

WHAT IS A SIPP AND WHERE CAN YOU GET ONE?

BY REBECCA JONES | 24 FEB, 2020

A staggering 69% of the UK population has a pension with around 18 million Britons actively paying-in to one right now. Most of us stick with whatever our employer plonks us in, but a growing number of us are going DIY through a Self Invested Personal Pension, aka a SIPP.

WTF is a SIPP?

A SIPP is a pension that you invest and manage yourself. This sounds a bit scary until you realise that all pensions are invested. That's right: those many workplace pensions you have floating about are not sitting in a magical money pot in your employers' basements. Instead, they are actually making the stock market go round.

A SIPP has all the same tax benefits as any other pension – i.e. tax relief on your contributions at your income tax rate (20%, 40% or 45%) and a 25% tax-free lump sum payable when you retire. However, a SIPP also allows you to be in control of where your pension money is invested. You can pick any number of investments for a SIPP: investment funds and trusts, individual shares, bonds (debt of companies and governments), gold and even property.

What's SIPP to me?

As we explained in our video '[Your pension is invested in Shell. Here's how to change that](#)', the overwhelming majority of pension funds are simply invested in main markets. This means the bulk of our money is in oil and gas, mining, tobacco and arms companies, as well as big banks and pharma giants. Take a look at the constituents of the oft-quoted [FTSE 100 index](#) (scroll down to 'Constituents Dec 2019') – aka the list of the UK's biggest 100 companies – to see what we mean.

With a SIPP, you can avoid investing in these harmful industries and instead choose to invest in sustainable companies and funds working FOR people and planet, rather than against them. To get an idea of the types of funds you can put in a SIPP, check out our pick of the '[Top 20 sustainable funds for 2020](#)' and/or keep up to date with our '[Fund of the Month](#)' series. The other big advantage of a SIPP is that you can consolidate all of your pensions in one – a big bonus considering how many jobs most of us now have over our lifetimes.

What about my workplace pension?

Workplace pensions are great. Why? Because of the FREE MONEY, that's why. Since the introduction of auto-enrolment in 2012, all employers have to contribute to a pension for each employee aged 22 and over that earn £10,000 or more. Currently, employers have to pay a minimum of 3% of annual earnings (so that's £300 if you earn £10,000) while we pay in 4% and the government 1%. You can opt-out of this, but then you'd be turning down the FREE MONEY.

SIPPs don't always bag this free cash. Some employers, especially those that do more than just the legal minimum, will happily put their contributions into your SIPP instead of their chosen scheme. To set that up you just need to parl  with HR. Other's, however, won't. If this is your story you'll need to make that call: i.e. free money or save the planet. You could consider doing both, perhaps saving the minimum in your workplace pension and running a SIPP alongside. You can save up to £40,000 into your pension(s) in any one year tax free.

For more on SIPPs vs. workplace pensions, download the New Money Pension Manual [HERE](#)

How much do they cost?

SIPPs tend to be a little more expensive than your average workplace pension scheme. In the latter you will rarely pay more than 0.75% on your savings per year, made up of fees charged by the provider (i.e. Aviva) and the fund manager the provider uses to invest your money (i.e. BlackRock). This would be around £22.50 if you saved the national average of about £3,000 per year into a pension.

For a SIPP, you will pay a fee to the platform provider (i.e. AJBell YouInvest or Interactive Investor) plus a fund fee (check out '[How to read a fund factsheet like a sandwich](#)' for more on this) plus usually a 'dealing fee(s)' on the investments you make every month. As such, it can be a little tricky to put an average annual % charge on SIPPs, but expect to pay between 1% and 2% a year in total. Watch this space for a detailed breakdown on this.

Where can I get a SIPP?

If you've got a bigger pension pot and a bit more to spend on fees, it's easiest to get a financial adviser to set up and manage your SIPP. For the sustainably minded, stick to specialists in the area such as [EQ Investors](#), Tribe Impact Capital, BlueSphere Wealth, Pennine Wealth Solutions or Castlefield. More and more of these are popping up everyday so do a Google search for your local area or check out the Ethical Investment Association's '[Find an IFA](#)' tool.

For a DIY SIPP, check out a low cost platform provider. In addition to the two we have listed above (AJBell YouInvest and Interactive Investor) Charles Stanley, BestInvest, Barclays Stockbrokers, Fidelity Fundsnetwork and Alliance Trust Savings are all options. We'll be following this article up with a detailed breakdown of each, but in the meantime follow this one main rule of thumb: if you have pension savings of £50,000 or less, pick a percentage-based fee model (i.e. 0.25% a year account fee). If you have more than that, go with the type of flat fees (i.e. £210 + VAT every year) charged by platforms like Alliance Trust Savings and Interactive Investor.

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ABOUT THE AUTHOR

Rebecca Jones

A financial journalist and communications consultant for nearly a decade, Rebecca has worked across national media, b2b, charities and for the UK's most established sustainable investment team.

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