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✨ Guides

The Self-Employed Pension Starter Guide

Ready to save for your future self? A pension is a great place to start!

Here's everything you need to know - no jargon, as always!

Why do you need a pension if you're self-employed?

Many employees have a workplace pension set up, which they contribute to regularly as well as their employer.

However, if you're self-employed, you'll need to set up your own pension and pay into it yourself.

If you don't arrange your own pension and contribute regularly, you could be at risk of heading towards pension poverty.

That's when you don't have enough money to cover your expenses when you retire.

⚠ Get tailored support to help build your retirement fund

Pensions can be complex, especially finding the best options if you're self-employed. Having professional support through the process can help ensure you understand each step along the way and find the best products and services. Speaking with an FCA-regulated independent financial adviser can help you break down everything you need to know and put you on the right track to building enough pension to cover your retirement years.

What are your pension options?

The two main types of pension to consider if you're self-employed are:

- self-invested personal pensions (SIPPs)
- personal pensions

Both types of pension can help you build up enough money to fund a comfortable retirement. The amount you'll have by the time you retire depends on:

- how much you pay in
- how your money is invested
- how the investments perform
- how much you pay in fees
- how and when you take money out of your pension

What is a SIPP?

A self-invested personal pension (SIPP) is a type of pension that you set up and contribute to yourself.

You can open a SIPP from the age of 18, although parents and grandparents can open a Junior SIPP on behalf of their children and grandchildren.

Here's a round up of the pros and cons of SIPPs to consider:

SIPPS pros and cons

✅ Pros

- Wider choice of investment options
- Flexibility to choose your own investments
- You might get tax relief on pension contributions
- You can consolidate other pensions into a SIPP
- You can take a 25% tax-free lump sum when you hit 55 (or 58 from 2028)

❌ Cons

- A SIPP is likely to be more expensive than a personal pension or a workplace pension
- There is investment risk to consider



What is a personal pension?

A standard personal pension allows you to make regular contributions into an account to save for your retirement.

Your personal pension pot can be invested in different assets such as stocks and shares, funds and ETFs.

Personal pensions are usually offered by insurance companies or banks.

Here's a round up of the pros and cons of SIPPs to consider:

✅ Pros

- Offers a hands-off approach to building your pension
- You don't need to be an experienced investor
- You might get tax relief on pension contributions
- You can take a 25% tax-free lump sum when you hit 55 (or 58 from 2028)

❌ Cons

- You might have less control over how your money is invested
- Limited range of investment options
- There is investment risk to consider

Which is better a SIPP or personal pension?

Whether a SIPP or personal pension is right for you boils down to how much input you want to have over your investment strategy.

SIPPs usually require more input from you in terms of deciding what assets you want to invest in while personal pensions are often managed on your behalf.

However, it's possible to open both types of account if you'd prefer to manage some of your pension investment while allowing a company to manage the rest.

If you're unsure of which option is best for you, speaking with a pension specialist or independent financial adviser could help you find the best type of retirement account.



? Need help weighing up your options?

Still unsure of which type of pension might suit you? The good news is you don't have to decide on your own. An independent financial adviser can help you better understand how each type of pension works and decide which might be best for your circumstances.

Choosing the right SIPP or personal pension

The following steps can help you set up a SIPP or personal pension

1 Shop around for a provider

Start by comparing different pension companies. That will help you find the best way to build up enough money for a comfortable retirement. To help you narrow down options, we've rounded up the best SIPP and personal pension providers.

2 Double-check fees

Fees cover the cost of managing your pension fund and making investments. They can eat into your returns. So it's important to know what you're paying before you open an account.

3 Consider your autonomy

Think about how much control you want to have over your pension investment strategy.

4 Review the investment choices

It's always worth checking what investment options are available. For example, stocks, shares, bonds, funds and exchange-traded funds (ETFs).

5 Consider professional advice

An independent financial adviser could help you choose the best pension. They come at a cost though, so check the fees before considering this option.

6 Set up your account

Once you've decided which SIPP or personal pension you want to open, register for an account and start making contributions to your pension.

Remember you don't have to manage your pension alone



Whether you're early in your career as a self-employed person or nearing retirement, creating a plan for your pension is key.

Retirement planning can get complicated and you don't have to figure everything out on your own.

You might find it helpful to speak with a qualified independent financial adviser to understand how different pension types work and which ones are most suited to you.

Not only will your advisor give you tailored advice for your circumstances, they'll also help you find the best deals and create a plan for your future.

If you want to take the first step, you can book a free, no-obligation chat with one of our adviser.

Book a free call

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Disclaimer
This guide is for education only and isn't financial advice. Everyone's situation is different, so speak to a regulated financial adviser before making decisions about your pension. Tax rules can change and depend on your circumstances. Pension and investment values can go down as well as up.