



What are the options for accessing funds from a SIPP?

If you are aged 55 or over (57 or over from 6 April 2028) and own a self-invested personal pension (SIPP) or personal pension, there are different options available to you when you retire and require a pension income from your fund. Each option has its own advantages and disadvantages, and the best option for you will depend on your individual circumstances and financial goals.

1. Take a tax-free lump sum

You can withdraw up to 25% (or more in some instances) of the funds in your SIPP tax free in advance of choosing to take an annuity or flexibly accessing your pension via drawdown (more on these below).

2. Secure a guaranteed income for life (pension annuity)

You can use some or all the money in your SIPP to buy a pension annuity. With a pension annuity, you can use your pension fund to buy a guaranteed and regular income for the rest of your life. This means you'll have the security of knowing exactly how much you're getting, regardless of how long you live and fluctuations in investment markets. Important points to be aware of with regard to annuities are:

- The amount of income you receive will depend on numerous factors, such as your age, health, the size of your pension pot, and the annuity features selected.
- You can choose to receive a level or indexed income, monthly or annual payments, and, if applicable, whether you want the pension to continue to be paid to your spouse on your death.
- Annuity providers will usually deduct income tax before paying the net income to you.
- You cannot cash in a lifetime annuity or change the basis of your income even if your circumstances change, therefore it's important to carefully consider the annuity features you select at the outset.
- Annuity providers offer different rates so you should shop around to secure the best rate.
- You may be entitled to an enhanced annuity rate if you have health issues or a lifestyle that could reduce your life expectancy.

3. Get a flexible income (pension drawdown)

If you would prefer to keep your pension fund invested rather than secure a guaranteed income, you can opt to move your pension fund into flexi-access drawdown. This means you can flexibly access your funds whenever you want

by taking withdrawals to suit you, and allow the residual funds to remain invested to benefit from investment growth. Points to note are:

- These withdrawals are subject to income tax.
- This choice provides flexibility and can be attractive if you want to maintain control over your pension pot and how it is invested.
- How much and how often you take money out is up to you, but there is always a risk the funds will not last your lifetime.
- Your funds remain subject to investment risk and the amount you have invested can go down as well as up.
- The investments and withdrawals will need to be managed prudently to ensure the sustainability of the drawdown funds.
- There are normally ongoing charges associated with drawdown plans, and these can vary depending on pension providers and investments.

4. Cash in some or all your pension pot (UFPLS)

Uncrystallised funds pension lump sum (UFPLS) allows you to take some or all your pension fund as a lump sum or series of lump sums. These lump sums are partially subject to income tax. UFPLS could be viewed as a simpler form of drawdown.

5. Leave your pension pot where it is (do nothing)

You don't have to access your pension fund when you retire, you may opt to leave the plan invested. There can be tax advantages of doing so but this will depend on your own circumstances, the plan rules and inheritance plans.

6. Combine your pension options

You can also combine some of these options. This approach allows you to access your pension in different ways, which you may prefer to do based on your different needs and stages of retirement.

Summary

Your pension pot is primarily meant to support you during your retirement years, so it's important to make a well-informed decision about how and when to access your pensions. Each option has its own complexities and consequences. It's important to seek professional advice to help you better understand your options, especially considering the frequent changes to pension legislation.

For further information on how our Wealth Planning team could help you with retirement planning, please speak to your Investment Manager to arrange a meeting with one of our Chartered Financial Planners.

The information provided in this article is of a general nature and is not a substitute for specific advice with regard to your own circumstances. You are recommended to obtain specific advice from a qualified professional before you take any action or refrain from action. The eligibility of allowances, access to products and potential benefits are subject to change by the HMRC. All figures quoted are accurate at the time of writing.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested.

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