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Where do pension millionaires invest? We reveal the most popular funds with those who've built up £1m in their pot

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Have you ever wondered how and where Sipp millionaires invest to keep their money growing?

Some 3 per cent of Sipp accounts, as self-invested personal pensions are commonly known, with Interactive Investor (ii), the UK's second-largest investment platform, hold £1million or more in assets.

The average age of a Sipp millionaire is 60 and the typical seven-figured portfolio is powered by funds. Over a third (36 per cent) are invested in the asset, 29 per cent in investment trusts, 14 per cent in equities, 11 per cent in cash and 8 per cent in exchange-traded products.

When it comes to the most popular funds among Sipp millionaires, Fundsmith Equity comes out on top, ahead of Lindsell Train Global Equity. The remaining funds on the top five selling list are from Vanguard, including one from the popular LifeStrategy range.

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The usual suspects also populate the list of bestselling investment trusts. Scottish Mortgage (LSE:SMT) ranks number one, ahead of Alliance Trust (LSE:ATST) and Finsbury Growth & Income (LSE:FGT). RIT Capital Partners (LSE:RCP) and F&C (LSE:FCIT) complete the top five.

Stocks that pay a dividend are generally most popular with Sipp millionaires, with Royal Dutch Shell (LSE:RDSB) on top ahead of Lloyds Banking Group (LSE:LLOY) and GlaxoSmithKline (LSE:GSK) in second and third positions respectively.

Meanwhile, iShares Core FTSE 100 UCITS (LSE:ISF) is the most sought-after exchange-traded product.

Although pension savings are meant for the long term, ii's Sipp millionaires display an appetite for tweaking their portfolio to accommodate a potential opportunity.

Of the 82 per cent who invested in the previous 12 months, 45 per cent do so at least once a month and 23 per cent at least twice a month on average.

Moira O'Neill, ii's Head of Personal Finance, said: 'Our most successful customers enjoy investing and looking after their portfolio, so will buy and sell investments when they spot an opportunity.

'What unites them is diversification, spreading their investments across different assets, markets and sectors to ensure that all their eggs are not in one basket.

'The importance of diversification is true to every saver - whether or not you have a seven-figured pension pot.

'The most important thing is to make sure you are comfortable with your level of risk.

'You can also increase the potential upside by considering more adventurous assets for your portfolio, but too much risk can wreck your portfolio. So, a realistic strategy is important.

'Sipp millionaires should beware of exceeding the lifetime pension limit, currently at £1,055,000 which applies to the total of all the private pension.'

The lifetime limit

Moira continues: 'While the prospect of becoming a Sipp millionaire is a lovely one, the one big danger with saving more than a million pounds in your pension is that you could potentially breach the lifetime allowance - and punitive tax applies if you do.

'Some of our Sipp millionaires were able to take advantage of pension protections that were available in the past, so have higher lifetime limits. For those investors who don't have the same luxury now, you need to be mindful of how much to put into your pension and whether other tax advantageous options, such as VCTs or Isas, might be a good alternative.'

Whether a seven-figure pension is elusive or not, Myron Jobson, Personal Finance Campaigner at ii, offers some tips on how to help build a decent pot.

Start early

The longer you have money in investments, the longer it has to ride out the inevitable bumps in the stock market. The magic of compounding means that your pension can grow further and faster - particularly if you keep one eye on your annual costs.

Given time, this can grow to a substantial amount and can go a long way to help bankroll life at retirement.

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Take enough risk

Time and risk are key investment considerations, but time in the market should influence the amount of risk you take on.

History shows that you can also increase the potential upside by considering more adventurous assets for your portfolio - although it is a strategy that comes with more risk. When investors were forced to buy an annuity, you needed to be more careful about how you approached your retirement date.

Now, most investors have far more time on their side and could be investing for 30 years in retirement, significantly increasing the amount of time you have to invest and, potentially, the risk you could take.

Claim tax perks

Pension contributions are boosted in the form of tax relief. This is particularly true if you are a higher-rate taxpayer. The taxman offers a basic tax relief of 20 per cent on pension contributions, meaning a £100 contribution will only cost you £80, as the government adds the other £20 through the tax relief.

The taxpayer can then claim a further £20 of higher-rate relief through their tax returns, turning a £60 pension contribution into £100 after the tax relief has been taken into account. Millions are lost each year because investors don't claim the tax back they are due - so higher-rate taxpayers need to take note.

Maximise employer contributions

Interactive Investor (ii) is the UK's number one flat-fee investment platform, here to help customers achieve financial independence and keep more of their money.

Underpinned by a strong focus on delivering great value across its Trading, Isa, Junior isa and Sipp accounts, ii provides access to an extensive choice of markets and currencies, as well as a wealth of impartial ideas, tools and analysis.

It means customers can make confident and educated decisions about their investments.

And because ii does not charge percentage rates, they will pay the same monthly fee even as their investments, savings and pension pots grow.

Be sure to maximise how much free pension cash might be available to you. Many employers will pay a significant amount into your pension, which could make a huge difference to your pot.

For example, if you pay £5,000 into your pension and receive 40 per cent tax relief, the cost to you is £3,000. If your employer matches your contribution, then you get another £5,000.

So, you now have an extra £10,000 in your pension which has only cost you £3,000.

Even if you are in a company that is part of an auto-enrolment scheme and may not be as generous, it is still worth your while being a member.

The auto enrolment minimum is currently 8 per cent of qualifying earnings, of which at least 3 per cent must be paid by the employer, 4 per cent by the employee and 1 per cent is available in government tax relief.

However, your employer may offer additional ways to improve the amount you can save, including salary sacrifice pension arrangements where pension contributions are made in lieu of salary. It is worth revisiting your employer's benefits package to gauge your pension entitlements.