Junior SIPP Guide

For the Tax Year 2025/26

A Junior Self-Invested Personal Pension (Junior SIPP) offers parents and guardians a tax-efficient way to build retirement savings for a child from an early age, providing a significant head start in long-term wealth accumulation through the power of compound investment growth.

What is a Junior SIPP?

A Junior SIPP is a pension account created for a child under 18. It works just like an adult pension but is started much earlier in life.

Unlike other children's savings accounts which focus on shorter-term goals, a Junior SIPP is specifically designed for retirement planning. It allows parents, guardians, and family members to contribute to a child's pension pot long before they enter the workforce, maximising the benefits of long-term compound growth.

The pension belongs to the child, though it's managed by a parent or guardian until the child turns 18. At that point, control transfers to the child, but the money remains inaccessible until they reach minimum pension age (currently 55, rising to 57 from 2028).

Who can open a Junior SIPP?

A Junior SIPP must be opened by a parent or legal guardian. Anyone can contribute to help build the child's future pension.

Only a parent or legal guardian can open a Junior SIPP on behalf of a child under 18. However, once established, anyone – including grandparents, other relatives, and family friends – can make contributions to the account.

The Junior SIPP can be opened for:

- Any UK resident child under age 18
- Children without earned income (unlike adult pensions)
- Children with Child Trust Funds or Junior ISAs (these can run alongside a Junior SIPP)

While the parent or guardian manages the account until the child reaches 18, the pension legally belongs to the child from inception. This means the funds cannot be withdrawn or used by the parent or guardian for any purpose.

Is there an investment limit?

A Junior SIPP has specific contribution limits that determine how much can be invested each year. The government adds tax relief to boost your contributions.

For the 2025/26 tax year, the maximum contribution limit for a Junior SIPP is £2,880 net (what you pay in) per year. The government then adds 20% tax relief, increasing the total contribution to £3,600 gross (what goes into the pension).

This annual allowance refreshes at the start of each tax year (6 April). There is no minimum contribution requirement, allowing families to contribute according to their financial circumstances – whether that's regular monthly payments or occasional lump sums.

There is no requirement for a child to have earned income to receive tax relief on Junior SIPP contributions, making them a valuable tool for building long-term, tax-efficient savings well before the child begins working. Similarly, adults without earned income can also contribute up to £3,600 per year and still benefit from basic rate tax relief.

Who is eligible?

Any UK resident child under 18 can have a Junior SIPP. The account is managed by a parent or legal guardian until the child reaches adulthood.

To be eligible for a Junior SIPP:

- The child must be under 18 years of age
- The child must be a UK resident
- A parent or legal guardian must open and manage the account

There are no other eligibility requirements, making Junior SIPPs accessible to children of all ages, from newborns to teenagers.

If a child moves abroad and becomes non-UK resident, the Junior SIPP can typically remain open, though new contributions might no longer benefit from tax relief depending on specific circumstances.

Paying money into a Junior SIPP?

Contributing to a Junior SIPP is flexible and straightforward. You can make one-off payments or set up regular contributions based on your financial situation.

Once the Junior SIPP is open, contributions can be made at any time during the tax year, up to the annual allowance limit. Payments can be made by:

- Bank transfer
- Cheque
- Direct debit for regular monthly contributions

There is no obligation to make regular contributions, giving families complete flexibility to contribute when it suits their financial circumstances. Many providers offer the facility to set up regular monthly payments, which can be as little as £25 per month.

Contributions from grandparents or other family members are treated as gifts from them to the child, which may have inheritance tax planning benefits depending on individual circumstances.

What investments can be held in a Junior SIPP?

A Junior SIPP offers access to a wide range of investment options. These can be tailored to match your child's long investment timeframe.

The investment universe for a Junior SIPP typically includes:

- Shares in companies listed on recognised stock exchanges
- Government bonds (gilts)
- Corporate bonds
- Investment trusts
- Exchange Traded Funds (ETFs)
- Unit trusts and OEICs (Open-Ended Investment Companies)
- Cash

This extensive range provides significant scope for portfolio diversification. Given the extended investment timeframe of a Junior SIPP – potentially 40+ years before the child can access the funds – many financial advisers suggest a growth-focused investment strategy that can weather short-term market volatility in pursuit of stronger long-term returns.

Investment choices can be made by the parent or guardian managing the account, or through professionally managed portfolios offered by the pension provider.

Can I transfer existing investments into a Junior SIPP?

Most providers allow transfers from one Junior SIPP to another. This helps you consolidate pension savings or move to better investment options.

If your child already has a Junior SIPP with another provider, you can typically transfer it to a new provider through these methods:

- Full transfer – Moving the entire Junior SIPP to a new provider
- Partial transfer – Moving only selected investments to the new provider

The transfer process usually requires completion of specific transfer forms and may take several weeks depending on the assets involved and the cooperation of the transferring provider.

You generally cannot transfer non-pension investments directly into a Junior SIPP. Instead, you would need to sell those investments (potentially triggering Capital Gains Tax if held outside tax wrappers) and then contribute the cash proceeds to the Junior SIPP.

Can you make withdrawals from a Junior SIPP?

Junior SIPPs are strictly locked until retirement age. The pension cannot be accessed early, even for education or housing needs.

A key feature of a Junior SIPP is that the funds are completely locked away until the child reaches the minimum pension access age – currently 55, rising to 57 from 2028. This age may increase further in the future.

Unlike Junior ISAs, which become accessible when the child turns 18, or other children's savings accounts, Junior SIPP funds:

- Cannot be withdrawn early except for few very limited exceptions such as serious ill health
- Cannot be used for university expenses, house purchases, or other needs
- Are specifically ring-fenced for retirement purposes

When the child does reach the minimum pension age, they can access the funds under normal pension rules: typically, 25% can be taken tax-free, with the remainder subject to income tax at their marginal rate.

Why choose a Junior SIPP?

A Junior SIPP offers unique advantages for long-term planning. It provides tax benefits and tremendous growth potential through decades of compound returns.

Starting a pension for a child decades before they begin their career offers several distinct advantages:

- **The power of compound growth** - with a Junior SIPP. Even modest contributions have the potential to grow substantially over 40-50 years. For example, a monthly contribution of £50 (£62.50 with tax relief) from birth to age 18 could potentially grow to a significant pension pot by retirement age, even if no further contributions are made after age 18.
- **The tax efficiency is compelling** - with automatic 20% tax relief on contributions and tax-free growth within the pension. This means that for every £80 contributed, the government adds £20, immediately boosting the investment by 25%.

A Junior SIPP also provides a practical financial education opportunity, helping children understand the importance of long-term saving and investment as they grow older and eventually take control of their pension at age 18.

Additionally, for family members who wish to contribute to a child's future but are concerned about giving them direct access to large sums at age 18, a Junior SIPP provides certainty that the money will be preserved for retirement.

What are the tax implications of a Junior SIPP?

Junior SIPPs offer significant tax advantages. Contributions receive tax relief, and investments grow free from income and capital gains tax.

Junior SIPPs benefit from the same tax advantages as adult pensions:

- **Tax Relief on Contributions** - For every £80 paid in, the government automatically adds £20 in tax relief (25% boost), even though children typically don't pay income tax. This means a £2,880 contribution is immediately increased to £3,600.
- **Tax-Free Growth** - All investments within the Junior SIPP grow free from UK income tax and capital gains tax. Over the extended timeframe of a Junior SIPP, this tax-free compounding can significantly enhance returns.
- **Inheritance Tax Benefits** - Contributions to a child's pension may help with inheritance tax planning for the contributor. Regular contributions from grandparents, for example, may qualify as normal expenditure out of income and therefore be exempt from inheritance tax.
- **Tax on Withdrawals** - When the child eventually accesses the pension (from age 55/57), the standard pension taxation rules will apply: typically, 25% can be taken tax-free with the remainder subject to income tax at their marginal rate.

It's worth noting that pension rules and taxation may change significantly over the decades before the child can access the funds.

Why might a Junior SIPP not be suitable?

While Junior SIPPs offer strong long-term benefits, the money is locked away until retirement age. This makes them unsuitable for any earlier financial needs.

Despite their tax advantages and growth potential, Junior SIPPs may not be appropriate in all circumstances:

- **Access Restrictions** - The complete inability to access funds until minimum pension age means Junior SIPPs are unsuitable for any earlier financial needs such as university fees, first home purchases, or other expenses in early adulthood.
- **Priority of Other Savings** - For many families, establishing an emergency fund and saving through more accessible vehicles like Junior ISAs may take priority before committing funds to a Junior SIPP.
- **Future Tax Uncertainty** - Given the exceptionally long timeframe involved, there is significant uncertainty about how pension taxation might evolve over the decades before the child can access the funds.
- **Potential Impact on Benefits** - Very substantial pension savings could potentially affect means-tested benefits in the distant future, though this is difficult to predict given the long timescales involved.

Before opening a Junior SIPP, it's worth considering whether locking funds away for such a long period aligns with your family's broader financial planning goals for the child.

What happens when the child turns 18?

At age 18, control of the Junior SIPP transfers to the child. They can manage investments but cannot withdraw funds until retirement age.

When the child reaches their 18th birthday, several important changes occur:

- The Junior SIPP automatically converts to an adult SIPP in the child's name.

- Full control of investment decisions transfers from the parent/guardian to the young adult, who can now choose their own investments, change investment strategy, or transfer to another provider if they wish.
- The young adult can make their own contributions (subject to adult pension rules) or cease contributions entirely.
- The pension provider will communicate directly with the young adult rather than the parent/guardian.

However, despite this transfer of control, the fundamental restriction on accessing the funds remains in place. The young adult cannot withdraw money from the pension until they reach minimum pension age (currently 55, rising to 57 from 2028).

This combination of control without access means that while the 18-year-old has full authority over how the pension is invested, the funds remain ring-fenced for retirement purposes.

Can a Junior SIPP be used for Estate Planning?

A Junior SIPP can be a valuable tool within a family's wider estate planning strategy. It offers unique inheritance tax advantages across generations.

- Regular contributions to a Junior SIPP can be classed as 'normal expenditure out of income' for grandparents or other family members, potentially exempt from inheritance tax without needing to survive seven years.
- Junior SIPPs sit outside the child's estate for inheritance tax purposes, creating a tax-efficient way to pass wealth across multiple generations.
- For grandparents concerned about inheritance tax, contributing to a grandchild's Junior SIPP can reduce their taxable estate while benefiting the younger generation's long-term financial security.
- Junior SIPPs can be particularly effective when established alongside trusts in comprehensive estate planning, with the pension providing long-term retirement security while trusts manage more accessible assets.
- Family businesses can use Junior SIPPs as part of succession planning, potentially funding pensions for younger family members as part of a broader strategy.

It's worth noting that estate planning is a complex area with significant implications that span decades with Junior SIPPs, so professional financial and legal advice tailored to your family's circumstances is essential when incorporating these pensions into your wider succession planning.

Junior SIPP arrangements in the event of bereavement

In the unfortunate event of a child's death before they access their pension, Junior SIPP funds typically pass to beneficiaries free from inheritance tax, depending on the child's age, and the Junior SIPP falls under standard pension death benefit rules:

- The pension fund typically falls outside the child's estate for inheritance tax purposes.
- If death occurs before age 75, beneficiaries usually receive the pension funds free from income tax.
- If death occurs after age 75, beneficiaries will typically pay income tax at their marginal rate on withdrawals from the inherited pension.

For children under 18, the parent or guardian managing the Junior SIPP may have completed an "expression of wish" form indicating the child's preferred beneficiaries. While not legally binding, pension trustees generally follow these wishes where possible.

After age 18, when the SIPP is under the individual's control, they can complete their own expression of wish form to direct where they would like their pension to go in the event of their death.

Are there minimum amounts that can be invested?

For existing Tacit clients there are no minimum amounts required to open a Junior SIPP.

Junior SIPP providers typically have modest minimum contribution requirements to make them accessible to as many families as possible:

- **Initial Investment** - Minimum opening amounts often range from £0-£500, depending on the provider.
- **Regular Contributions** - Many providers accept monthly contributions from as little as £25-£50.
- **One-off Contributions** - Additional lump sum payments are usually accepted from around £100 upward.

These low minimums allow families to start small and increase contributions as their financial circumstances permit. They also make Junior SIPPs accessible for gifts from grandparents and other family members who may wish to contribute occasionally rather than regularly.

Will I be charged a fee?

If you are an existing client, your child's Junior SIPP will be managed under your existing service agreement and fee structure, alongside your main investment portfolio. When the child turns 18, they may choose to enter into a service agreement with Tacit for the continued management of a standard SIPP.

Will I be charged a fee by the Junior SIPP provider?

Fee structures vary significantly between providers, and Junior SIPPs typically have fee structures similar to adult pensions, involving several layers of charges.

Many providers offer discounted fees for Junior SIPPs compared to adult pensions, particularly for regular savers.

What types of Junior SIPPs are available?

Junior SIPPs come in different formats to suit various needs. There are generally two main approaches to Junior SIPP management:

- Discretionary Managed Junior SIPPs, designed for parents who prefer professional oversight.
- Self-Managed Junior SIPPs, designed to give parents and guardians direct control over investment decisions.

Where are your Junior SIPP assets held?

We have strategically chosen to partner with AJ Bell Securities Ltd, a specialist Custodian, to administer the regulatory and operational aspects of our investment offering.

This deliberate separation of responsibilities offers several distinct advantages:

- **Enhanced Security** - Your assets benefit from the robust safeguarding protocols of a dedicated custodian, with assets held separately from our firm's balance sheet.
- **Specialised Expertise** - Our custodian brings focused regulatory expertise in settlement and administration, ensuring continuous compliance with evolving tax legislation.
- **Investment Focus** - This partnership allows our investment professionals to concentrate exclusively on portfolio management.

AJ Bell Securities Limited are one of the largest providers of investment platforms and stockbroker services in the UK, is a member of the London Stock Exchange and regulated by the Financial Conduct Authority.

This guide is not personal advice. If you're at all unsure of the suitability of an investment for your circumstances, please ask your usual Tacit contact for advice.

Important things to remember

All the solutions we offer involve some form of investment risk and you should be aware that the value of investments in your child's Junior SIPP can fall in value, so they could get back less than the original capital you invested.

Whilst the rules we refer to are those that currently apply, they can change over time and their value and how you are taxed will depend on your personal circumstances, and tax rules at the time.

You have sole responsibility for the management of your tax and legal affairs including all applicable tax filings and payments and for complying with the applicable laws and regulations.

We may provide guidance on using tax-efficient structures such as making use of tax allowances. We are not specialist tax advisers and will not provide you with tax or legal advice and recommend that you obtain your own independent tax and legal advice, tailored to your individual circumstances.

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