

Case study

Pension millionaire aged 44

Make informed decisions which will help you to reach your goals.
A client case study with Senior Wealth Director, Simon Brookes

BM BROOKS
MACDONALD





A client case study with Senior Wealth Director, Simon Brookes



In January 2015, at the age of 35, one of Simon’s clients was expecting his first child. This life event prompted him to seriously consider his financial future.

Observing his mother draw her teachers’ final salary pension, he realised the unlikelihood of securing a similar pension for himself. Having worked in finance for more than 10 years, he was aware of the benefits of saving into a pension, but as we all know, having knowledge and applying that knowledge are very different. The situation had become a case of a cobbler and his shoes!

He decided to make a pension transfer of £37,482 from his former employer’s group personal pension (GPP) into a newly established self-invested personal pension (SIPP). Within just 10 years, he reached his goal of becoming a pension millionaire before age 45. So how did he do it?

Strategy and actions:

1. 2014/15 tax year

- Carried forward unused annual allowances (AA) from the three previous tax years (£50,000 AA for 2011/12, 2012/13 and 2013/14) and fully used his £40,000 AA for 2014/15.
- Invested 100% of his bonus and several months’ salary into his pension.
- His employer contributed the national insurance (NI) contribution savings of 13.8% into his SIPP as part of his pension contributions.
- Considering the reduction in personal allowance by £1 for £2 of annual income over £100,000 since 6 April 2010 until it reduced to zero (£120,000 for the 2014/15 tax year) and a 2% employee NI contribution saving, he achieved 75.8% tax-relief for earnings between £100,000 and £120,000.

2. 2015/16 tax year

- Utilised the interim pension input period from 6 April 2015 to 8 July 2015 (pre-alignment tax year).
- Those who had used their £40,000 allowance before 8 July 2015 had another £40,000 allowance before 5 April 2016 (post-alignment tax year), subject to a total transitional annual allowance of £80,000.

3. 2016/17 tax year until 2024/25 tax year

- Maximised the AA as much as his earnings allowed him.

Financial growth over the years:

Calendar Year	Start (£)	Additions (£)	End (£)
2015	-	190,266 *	192,053
2016	192,053	99,828	322,317
2017	322,317	57,814	440,109
2018	440,109	28,187	436,038
2019	436,038	31,958	555,450
2020	555,450	40,000	684,282
2021	684,282	39,583	808,576
2022	808,576	30,562	737,411
2023	737,411	64,109	859,291
2024 to 1 October	859,291	65,079	1,010,380
Overall	0	647,386	1,010,380

**Including £37,482 pension transfer received on 30 January 2015.*

If you have any questions or would like to discuss your pension strategy, please get in touch with our team at pc@brooksmacdonald.com

Important information

Investors should be aware that the price of investments and the income from them can go down as well as up and that neither is guaranteed. Investors may not get back the amount invested. Past performance is not a reliable indicator of future results. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment.

Brooks Macdonald does not provide tax advice and independent professional advice should be sought. Tax treatment depends on individual circumstances and may be subject to change in the future, so you should seek independent tax advice, as to your own position. This information does not constitute advice or a recommendation and you should not make any investment decisions on the basis of it.

Brooks Macdonald is a trading name of Brooks Macdonald Group plc used by various companies in the Brooks Macdonald group of companies. Brooks Macdonald Group plc is registered in England No 04402058. Registered office: 21 Lombard Street, London EC3V 9AH.

Brooks Macdonald Asset Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England No 03417519. Registered office: 21 Lombard Street, London EC3V 9AH.

More information about the Brooks Macdonald Group can be found at **brooksmacdonald.com**