The SIPP is Dead...Long Live the SIPP

Technically at least, the Self Invested Pension Plan is today what it has always been – a pension plan that is self-invested. A rather obvious statement but in the good old days it was more than that, wasn't it? It was the pension world's luxury item with features and benefits of the hand-crafted variety, available only to the affluent few. The SIPP was the BMW or Mercedes of retirement planning compared with the Ford Mondeo that was a personal pension plan. The modern-day SIPP is more 'hot-hatch', coming competitively priced and complete with a decent array of bells and whistles but lacking the style and substance of its traditional counterpart.

Don't get me wrong, this isn't a bad thing and is evidence of a market working properly. The luxury end has been stifled by a lifetime allowance sitting at an all-time low of £1m and an annual allowance languishing at £40K, where once they had reached the lofty heights of £1.8m and £255K respectively. So, the market reacted accordingly with technology solutions that brought open architecture investment choice to the masses at acceptable value. But still it lacks the sense of freedom that was the traditional the hallmark of a SIPP.

However, the SIPP we knew and loved hasn't really died, it's simply moved abroad to start a new, more liberated, life as an overseas pension. Where these are structured correctly to meet HMRC's requirements for both Qualifying Non-UK Pension Schemes ("QNUPSs") and Overseas Pension Schemes ("OPSs"), they also come wrapped in a very benign tax environment to complement the uninhibited investment options.

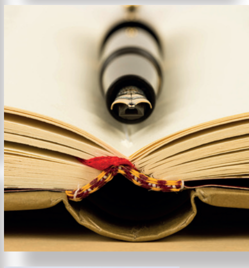
Certain investment strategies only make sense at a level that is beyond the lifetime allowance, for example actively managed investment portfolios, alternative investment strategies or property portfolios. None of this is an issue for an overseas pension, especially if administered by trustees well-versed in the intricacies of such assets.

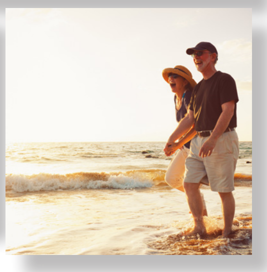
From a UK resident's perspective, there is some useful tax treatment too. The scheme will invariably be structured as a trust, where non-UK source income will not be subject to tax and UK source income can generally be managed efficiently. Non-property assets do not suffer CGT and the non-resident CGT rules which bite for residential (and, from next year, commercial) property do not apply if the scheme is an OPS because such schemes enjoy a statutory exemption from this charge. IHT does not apply where the overseas scheme meets all the conditions of a QNUPS. Granted, there is no tax relief on contributions, but the annual and lifetime allowance restrictions make that somewhat moot in this segment of the market. And with no tax relief comes unlimited contributions.

The true SIPP is making a comeback in an international form and, with the property option, is arguably new and improved. High value retirement savings can once again be built tax-efficiently on the full range of an individual's investment preferences and can be tailored over time to reflect the fluctuating nature of markets.

Long live the SIPP.

"IHT does not apply where the overseas scheme meets all the conditions"





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