

Briefing

Reviewing your annual SIPP statement and what to do next

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It's your SIPP anniversary and you've received your annual statement and statutory money purchase illustration. Now what? It is a good time to review your pension arrangements and possibly make some adjustments.

However, it is not necessarily obvious how to use this information or what to do. If you tend to put these documents somewhere safe to look at later (and "later" never happens) you are probably not alone. To help you get past this, we've put together some ideas.

Here, we assume that you have not taken any benefits and are still building up your fund. If that is not the case, we recommend you take a look at our series of [briefing notes](#) on taking benefits.

A word about our role

We administer your SIPP. It is vital but unglamorous work that involves keeping records, accounting for the assets and maintaining the tax reliefs available. We can give you information on pension rules and try to help you think about the issues you face (we will let you know in advance if this is chargeable) but we don't know all your circumstances and, in any event, can't give you financial or investment advice. We would always recommend that you take advice from a regulated financial adviser.

Your annual documents

The annual statement tells you your fund size on a given date. What matters more to most people is how much income that might produce when they start taking benefits. Of course, no one really knows that. Pension rules require us to try to calculate it and dictate what assumptions we should make in doing so. That is what the statutory money purchase illustration tells you. There is no guarantee that what actually happens in future will match it.

In fact, reality will almost certainly not match the projection – it could be better or worse and it could yo-yo over the years. It's important not to give up in the face of uncertainty. The answer is to keep planning, reviewing and adjusting. Get as near to the target as you can.

Review contribution levels

It is not unusual for people to start pension saving later than they ideally should. People may also save less than they ought to. Consequently, the outlook may be disappointing but it's worth taking steps to catch up as best you can, if you can.

One of the main things you might be able to do is contribute more. (Don't forget that if you have registered for protection from a lifetime allowance excess tax charge, you might invalidate this potentially very valuable protection, so check first). If you contribute a fixed amount each year, consider increasing it. As inflation and salaries increase over time, your fixed amount is becoming relatively less valuable. A good time to increase contributions may be to coincide with a pay rise or a bonus – we don't miss what we've never had. You'll find more ideas in this [blog](#). Remember that investments can go down in value as well as up, so you could get back less than you put in.

Adjust the target

One simple way to adjust the target is to leave it longer until you start withdrawing funds from your pension. This can be a powerful win-win; more time to pay in to your pension and less time that it needs to last for. You might find it helpful to try out the [calculator](#) from the Office for National Statistics (ONS) to see your chances of living to 100. Are your aspirations realistic in this context?

Will your fund exceed your LTA?

If you are one of the lucky ones, things might be going so well that your fund looks set to exceed your lifetime allowance (LTA) (the limit on how big your pension savings can be while still retaining all the tax exemptions). In this case, there are still things you can do. For instance, you might want to reduce or even suspend making contributions, although you should keep that under review. You may still be eligible for protection from the LTA. And you might simply decide that exceeding the LTA still works out in your favour. You can find more ideas [here](#).

Transfers

If you have other pension arrangements, you may wish to consolidate them in one place. This can make it easier to review your overall pension arrangements, including how they are invested and whether your retirement plans are on track.

As the SIPP annual fee is a flat fee, you may be able to save money by transferring-in other pension arrangements. However, it is very important to check whether you would incur charges or lose any valuable benefits by transferring. Our [briefing note](#) gives more information.

Cash

There are times when a SIPP will hold a significant amount of the fund as cash, such as prior to a commercial property purchase or paying a lump sum in retirement. However, conventional wisdom generally advises against keeping large cash sums for lengthy periods due to inflation eroding its value and missing out on potential investment returns.

If you have a significant sum of cash in your SIPP and no immediate need for it, there are a number of things you could consider:

- If you have a property, you may be able to reduce or even eliminate your mortgage – mortgage interest rates are normally higher than the interest you can earn on savings.
- If you have an investment manager – or wish to appoint one – contact your usual client manager and we can move funds to them.
- If you wish to keep some of your fund in cash, shop around for a good interest rate from a credit-worthy institution. You may be able to earn more interest if you are willing to tie money up in a term deposit for a fixed period. Remember to take account of charges – our panel bank accounts incur lower fees from us to reflect easier administration – and Financial Services Compensation Scheme ([FSCS](#)) limits.

House-keeping

It's not just the numbers you should be looking at. Arguably the most important thing in this area is to keep your expression of wishes form up to date. The life events that most typically prompt updates are birth, death, marriage and divorce, although there may be others as well.

Make sure you take advantage of the help we make available. If you [set](#) or [update](#) your marketing preferences, you can opt-in to receive our Quarterly Insights emails – once every three months it rounds up recent pension topics we've written about and alerts you to upcoming events and webinars.

It is also worth registering for SPPs Online and logging in from time to time to keep track of your pension. Speak to your usual client manager to get set up.

Still not sure?

Only a regulated financial adviser can give you a specific recommendation on what to do, taking into account your overall personal and financial circumstances and your plans. If you don't already have one, many websites can help, such as [unbiased.co.uk](https://www.unbiased.co.uk). You can check they are genuine via the regulator's [register](#) and look up reviews ([vouched-for.co.uk](https://www.vouched-for.co.uk), for example). If you aren't ready to take advice, you can find further guidance via the Money and Pensions Service.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively get in touch via the following:

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