.

What is your personal pension allowance?

Each year, you can put as much as you want into your personal pension. However, the amount you'll receive tax relief on is limited, and includes all your contributions across all pensions, plus tax relief.

The amount you receive tax relief on is called your pension annual allowance and, as of 2025/26, it's currently set at £60,000 per tax year, or 100% of your income (whichever is lower).

If you put more than the allowance in your pension, then you won't receive tax relief on the excess.

Another thing to note is that an annual allowance charge will be added to your taxable income for the year.

If you know your contributions are going to go over the allowance amount and are looking for an alternative account, then many people consider a Cash ISA or Stocks and Shares ISA.

This could be a tax-efficient alternative for you as it allows up to another £20,000 of tax-free allowance for savings and/or investments during each tax year. (Allowance amount subject to change in the future.)

How much should I contribute to my pension?

It's entirely down to you, your affordability, and your long-term goals for retirement.

Some people calculate that they'll be comfortable with their workplace pension alone; others may channel more funds into their personal pension knowing they'd prefer a top-up at retirement age.

Some particularly keen individuals are throwing everything they can at the FIRE movement technique, which stands for Financial Independence, Retire Early – but that may not be accessible to everyone's budget. There's no one-size-fits-all solution when it comes to pension planning. opportunities and protect your pension from potential harm.

SOME THINGS TO CONSIDER ARE:

- What can you afford to contribute now?
- How soon do you hope to retire?
- How long could your retirement last?
- How much money would you need to live on?
- Would you be okay to be without life's luxuries later on?
- Do you plan to travel often?
- Or pursue an expensive hobby?

We don't give financial advice here at Wealthify, but we do recognise that each person's circumstances are unique. So, if you're searching for peace of mind, then the government-backed Pension Wise service from MoneyHelper may be useful to you if you're over 50 and seeking free, impartial pension guidance that's specific to you.

Can I take money out of my pension?

Everything you put in a pension is locked away, generally for a long time. For instance, you can't claim your State Pension before an age which is determined based on a number of factors, including your date of birth and gender.

For your State Pension, you'll just need to claim it once you reach your retirement age, and unless you want to delay it, HMRC will send you the regular payments once everything is set up. However, with a workplace pension and personal pension, there are many drawdown options depending on the type of pension you've got.

If you're enrolled in a workplace pension and/or pay into a personal pension, then you should be able to access your money after your 55th birthday (as mentioned, this is subject to change, but make sure you check with your provider as it can vary).

And although it's tempting to take your money as soon as you turn 55, you could also wait a bit longer before moving your pension into drawdown. That way, your money could have more time to grow and benefit from the power of compounding – where your reinvested returns could generate further returns.

If you have a Defined Benefit scheme, you can expect to receive a guaranteed income for life from day one of retirement. And that's not all: the amount you'll get could also increase every year, so make sure to check with your provider or employer.

If you have a defined contribution scheme, then the pension you'll receive will depend on:

- How much you've paid in (including tax relief from the government and contributions from your employer).
- How long you've held onto your pension.
- How well your investments have performed.

How do I find all my pensions?

HMRC has a handy Pension Tracing Service to help you trace your lost pensions.

All you need is to visit their website: www.gov.uk/find-pension-contact-details

Give them a ring on: 0800 731 0193
Or contact them by post:
The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
United Kingdom

You'll need to have the list of your past employer(s) to hand, and this tracing service should be able to help you identify which company is holding your pension pot and provide you with their contact details.

Once you know where your money is, you can decide whether to keep holding it there or to transfer it to a new provider.

How to tranfer a past pension?

Pension transfers come with many different considerations and it's important to be aware of them. If you've decided to transfer a pension, remember to check the new provider's rules. And as ever, it's worth seeking independent financial advice to determine what's right for you.

For example, transferring to Wealthify is simple, but to ensure our customers are getting a pension that's right for them, we ask them to check:

Their current provider's fees versus our own; Wealthify has a low annual management fee of 0.6% per year for balances up to £100,000 – dropping to just 0.3% for any portion of £100,000 or more. Payable monthly.

Whether their current provider has an exit charge; while we don't charge customers for transferring to or from Wealthify, that doesn't mean the existing provider offers the same.

Their benefits; some providers have additional benefits (like loyalty schemes) and it's important to consider that they may lose these by transferring.

We also won't accept a transfer of pensions with safeguarded benefits; we can't accept pensions with safeguarded benefits such as Defined Benefit pensions, those with a guaranteed income, or those where they can get more than their 25% tax-free cash. We also do not accept pensions that they already receive an income from.

These are points to consider when thinking about your own pension transfer, and you can usually find this information on your existing provider's statements, online account, or over the phone. And even then, we err on the side of caution and would guide our customers towards seeking independent financial advice first to ensure they feel confident about making the decision.

If you've already done this though, or are feeling informed enough to make a start, here's how you would proceed:

STEP ONE

Transferring your pension can feel like a big job, but it doesn't need to be. Before moving anything, you'll need to know where your pension pots are, and it can help to have a rough idea of how much money is in there.

To do this, visit the HMRC website as mentioned above, fill in a quick online form and you'll be given the contact details of your previous employer's pension provider: find pension contact details. (You can also find their telephone or postal address above if you'd prefer.)

STEP TWO

Once you've located the name of your existing pension provider, you'll need to collect all your pension documents and contact your new provider to let them know you want to transfer your pension.

You'll be asked to provide them with some information, including who your old provider is, a reference number, and an estimated value of your pot – these details can easily be found on your latest pension statement.

STEP THREE

Then your new provider will contact your old provider to get the transfer process started. In some cases, you may need to contact your old pension provider (for example, if they object to the transfer or need further confirmation).

Throughout the entire process, your new pension provider should be in touch with you if anything is needed from you.

Should I combine my pensions?

It's completely up to you!

If you've moved jobs several times and have a number of pensions floating around, but don't mind having different providers to manage your retirement savings, then it's absolutely fine – the option is there for you.

But if you're afraid to lose track of your money or are concerned that high fees are negatively impacting your retirement funds, it could be worth transferring all your pensions in one place. As part of this decision though, it's worth investigating what fees you pay for your existing pension scheme and comparing those to the new provider's fees, and likewise, there may be exit charges to consider if you're leaving your current provider's scheme.

Remember, you can only transfer your workplace and personal pensions, not your State Pension (and be mindful that not all providers accept a workplace pension transfer).

Getting everything in one single scheme could make things easier, as you'll only have to manage one pot of money. Additionally, if you happen to find a provider offering cheaper fees, then you could be

keeping more of your returns.

How to set up a pension

Whether you want to open a personal pension or consolidate your existing pensions in a new pot, you certainly want to find the right provider.

So, what do you need to do to find 'The One'?

Well first, you have to know what you're looking for. What's most important to you when it comes to a pension? Low annual fees, transfer fees, and investment options are all valid things to consider.

That's not all though:

What kind of policies are they offering?

Where will your money be invested?

How easy is it to check the performance of your pension?

And how good is their customer service?

With online pension providers multiplying, it could be a good idea to look at investment platforms that do all the hard work for you. With Wealthify, for instance, you don't need to know much about stock markets to get started. Our team of experts will do the investing for you, from picking the right mix of investments to managing your personal pension on an ongoing basis.

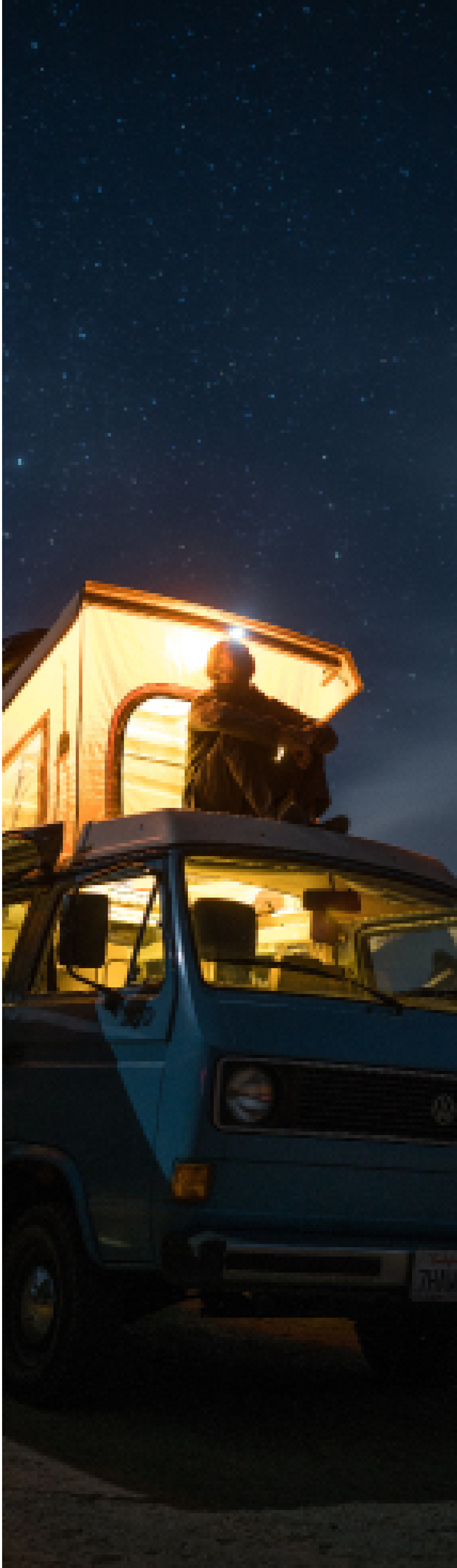
Why choose Wealthify's Personal Pension

WHY YOU'RE ALWAYS IN CONTROL

Although your pension is managed for you by our Investment Team, you'll remain in control. With our online investing platform, you can easily check how your investments are performing at anytime, anywhere.

WE KEEP OUR FEES LOW

At Wealthify, we offer an affordable way to manage your pension, allowing you to keep more of your money to enjoy in your golden years. We take a simple annual fee of 0.6% for managing your investments, and that drops to 0.3% for any portion that's £100,000 or more.



And as with most investments, other costs, including fund charges and transaction costs, will apply, but we make sure to keep these as low as possible.

YOU CAN INVEST ETHICALLY

If you want to do your bit for the future, Wealthify could be the right option for you as you can choose to make your pension ethical.

With an Ethical Pension, your money will be invested in companies that are committed to doing their part for society and the environment – and sectors such as weapons, tobacco, gambling, and adult entertainment will be excluded from your pension.

Learn more about our Ethical Plans

How we invest in your retirement savings

We have a qualified team of investment professionals. Our do-it-for-you approach means that our Investment Team will build and manage your pension, so you can focus on other aspects of your life.

We use a variety of funds to build your pension that hold investments worldwide including regions, such as, America, Europe, Asia. The core investment types that we invest in are bonds, shares, and property. By using a mixture of funds, we can avoid putting all our eggs in one basket, known as diversification.

Our Investment Team will regularly review the funds used in your pension and will change them when necessary to ensure you're invested in the best funds to match your needs.

As well as reviewing funds, our team will manage your allocations in different regions and investment types, and will actively make changes to your pension to benefit from potential opportunities and protect your pension from potential harm.

How to open a Wealthify Personal Pension

Opening a Wealthify pension pot is easy. All you need to do is choose how much you want to invest and the investment style that suits you best. You can be Cautious, Adventurous, or somewhere in between.

And don't forget, if you want to invest in line with your principles, you can make your plan sustainable just by switching our 'ethical' toggle on.

Get started with a Wealthify Personal Pension

Transferring your pension to Wealthify

Consolidating your previous pensions in one place can sound like a big job, but it doesn't need to be. With Wealthify, transferring your pensions has never been easier.

Start by choosing how much you want to transfer and the investment style you're most comfortable with. For your transfer to be successful, you must complete the official Pension Transfer Form.

Learn more about bringing your pensions to Wealthify

References

- 1: https://www.retirementlivingstandards.org.uk
- 2: https://www.gov.uk/national-insurance/how-much-you-pay
- 3: https://www.gov.uk/new-state-pension/what-youll-get

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