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.

And just so you know, you won't be able to transfer pension savings from defined benefit schemes (such as final or average salary pension schemes), or schemes with safeguarded rights (like guaranteed minimum pensions or guaranteed annuity rates) into your Barclays SIPP.

"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 you can't withdraw anything from your pension until you're 55 (57 from 6 April 2028), and this age is likely to go up further in the future. 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.

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 won't accept transfers from defined benefit schemes (such as final or average salary pension schemes), or defined contribution schemes that benefit from safe guarded benefits (like guaranteed minimum pensions or guaranteed annuity rates). 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. If you want to find out more about pensions, here is a selection of independent sources of information:MoneyHelper, HM Revenue & Customs, Pension Wise, YourPension.gov.uk or independent financial adviser.

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 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.

Your SIPP can be a useful addition to your current employer's pension scheme, but isn't designed to replace it. By continuing to pay into an employer's pension scheme, you'll benefit from their contributions on top of your own. Also your employer's pension scheme might offer a spouse's pension and/or life assurance, which your family would lose if you stopped paying into the scheme.

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 £60,000 (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.

For the 2024/25 tax year, if you have 'Threshold Income' over £200,000 and your 'Adjusted Income exceeds £260,000, your annual allowance is tapered. That means your annual allowance reduces by £1 for each £2 of extra Adjusted Income over £260,000 until your tapered annual allowance reaches £10,000.

These figures were the same in 2023/24. In previous tax years different limits applied. From 2016/17 to 2019/20 the 'Threshold Income' was £110,00 and Adjusted income was £150,000. From 2020/21 to 2022/23 the 'Threshold Income' was £200,000 and 'Adjusted income' was £240,000.

Example

A person with Adjusted Income of £270,000 (taxable income £250,000 + £30,000 all pension contributions -£10,000 personal contributions) whose Threshold Income is £240,000 (taxable income £250,000 -£10,000 personal pension contributions) – will have £55,000 of annual allowance remaining. That's because they're £10,000 over £260,000, where tapering starts.

For each £2 of extra Adjusted Income, the allowance comes down by £1 – in this case, a reduction of £5,000 in total. Take that away from the £60,000 standard allowance and the result is £55,000.

Income definitions relating to Taper Relief

"Adjusted Income" is calculated as:

All taxable income subject to income tax + All pension contributions – personal pension contributions where tax relief received at source– taxable lump sum death pension benefits received.

"Threshold Income" is calculated as:

All taxable income subject to income tax + Earnings given up through 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 pension 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 £10,000.

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

When considering how much you can pay into your defined contribution pension, it's important to remember that you can carry forward any leftover annual allowances you have from the last three tax years, provided that:

- You haven't already triggered the money purchase annual allowance
- You were a member of any pension scheme during this period
- You have enough earnings in the current tax year for 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 2021-2022 and 2022-23 the maximum annual allowance you can carry forward is £40,000. For 2023-24, it's £60,000. However, you need to consider the taper if you were a high income individual in any of those tax years.

This means you might be able to contribute as much as 200,000 in 2024-25, depending on how much you contributed in the previous three tax years, and whether the taper applies.

Transitional Protection

If you've registered with HMRC for Enhanced Protection or one of the forms of Fixed Protection, it's now possible to make contributions without revoking your protection, which was not previously the case. This change came into effect on 6 April 2023 (provided you had applied for the protection before 15 March 2023).

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 your current employer's pension scheme or 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.

We also won't accept savings from defined contribution schemes that benefit from safeguarded benefits. For more information about what these might be, have a look at 'The possible disadvantages' section on the next page.

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.

Transferring to your current employer's pension scheme, is that an option? – if it offers the investment options you're looking for and/or you have greater confidence in the financial stability of your current employer, you will probably incur lower charges if you consolidate your pension savings into your current employer's scheme. This is not always possible but should be considered.

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

If you transfer your current pension to a SIPP, you could lose out on valuable benefits. We've listed the most common benefits below, but it's worth checking with your pension provider as they may offer other benefits that you'd lose out on if you moved to a SIPP.

- **Defined benefit pension schemes** – these are based on your salary and length of employment (for example, final or average salary schemes), and provide you with an income in retirement
- **Safeguarded benefits** – these are valuable benefits included in your pension, which provide you with a form of guarantee for your future income eg
  - **Guaranteed annuity rates or guaranteed minimum pension** – if your current pension plan offers these, they're usually higher than what's available from other annuities

Pension rules mean that if you have a defined benefit pension scheme or it includes safeguarded benefits and it is valued over £30,000, you must get financial advice before transferring it. But, just so you know, even if you've received financial advice, you still won't be able to transfer funds from the schemes above into your Barclays SIPP.

- **Loyalty bonuses for staying in the pension plan** – these can amount to significant amounts
- **Protected tax-free cash** – before pension rules changed in 2006, some pension schemes allowed you to withdraw more than 25% of your pension as tax-free cash. While this benefit is still protected, you'd lose this protection if you transferred your savings
- **Guaranteed minimum increase in pension fund** – these offset inflation, but some company schemes can make discretionary increases too

- **Discretionary increases to the value of the fund** – some schemes offer the option for the employer to increase the value of the fund by a specified amount, regardless of investment returns
- **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. This could include your current employer's pension scheme.
- **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 usually mean you won't be able to access the funds in your pension before the age of 55 (increasing to 57 from 6 April 2028). Also, if you start to draw a taxable income from your SIPP, you'll be subject to the Money Purchase Annual Allowance (MPAA), which restricts what you can pay into pensions – see below for more details.

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.

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 a secure 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.

Lump sum allowance (LSA) and lump sum and death benefit allowance (LSDBA)

The LSA is £268,275. This places an upper limit on how much you can take as a tax-free lump sum. The 25% tax-free part of an UFPLS also counts against this. The LSDBA is set at £1,073,100. This places a limit on how much can be paid as a tax-free lump sum death benefit if you die before the age of 75. However, note that any tax-free lump sums and 25% of an UFPLSs you take during your lifetime also count against this.

Before 6 April 2024, pension benefits were limited by the lifetime allowance (LTA). If you took benefits before 6 April 2024, thereby using some LTA, a one-off calculation will take place when you take benefits for the first time on or after 6 April 2024. Your LSA and LSDBA will be reduced relative to how much LTA you used. However, if you took a lower tax-free lump sum in a defined benefit pension scheme or you used some LTA without taking a lump (such as at 75), you may wish to consider applying for a transitional tax-free amount certificate, as this could give you a higher LSA and LSDBA. You can only apply for a certificate before you take benefits – it can't be applied for retrospectively. Please contact AJ Bell for further details.

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. Annuity rates are heavily influenced by current and expected future interest rates. As we are now experiencing higher interest rates than in previous years, annuities are paying higher levels of income than have been available in the last decade. 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? Income regularly withdrawn from your pension, coupled with charges, means that good investment growth is vital to prolong the life of your pension and maintain withdrawals into the future. Taking high levels of income may be unsustainable if you plan to keep your pension for the long term.
- **Inflation** – You should continue to review the investment strategy within your pension to make sure it has the potential to grow sufficiently to meet your objectives. Over time, the value of your pension in real terms could be eroded by inflation, particularly if you invest in cash or investments that offer a similar return to cash.

- **Tax efficiency** – as your pension grows, you won't have to pay any income or capital gains tax, and usually you won't have to pay inheritance tax. However, it's likely you'll have to pay income tax on any withdrawals you make.
- **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

Should you start to 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 £10,000. 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.

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Item Ref IBIM7134. March 2024.