Barclays SIPP factsheet

Opening a Barclays SIPP

It's important to think carefully about whether a SIPP is the right way for you to save for retirement. In this factsheet we'll run through your options, and what you'll need to consider. Please bear in mind that the value of your investments can fall and you may get back less than you invested. Tax rules can, and do change from time to time, and the benefit that you receive from holding a SIPP will depend on your personal circumstances.

Like any other Smart Investor account, you'll need to be a UK resident to open your SIPP. If you move outside the UK in the future, your account may be restricted, which means that you can sell investments – but you may not be able to buy new investments. If you move to a country which is sanctioned by the UK or the United Nations, we will ask you to transfer your SIPP to a new provider.

"Execution only" Service

Barclays SIPP is provided on an "execution only" basis. So you are deciding that you consider the SIPP to be appropriate for you, and that it will meet your objectives. You also need to manage any contributions yourself to ensure that you do not exceed your pension allowances across all your pensions. If you exceed your allowances, you may face significant tax charges.

You may not be able to access your money

Tax benefits are available to people who save for their retirement using a pension. However, in return for these benefits, there are certain constraints. The main one is that no withdrawals can be made from a pension until you reach age 55, increasing to 57 by 2028. Therefore you must be certain that you are comfortable keeping your money tied up until you reach that age. There are expectations that the minimum age for withdrawals will increase further, but the timing of any future changes has not yet been clarified.

Who provides your SIPP?

The Barclays SIPP is provided by both Barclays and AJ Bell. AJ Bell is a specialist pension provider. AJ Bell Management Ltd administers the pension. They deal with any payments into your pension, reclaim basic rate tax relief, and process any income withdrawals that you make. Sippdeal Trustees Ltd is the pension trustee, and owns all the pension assets that you pay into your SIPP. Sippdeal Trustees delegates authority to you, the member, to take all investment decisions associated with your SIPP. So you should be confident that you can make any decisions in relation to your pension savings.

Barclays Smart Investor is where all the assets in the Barclays SIPP are held. You can place investment instructions online via our website, or by calling our contact centre. Your SIPP account and the investments you have will appear alongside any other investment accounts you hold with Smart Investor. However, be aware money can only be paid into the SIPP Account by AJ Bell after it has been processed as a contribution, and any withdrawals are made by AJ Bell and paid to the SIPP investor after deducting any tax that is payable. You can access the relevant links and forms to do this from selecting "manage" your SIPP account on Smart Investor.

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Transfer of ownership

Whilst you retain a beneficial interest in the SIPP assets, in paying money into a pension the ownership of the cash moves to the pension trustee. An advantage of this is that assets sit outside your estate when you die, and so they are generally not taken into account for the calculation of inheritance tax liabilities. To retain this inheritance tax exemption, in the event of your death, while they will take into account the beneficiaries that you nominate and your will, the administrator has full discretion as to who will receive the assets in your pension. If you are unsure about this, please speak to an independent financial adviser.

What can be paid into or transferred into the Barclays SIPP?

The Barclays SIPP can be funded by paying cash contributions to AJ Bell, who will reclaim basic rate tax relief and pay both amounts into your SIPP account on Smart Investor. You can also transfer in existing pension savings, provided that they are defined contribution pensions. We do not accept transfer from defined benefit (eg. final or average salary) pension schemes. If you are considering transferring in pensions please ensure that you are not giving up valuable benefits. You'll find an outline of these in the Transfer factsheet we display when you access the forms to request a transfer out or in our consolidated factsheet.

Full information about your SIPP and how it works can be found in the Key Features Document and the Barclays SIPP Terms. You should not proceed until you are comfortable with the information in the documents.

SIPP factsheet – making payments into your pension

Returns on investments held in a SIPP aren't usually subject to income tax or capital gains tax (CGT) but there are limits to how much you can contribute to your pensions each year and the overall value of all your pensions. If your combined pension savings exceed these limits there could be tax charges. In this factsheet we'll run through the rules on making contributions to your SIPP. **Please bear in mind that tax and pensions laws can change and that their effects on you will depend on your individual circumstances. If you're unsure seek professional advice. We don't offer personal advice.**

Remember too that the investments you might buy with your pension contributions can fall as well as rise in value and you may end up with a fund worth less than you contributed.

How much can you contribute?

You'll find details of the annual allowance and lifetime allowance (LTA) below. Remember that the annual allowance limit applies to **total** contributions, whether made by you or someone else.

If someone contributes on your behalf, for example your employer, you'll need to work out how much of your allowances those contributions account for and how much is left for your own contributions.

The annual allowance

The annual allowance is the amount you can put into all your pensions each year and still get tax relief – if you haven't already taken any taxable benefits from money purchase pensions such as a SIPP. This year it's £40,000 (including the basic rate tax rebate).

In relation to personal contributions the maximum you can contribute is also restricted to 100% of your earnings which may be less than the annual allowance. Employer contributions aren't restricted by your earnings.

If you have “Threshold Income” over £110,000 (see definition below) **and** your “Adjusted Income” (see definition overleaf) exceeds £150,000, your annual allowance is ‘tapered’. That means your annual allowance reduces by £1 for each £2 of extra adjusted income over £150,000 until your tapered annual allowance reaches £10,000.

Example

A person with Adjusted Income of £180,000 (taxable income £160,000 + £30,000 all pension contributions -£10,000 personal pension contributions) whose Threshold income is £150,000 (taxable income £160,000 -£10,000 personal pension contributions) – will have a £25,000 annual allowance. That’s because they’re £30,000 over £150,000, where tapering starts..

For each £2 of extra adjusted income, the allowance comes down by £1 – in this case, a reduction of £15,000 in total. Take that away from the £40,000 standard allowance and the result is £25,000.

Income definitions relating to Taper Relief
“Adjusted Income” is calculated as:
Earnings subject to income tax + All pension contributions – personal pension contributions – taxable lump sum death benefits received.

“Threshold Income” is calculated as:
Earnings subject to income tax + earnings subject to salary sacrifice or flexible earnings set up after 8 July 2015 – personal pension contributions where tax relief was received at source(including the tax relief) – taxable lump sum death benefits received.

Money purchase annual allowance

If you start taking a taxable income from any of your money purchase (defined contribution) pensions through an Uncrystallised Funds Pension Lump Sum (UFPLS) or flexi-access drawdown, you won’t get the normal annual allowance in relation to money purchase (defined contribution) pension schemes. Instead, you’ll get the lower, money purchase annual allowance.

This ensures money withdrawn from money purchase pensions isn’t used to fund further pension contributions on which you’d receive tax relief. The limit is currently £4,000.

Combined contributions

The annual allowance and money purchase annual allowance cover all contributions to your pensions made by you, your employer and anyone else on your behalf. However the money purchase annual allowance doesn’t restrict increases in benefits built up in defined benefit (final salary/career average) pension schemes, these are only restricted by the annual allowance. You’ll need to take account of contributions and increments made on your behalf when you work out how much of your annual allowance is left.

The carry forward rule

Unless you've already triggered the money purchase annual allowance, 'carry forward' allows you to use leftover annual allowances from the last three tax years, provided that:

- You were a member of any pension scheme during the period
- You have enough earnings in the current tax year in relation to any personal contributions

You'll receive the tax relief on these additional contributions against your current year's income, and you, or your employer, can make the contributions into either a new pension scheme, your existing schemes or both.

- For each of the last three tax years (2016-17, 2017-18, 2018-19) the maximum annual allowance you can carry forward has been £40,000, although since the 2016-17 tax year, your allowance may have been subject to tapering, as set out above. That's a potential maximum of £120,000 in carry forward from the previous three tax years, plus an additional £40,000 for the current tax year.

This means you might be able to contribute as much as £160,000 in 2019-20, depending on how much you contributed during the previous three tax years, and whether the taper applies. You'd also need to have at least this level of earnings in the tax year in which the contributions are made, since your maximum personal contribution is limited to 100% of your taxable earnings.

Lifetime allowance (LTA)

The total value of all your pension savings is capped at £1.055m (increased from £1m on 6th April 2018). This is checked when you start drawing a new pension, at age 75 if you have not used all your pensions to provide a secure income and if you die before age 75 without accessing all your benefits. Anything above the lifetime allowance is taxed at 55% if taken as a lump sum, or at 25% if later used to provide a taxable income.

Protection

The LTA has reduced in recent years, so you may have applied for 'protection' from HMRC to avoid being penalised for a total value that was within a previous LTA, but now exceeds the limit, or for pension funds that you had built up before the LTA was introduced. Remember, that with some types of protection you'll lose it if new pension contributions are made.

With the LTA, watch out for investment growth, which is included in your fund value when tested against the allowance. You need to be aware that if the combined value of all your pension pots, including investment growth, exceeds the limit by the time you come to use them then tax charges will apply.

If you're in any doubt about the suitability of a SIPP for you, or about the impact of paying money into your pension, you should seek financial or tax advice. Please bear in mind that tax and pensions laws can change and that their effects on you will depend on your individual circumstances. If you're unsure seek professional advice. We don't offer personal advice.

Managing your own pension investments isn't right for everyone – you need to be satisfied that you have the necessary skill and experience to make the key decisions about your objectives and plans for retirement.

SIPP factsheet – transferring your pensions

If you've worked for a number of different employers, you may have paid into several pension plans. If they offer a limited choice of investments with little control over how your money is invested, you may want to think about transferring some, or all, of them into a SIPP.

It's often difficult to compare the benefits of different pension schemes, so we've outlined the possible advantages and disadvantages to consider. This is not personal advice for you. We don't offer personal advice. If you're uncertain as to whether transferring is right for you, or you need help in assessing the pension benefits you have, please seek independent financial advice.

Consolidating your pensions

Transferring your pensions into a SIPP won't alter the beneficial tax position that pensions attract, but it could change the benefits that you're entitled to receive, which is why it's important to consider whether it's right for you. **You also need to remember tax and pension rules can and do change and their value to you depends on your individual circumstances.**

Defined benefit pensions (for example, final salary/career average schemes) – we can't accept transfers from final salary schemes into the Barclays SIPP, even if you received advice, as it's unlikely to be in your best interests to transfer these pension savings into a SIPP. This is because you'll lose valuable benefits. These schemes offer an income based on your earnings rather than the amount you've saved into your pension, as is the case for defined contribution/money purchase schemes. Pension rules require you to seek professional advice before moving defined benefit pensions worth £30,000 or more.

Defined contribution pensions – these may be pensions offered by your employer or standalone personal pensions that you've taken out at some point. If you move your company pension relating to your current employment you may lose contributions that your employer makes to top up your pension. For that reason, you should normally only consider moving pensions that relate to previous employment but even then you will need to check that you will not lose some valuable benefits.

Your existing options – check how well your existing scheme is performing and whether you have a choice of different investments that suits you. Also check whether you'll lose any valuable benefits (see below). If you have the investment choices you're looking for, then check whether you'd be better served by making additional contributions to existing schemes.

Would you have to pay any penalties? – find out whether there are any transfer charges or exit penalties from your existing provider if you decide to move your pension. These could be penalties or charges that relate to the pension, or the underlying investments.

Which pensions can you transfer into our SIPP?

We can accept transfers from UK pension funds such as:

- Personal pensions
- Executive pension plans
- Stakeholder pensions
- Group pension plans
- Company-sponsored money purchase schemes.

The possible advantages of transferring your pensions into a SIPP

- **A wider range of investments** – not all pension schemes give you access to a wide range of investments. Some offer a more limited range of funds. You may decide to move these savings to a pension scheme that offers a wider range of investment options – shares, funds, exchange traded funds and more, allowing you to build the portfolio that suits you.
- **Flexibility and freedom** – with a SIPP, you actively choose how your pension savings are invested, giving you the freedom to see how your investments are performing and to check whether you're on track to receive the income you want when you retire.
- **Keep on top of costs** – some older investments carry higher costs than newer options. For example, exchange traded funds can be cheaper than conventional tracker funds. You may be able to reduce administration charges, either by consolidating smaller pots or by seeking out fixed price administration charges. But remember you should consider the total cost to manage your pension and hold the investments you choose.
- **Everything in one place** – managing multiple pensions can be difficult and time consuming. By consolidating, you can manage your pension investments in one easy-to-use wrapper.

The possible disadvantages

- **You could lose valuable benefits** – if you have any of the following common benefits in your current pension, you'll lose them by moving to a SIPP. This is not an exhaustive list and you should check with your provider to ensure you would not lose out.
  - **Loyalty bonuses for staying in the pension plan** – these can amount to significant sums.
  - **'Safe guarded benefits' – these are valuable benefits included in your pension such as**:
    - **Guaranteed annuity rates or guaranteed minimum pension** – if your current pension plan offers these, they're normally higher than what's available from other annuities.
    - **Guaranteed minimum increase in pension fund** – these offset the impact of inflation, but some company schemes include the option to make discretionary increases too.
    - **Discretionary increases to the value of the fund** – some schemes require the employer to increase the value of the fund by specified amount regardless of investment returns.

    Where your pension is worth more than £30,000 and it includes safe guarded benefits, pension rules require you to receive financial advice before you transfer them.
  - **Guaranteed spouse's pension** – some company schemes offer a pension to your spouse once you die.
  - **Market Value Adjustments (MVA) or Market Value Reduction (MVR)** – these apply to 'with profits' investments where the allocated returns are higher than the value of the underlying investments, so if you cash them in or transfer them, a reduction is applied. Most with profits policies have a date on which (or after which) the MVA/MVR won't apply. But if applied they can significantly reduce the value of your pension.
- **You're responsible for the management of your own pension** – you'll have the freedom and flexibility to choose your own investments, but you'll also need the time and expertise to do so. Investing your own pension is not for everyone.
- **You could be liable for an exit penalty** – some pension schemes charge a penalty when you transfer. Always ask your current provider about any penalties or costs.
- **You may save money by using existing schemes** – as you're likely to incur new charges for the administration of a SIPP, you may be better off using your existing personal pensions.
- **If you do transfer, the investments that you hold in your pension can fall as well as rise in value and you may end up with a fund that is worth less than you put in.**

Important information about transferring your assets

Before transferring your pension and associated investments, find out about any charges, exit penalties or benefits you may lose or investments that you can't transfer to us.

- **Transferring in Cash (normally 1-2 weeks to complete)**

  If you're transferring cash after selling your investments and planning to repurchase them, remember you'll be 'out of the market' for a time. That means you'll miss out on any rise in value or returns on these investments during that period. You'd also miss out on any corporate actions such as rights issues and voting rights.

  There'll be dealing charges to sell and repurchase investments.

- **Transferring existing investment holdings**

  There'll be a period during the transfer when you won't be able to sell existing investment holdings. How long this period lasts will depend on the broker you're transferring from. There may also be delays in receiving dividends, other income and information, as well as delays to notification of voting rights or corporate actions, such as rights issues. These could affect your ability to respond where deadlines are shorter.

If you're in any doubt about the suitability of a SIPP for you, or about transferring, you should seek financial advice. Please bear in mind that tax and pensions laws can change and that their effects on you will depend on your individual circumstances. If you're unsure seek professional advice. We don't offer personal advice.

Managing your own pension investments isn't right for everyone – you need to be satisfied that you have the necessary skill and experience to make the key decisions about your objectives and plans for retirement.

SIPP factsheet – making withdrawals from your pension

It's important to think carefully about the impact of taking benefits or making withdrawals from your pensions on both your current tax position and how you'll fund you retirement in the future. In this factsheet we'll run through your options and what you'll need to consider.

Pension rules state that you need to be 55, increasing to 57 by 2028 and 58 by 2038, to take pension benefits. That means you can't usually access the funds in your pension before that age. Also, once you draw an income subject to tax from your SIPP you will be subject to the Money Purchase Annual Allowance (MPAA) which will restrict what you can pay into pensions – see more detail below.

Please bear in mind that tax and pensions laws can change and that their effects on you will depend on your individual circumstances. PensionWise is a government sponsored organisation set up to help people understand their options as they approach retirement. They offer information and support and can be contacted on 0800 138 3944. But if you're unsure seek professional advice. We don't offer personal advice.

Lifetime allowance (LTA)

The total value of all your pension savings is capped at £1,055,000 in 2019-20. This is checked when you start drawing a new pension, at age 75 if you have not used all your pensions to provide a secure income and if you die before age 75 without accessing all your benefits. Anything above the lifetime allowance is taxed at 55% if taken as a lump sum, or at 25% if later used to provide a taxable income (ie 25% on top of your applicable income tax rate at the time the income is withdrawn).

What can you do with your money?

- **Withdraw up to 25% tax-free** – this leaves the remainder of your pension available to use for income now or later.
- **Take it all in one go** – this could involve a big tax bill, with all the taxable income being taken in one year possibly pushing you into the highest tax rate. You could end up paying more tax than necessary, compared to drawing the same amount spread over a number of tax years. Also, as you would be taking a taxable income the MPAA (see below) would apply to future pension contributions.
- **Buy an annuity** – set up an income for the rest of your life or a set period.
- **Withdraw it gradually** – take a regular income from your pension, if you haven't already taken the tax-free lump sum, 25% of each slice will be tax-free and the rest is taxable, so you pay the relevant tax due in each year. As you would be taking a taxable income the MPAA would apply to future pension contributions.
- **You can also use combinations of these options** at different times as it suits you.

Taking a lump sum

You can take up to 25% of your pension as a tax-free lump sum. You can use the remaining 75% to provide you with an income when you need it, through an annuity or income drawdown.

Alternatively, you can withdraw some or all of your pension pot as an Uncrystallised Fund Pension Lump Sum (UFPLS). 25% of this is tax-free with the balance subject to income tax.

Remember, taking income or a lump sum now will reduce or use up the amount you have available to fund your lifestyle later in retirement. You'll need to work out how much you can afford to take and how you'll fund your living costs in the future.

Taking an income in retirement

Annuities

Buying an annuity gives you a regular income either for the rest of your life or for a defined period. Annuities are usually provided by a life assurance company and you'll need to pay income tax. How much you get from your annuity depends on your age, health and any additional terms you select – for example:

- Whether it'll pay an income to your spouse or dependant after your death
- Whether it'll rise with inflation or be a fixed amount each year
- Whether you select a capital or fixed-term guarantee to ensure a minimum payout in case of premature death.

Another thing to think about is your health. If you suffer from a serious medical condition such as high blood pressure or diabetes, you have a long history of smoking or you worked in a hazardous occupation, you may be able to apply for an 'impaired' or 'enhanced' annuity. These pay a higher level of income to reflect a presumed reduced life expectancy.

Annuities are not without risk. You are generally locked into the income level quoted at the point you purchase your annuity for its entire term. So you will not benefit from any unexpected increase in returns that may occur. Interest rates are heavily influenced by current and expected future interest rates. Since we have experienced record low interest rates for a number of years, annuities are paying lower levels of income than have historically been available. Also if you become seriously ill and there is a change in your life expectancy, you generally receive no uplift in the income that you receive.

Drawing an income from your SIPP

Buying an annuity provides certainty around the income you'll receive in retirement or in the case of a limited term annuity, for the agreed period. Drawing an income from a SIPP provides more flexibility and the opportunity to benefit from possible growth in investment markets, but not the certainty of a defined income. Think about whether the income you're drawing exceeds the returns that the SIPP investments generate. If so, your funds will be depleted and you'll need to consider whether this is sustainable for the period you expect to rely on your pension.

Also remember that the value of your pension fund can fall as well as rise. It's important to manage the diversity and risk profile of your portfolio to make sure you're comfortable and that it meets your investment objectives.

Considerations when taking pension benefits

You can start taking benefits from ('crystallise') all or part of your scheme. Here's what you'll need to consider:

- **Large tax bill –** 75% is taxable and will be added to any other income received during the tax year. Therefore you could pay more tax by drawing out your pension in one go (because you become a higher or additional rate tax payer) than by 'phasing' withdrawals over a number of tax years.
- **Income to fund your retirement** – if you use your pension to fund things like holidays, will you have enough money to live on through your retirement?
- **Tax efficiency** – no CGT, dividend tax or income tax is payable on returns earned within the pension
- **Other taxes and costs to consider** – depending on how you plan to invest your money, some returns may be taxable and charges are likely to be apply which could be higher than those you pay in your pension. Some people use pensions to purchase buy-to-let property. However, this attracts higher levels of stamp duty, rent would be subject to income tax, and any increase in value would be subject to capital gains tax too. This is without taking into account the risk that a property may be vacant for a period of time, not generating an income, and all the costs of buying and maintaining it. Just like investments, the value of properties can fall.
- **Supporting a spouse or partner** – many pension arrangements have provisions to support a surviving spouse if you die. If removing lump sums from your pension this should be considered.
- **Losing protection from creditors** – pension assets enjoy a degree of protection from your creditors, which would be lost if money is withdrawn
- **Adverse impact on means tested benefits** – as pension benefits are treated as income withdrawals from pensions can adversely impact certain benefit entitlements
- **Beware of pension scams** –these often encourage people to take their savings out of the pension and invest it elsewhere, and usually result in those targeted losing most if not all of their retirement savings.

Taking benefits can reduce your contribution allowances

Once you draw pension benefits that are subject to tax from a defined contribution pension scheme – more than your 25% tax-free lump sum – the amount you can pay into pensions reduces. The standard annual allowance is reduced to the Money Purchase Annual Allowance (MPAA), which is £4,000. You'll also lose the ability to carry forward unused allowances. Think about the amounts you want to pay into pensions before you start drawing taxable benefits.

If you're in any doubt about the suitability of a SIPP for you, you should seek financial advice. Please bear in mind that tax and pensions laws can change and that their effects on you will depend on your individual circumstances. If you're unsure seek professional advice. We don't offer personal advice.

Managing your own pension investments isn't right for everyone – you need to be satisfied that you have the necessary skill and experience to make the key decisions about your objectives and plans for retirement.

Item Ref IBIM7134. March 2019.