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Looking ahead

What is the outlook for SIPPs? **Andrew Tully**, marketing technical manager at Standard Life, asks whether the marketplace can sustain the strong growth seen so far

Before A-Day the self invested personal pension (SIPP) market was growing quickly and the ability to hold residential property and exotic investments such as fine wine was expected to catapult SIPPs into the mainstream. The hope of investing in these more exciting areas was dashed in the 2005 pre-Budget report when the Chancellor, Gordon Brown, had an abrupt change of heart.

Despite this government U-turn the growth of SIPPs in the past year has been dramatic, outstripping even the most optimistic predictions. But can this growth continue?

Regulation

While many think of a SIPP as a product, in reality it is an offering of services. Regardless of the name, flexibility and underlying investment choices are the key elements of all pensions. It is not just about the administration services from the plan operator but the range of services that the customer can access within the SIPP wrapper. These can include direct investment in the stock market, discretionary fund management and direct investment in commercial property.

An immediate challenge for SIPP providers is the introduction of regulation from April 2007. Currently only certain assets held by a SIPP are regulated rather than the SIPP itself.

But from April this will change, and the requirements of running a regulated SIPP are likely to mean some consolidation in the market. Smaller operators, in particular, may decide to stop administering SIPPs and some of the recent entrants to the market may need to make some quick enhancements to their offering.

One of the main problems with the current market is that it can be difficult and sometimes impossible to make a fair and accurate comparison of one SIPP

against another. Regulation will make comparisons simpler and easier for both advisers and clients as it requires full disclosure of costs. While this aspect of the changes will not be a requirement until November, hopefully most providers will introduce this earlier, helping to solve some of the existing difficulties.

The full regulation of SIPPs encompasses a variety of other changes. These include new requirements for complaints processes and cancellation rights, the need for providers to hold a certain amount of liquid capital to help protect consumers, and make sure that appropriate information is passed to members in a timely fashion.

Welcome disclosure

While the new requirements may cause problems for some smaller SIPP providers and will require a raft of new work by others, the changes are broadly welcome. People need to have confidence in financial products and this will be helped by the new regulation. And full disclosure in particular helps advisers as simplicity and transparency of price are vital in choosing the right product for their client.

Disclosure will also help correct the view held by some that SIPPs are more expensive than other individual pensions. If a member simply invests in insured funds, SIPP charges are similar to, or sometimes even lower than, charges under a standard personal pension. It is only if and when the member activates the self investment capability that additional charges may occur.

This extra cost will vary depending on the type of investment selected. For example, investment in an investment company with variable capital (ICVC) will incur minimal, if any, additional charges, but investment in commercial property has the potential for a variety of extra costs.

Lack of resolution

While it seems clear that the SIPP market as a whole will take these changes in its stride, there are some unresolved questions.

The Financial Services Authority (FSA) has said that applications to operate regulated SIPPs are moving slowly, and it is not clear what happens if a firm decides not to apply to be a regulated operator.

After April, a firm cannot continue to operate its SIPP business if it is not regulated but the clients will need looking after. People could be prevented from making further contributions to their pension or even from buying and selling funds or stocks and shares.

However, it remains to be seen how strictly the FSA will enforce these rules in the immediate aftermath of formal regulation.

In addition, investors with unregulated firms after April will not have recourse to the Financial Ombudsman Service or the Financial Services Compensation Scheme. Unless another organisation can be found to take on the SIPP, who takes over the responsibility? The bigger SIPP players may not want to take over these existing accounts en bloc, leaving people in the difficult position of not being able to access their pension fund, and having to arrange an individual transfer to another provider.

Quality service

Despite these challenges, SIPPs will without a doubt continue to flourish through 2007 and beyond. A continuing move towards products offering the control, investment choice and retirement options that people desire is likely. In addition, quality of service is increasingly a critical factor when people choose their SIPP and good providers will continue to improve standards in this area.



Opportunity knocks

The growth of the SIPP market will bring with it enormous opportunities.

John Moret, director of sales and marketing at Suffolk Life, looks at what the future holds for both providers and advisers

In a supplement to the October issue of *Money Management* the prospects for the SIPP market were examined. In particular, the different types of SIPP being marketed and the likely future demand were discussed. John Chapman questioned whether individual SIPP holders can outperform the life companies. He also raised concerns about likely SIPP persistency rates and argued that the array of charges in SIPPs make comparisons difficult and heighten the risks of confusion and exploitation.

In the January 2007 issue of *Money Management* Chapman returned to this theme in his article "Charges – sips or slurps?" where he questioned the appropriateness of SIPPs as a pensions savings vehicle for the mass affluent. He looked in some detail at illustrative charges on various SIPPs and suggested that "if the surge in SIPP sales is to be deemed a success, the SIPP industry must show that greater fund choice leads to superior asset allocation and thereby higher investment returns – sufficient to offset the heavier charges arising in SIPP investments".

Party of three

There can be no argument about the growth in the supply of SIPPs – or in the take up of the various type of products. **Graph 1** shows the historic growth in SIPPs by type of SIPP. The segmentation reflects what appear to be three different propositions.

Firstly, the bespoke SIPP. This is essentially the derivative of the original SIPP first marketed in 1990 and offers the widest range of investment options. The average investment is probably in excess of £200,000.

Secondly, the hybrid/deferred/midrange SIPP which is primarily the SIPP solution offered by life companies and others. The proposition may be dressed up in a number of different ways but essentially the primary aim is to gather

assets under 'management'. Some elements of the pension and/or investment administration may well be outsourced. The average investment is likely to be in the region of £100,000.

Thirdly, the 'commodity' SIPP, which is frequently offered on a no advice or online basis. The investment options may be limited in return for a lower charging structure. The average investment here is almost certainly less than £50,000. This product first saw the light of day in 2001 but some investment trust companies have offered a variant, although not online, since around 1996.

One can debate just what constitutes a SIPP and it appears from analysing the various survey results that different providers may take a slightly different view.

However, if a SIPP is defined as any personal pension that is established under a scheme that allows a range of investment options beyond those normally associated with a packaged product, regardless of whether those options are actually utilised, then the reported numbers are probably pretty accurate.

The actual make up of the market today is very difficult to determine – not least because some providers refuse to participate in surveys and others refuse to provide basic information. Consequently the number of SIPPs by segment and portfolio size against growth over the period 2005/06 needs to be interpreted with a good deal of caution, particularly where the numbers are based on informed guesswork rather than reported in surveys. Also, some providers will have been excluded simply because no information was to hand. However, even if the information is not totally accurate there are some clear trends.

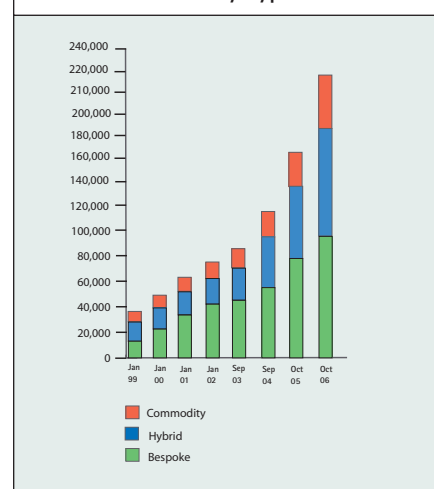
The smallest segment in terms of current numbers – both providers and number of investors appears to be the commodity SIPP, and yet this appears to be the fastest growing. This is perhaps unsurprising given

the A-Day changes which allowed full concurrency for all for the first time. This has opened up a big new market and may also help those providers with an entry route to the group or worksite SIPP market which is still in its infancy.

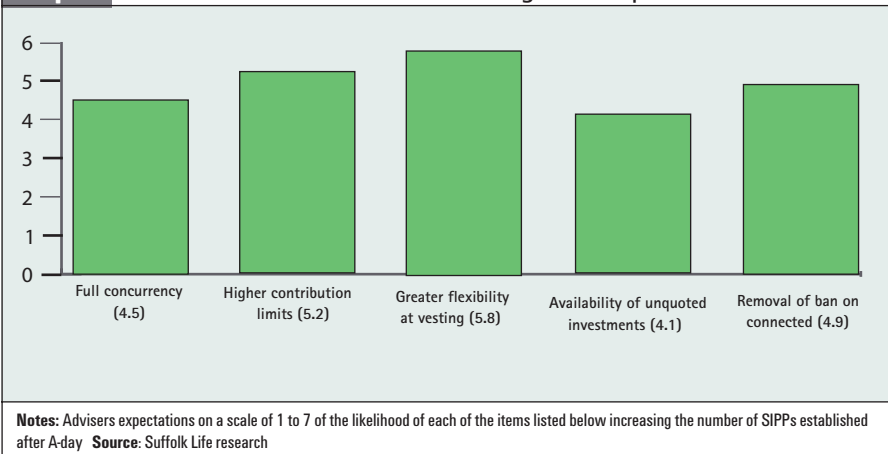
The segment with the biggest players in terms of number of SIPPs is the mid range SIPP. This is perhaps the segment where the numbers are most debatable in terms of what constitutes a SIPP.

There is also room for argument over the extent to which these propositions target the true high net worth investor. What is clear is that many of these SIPPs will be in the territory where John Chapman's questions about added value are very pertinent.

Graph 1 : The growth in the SIPP market by type of SIPP



Notes: Estimates derived from trade magazine surveys and industry data. Estimated number of SIPPs at 1.10.06: 220,000 - value c£30bn – which includes: the low cost commodity (frequently no advice) SIPP the hybrid/deferred SIPP predominantly offered by life companies the "bespoke/full range" SIPP offered by a large range of providers. Assumes SIPP market continues to grow at annual rates experienced in 2005/06 i.e. bespoke 22%, hybrid 48% and commodity 55%. Figures based on various trade magazine surveys.
Source: Suffolk Life research

Graph 2 : Advisers' reasons for SIPP business growth expectations

What is also very clear is that the number of providers entering or re-entering this space is growing rapidly. While most of these are life companies, with the regulatory changes from April 2007 we can expect to see some new entrants, particularly in the form of institutional and retail investment fund managers.

The most congested segment is quite clearly the bespoke market, which also appears to be growing at the lowest rate. No one knows just how many organisations are operating in this space. Surveys would suggest that there may be around 30 companies but from other statistics such as the FSA's expected number of applicants for authorisation the true number may be at least double that.

Whatever the figures, the sustainability of all those operators even without the overhead of regulation would be questionable. When the true costs of regulation start to bite, some large scale consolidation seems inevitable.

Provider intentions

The likely impact of regulation has been covered in numerous articles of late. From an adviser perspective the key issue to be ascertained from all current providers of their clients' SIPPs is their intentions post 6 April 2007 when regulation of SIPPs becomes effective.

At the time of writing it seems as though the number of applications for authorisation under the new regulatory framework is likely to fall some way short of the originally anticipated number.

Whether that implies that there will be operators acting post-April without the necessary authorisation remains to be seen.

For those operators who decide not to seek authorisation the only option is to find a way of transferring or disposing of their business to another authorised firm prior to 6 April. If that cannot be achieved then

there is a real issue as to what happens to that business – an issue for which to date the FSA has not suggested a solution.

It is when one starts to try and assess the likely impact of regulation on SIPP operators' costs that the position becomes more difficult. Explicit costs such as capital adequacy requirements are clearly defined, although insurance company operators will continue to be subject to their own rules.

For smaller SIPP operators the capital requirements alone suggest that it is difficult to envisage how a business could operate profitably without administering a portfolio of at least 1,000 SIPPs. Factor in the implicit costs of running a regulated business and the threshold may well rise to at least 2,500 SIPPs. Currently probably over a half of current operators and particularly those targeting the high net worth segment are actually running portfolios well below this threshold.

Reconciliation

It has been suggested that the introduction of the new regulatory regime will level the playing field among SIPP operators. While there is some truth in this, there is one important operational area which is frequently overlooked: that of asset and cash reconciliation.

Currently life companies are required to reconcile assets regularly. The position of other operators is far less clear. Many continue to rely on the investment provider's or discretionary manager's nominee records.

Whether this approach will remain acceptable after 6 April remains unclear. FSA rules state that assets have to be reconciled at least every 25 business days.

But there has been no recent guidance on this topic from the FSA in relation to SIPPs and all regulated operators will need to look closely at this aspect. The costs of shadowing investment manager's records is significant and if this becomes a

requirement for all regulated SIPP operators, the financial impact on those that do not currently undertake this task could be severe, especially where there are no electronic links in place with the investment managers.

All of this suggests that we can expect some upward movement in prices, particularly for the more bespoke SIPP propositions. However, this flies in the face of other downward pressures – John Chapman's arguments are just one example – leaving some uncertainty over just how the market is going to develop in the coming months.

From research that Suffolk Life conducted recently with its supporting advisers, there was clear evidence of increasing consumer interest in SIPPs with 84% of those researched agreeing that this was the case.

Interestingly only just over a half of those surveyed felt that the products on the market were satisfying consumer demand. This suggests that there is still work to be done by the product manufacturers and that there is an opportunity for new entrants with the correctly orientated product proposition.

Encouragingly 50% forecasted a rate of growth in the number of SIPPs being established in 2007 of between 20 and 39% with another 20% believing the growth rate could be even higher.

If the potential growth in the SIPP market were projected forward to 2010 using the approximate growth rates in each of the three market segments that were experienced over the year 2005-06, the market will quadruple by 2010. This will provide enormous opportunities for operators of SIPPs who can scale their businesses to cope and to operate profitably.

This is where the real opportunity may exist for the wrap and fund supermarket platforms, although the track record of these players and indeed the larger SIPP administrators in terms of profitability suggests that there are still a few challenges ahead.

Just who the winners and losers will be remains unclear. What is clear is that any operators with a tried and scaleable platform – and importantly with people who really understand the technicalities of running what is one of the most complex investment and pensions savings vehicles – have a tremendous opportunity.

Now is a good time for advisers with clients for whom SIPPs are suitable to undertake a review of SIPP operators to establish those that have the ambition, capacity and capability to grow their business profitability while maintaining service standards.

Raising rights awareness

Investors are often unaware that they can fully self invest protected rights money. **Richard Ellis**, head of sales and marketing at Merchant Investors, sets them straight

Protected rights cash values have been building up in pensions for nearly 20 years and industry experts estimate that the value of these funds could now be worth over £100bn.

Unfortunately many investors are unaware that they can fully self invest their protected rights money and consequently much of this cash has been left in basic insurance company funds.

With the forthcoming regulation of SIPPs in April, many providers had mistakenly assumed that at the same time there would be a relaxation of the Department for Work and Pensions' (DWP) current rules restricting full self investment of protected rights in trustee based schemes.

However, there is, and has been for many years, one type of SIPP that investors and advisors are largely unaware of, which allows full self investment of protected rights. There are already a handful of providers who offer this option, and more are likely to follow suit.

Insurance based SIPPs

There are three different types of SIPP recognised by HMRC. Typically these types

are described as insurance based, trust based and hybrid. As a result of the way the SIPP market has evolved the latter two types are most widely known, and the former – insurance based SIPPs – has been frequently ignored.

'Insurance based' does not adequately describe the range of investments available to the investor. It refers to how the SIPP is constituted, not to the range of investments that can be held as assets to which policy benefits can be linked.

The massive advantage at present is that an existing insurance based SIPP contract is already regulated, meaning no changes for the provider over the coming year.

Under the insurance based SIPP the insurance company establishes a separate individual fund, usually referred to as a personal fund or private managed fund, which holds the range of SIPP investments that the client wishes to hold. These investments (governed by the same HMRC rules that apply to trust based SIPPs) may include equities, collectives and commercial property that satisfy the FSA's permitted linking rules. They are not limited in any way to investment in the insurance company's publicly available funds.

Insurance based vs hybrid

Commentators frequently refer to trust based SIPPs as 'pure' or 'fully self invested', when they are actually comparing trust based SIPPs to hybrids. The insurance based SIPP option currently available via a small number of insurers is generally ignored.

The main difference between the insurance based SIPP and the hybrid is that a hybrid is still basically a trustee based arrangement. A hybrid arrangement usually requires a client to hold a minimum amount in the provider's publicly available insurance funds and cannot self invest protected rights monies.

In December 2005, the DWP clearly

stated that the only type of contracted out personal pension scheme that can offer SIPP style choices for protected rights is an insured product offered by an insurance company.

It subsequently confirmed that trust based SIPPs would continue to be restricted to holding non protected rights only.

Protected rights have been building up since 1988 and, since 1997, final salary schemes have also been accruing S9(2B) rights which, when moved across to a personal pension, become protected rights.

These funds can be sizeable. They can be added to the overall cash in an insured SIPP to take advantage of having a professional discretionary fund manager managing the whole portfolio. Where a client wishes to hold commercial property in the SIPP, the protected rights fund can be added to the non protected rights fund increasing the available purchasing power substantially, an example of which is given in **Box 1**.

Limitation or additional protection?

An argument made against insurance based SIPPs is that they are subject to additional regulatory requirements. These rules are intended as additional protection for clients to prevent insurance companies from investing in assets that are unlikely to be readily realisable and are difficult to value. Typically, insurance based SIPPs cater for the majority of investments in which clients or advisers need to invest.

Far from a U-turn, the DWP has maintained the status quo, and in doing so has reignited the debate around whether investors should be able to self invest protected rights. As a result a number of providers have already established insured based SIPPs to cater for investors' requirements. It will be interesting to see whether those who are so heated about the apparent DWP U-turn will now follow suit.

Box 1 : Case study

Three business partners with £200,000 in pension funds (of which £90,000 is protected rights) are looking to maximise their purchasing power to invest in commercial property. If they were unaware of insured SIPPs they would be forced to ignore the protected rights elements of their pension funds.

Therefore the actual available funds including borrowing would be £165,000 (i.e. £200,000 – £90,000 = £110,000 plus 50% allowed borrowing).

However, insured based SIPPs can include their protected rights funds which would increase the purchasing power to £300,000. This represents an increase of over 80% in available funds to purchase a property.

Sifting through the SIPP's

The SIPP market has been expanding rapidly and many products offer a diverse range of investments. **Alice Ross** surveys the market

When asked for their comments for this survey, a number of providers said that it was 'exciting times' for self invested personal pensions (SIPPs). They were no doubt referring to the fact that SIPPs are about to come under new regulation as of 6 April, which, along with the requirement for SIPP providers to register their SIPP, is expected to have a potentially drastic impact on the market.

A number of other providers said that they were very concerned about the Government U-turn on alternatively secured pensions (ASPs). Now that it is no longer tax efficient from an inheritance tax point of view to continue in drawdown after the age of 75, this is bound to affect SIPP business as people are forced to purchase an annuity after all. If, that is, the Government does not do another 180, which a number of people believe it will. At the time of writing the March Budget had not yet been announced, but momentum was gathering on an e-petition calling for the Prime Minister to abolish the proposed 70% tax on pension funds on death, with over 3,300 signatures.

This survey therefore comes at a turning point for SIPPs. The results are based on the completed surveys from over 100 providers to whom we sent the forms. A number have not yet updated their services ahead of the 6 April requirements, such as providing cooling off notices, while others have already begun the re-upholstering process. And it is uncertain exactly how SIPPs will be affected by the new regulation over the next few months. This survey will provide a snapshot of how they stand on the eve of the new regime, and asks, crucially, which SIPP is providing value for money.

Different plans

Table 1 shows the trustee and administrator for each SIPP, along with details of how often valuation statements

are available and at what cost, as well as what services are outsourced.

Some of the new players here are **MetLife**, which launched its SIPP in January this year, and **Scottish Widows**, which launched its Retirement Account plan in March.

The only SIPP provider not to have set up a trust for its SIPP is **Suffolk Life**, which also administers the **Jupiter** SIPP. The provider instead set up its SIPP under a deed poll, which does not require a trustee to be nominated. The legal owner of all the

assets is therefore Suffolk Life itself as opposed to the trustees, making the SIPP essentially a private fund.

Some SIPPs, as will be seen later, offer the client joint ownership of the assets along with the trustee, increasing their control over their own assets, which is arguably what a SIPP is supposed to be about in the first place.

Only a few providers, not including parent company administration such as **Royal London**, which administers its subsidiary **Scottish Life's** SIPP, outsource



Table 1 : SIPP provider, plan trustee and administrator

Company	Plan name	Plan trustee	Administrator	Valuation statements	Services outsourced?
1 Aegon Scottish Eq (Capita)	Flexible PP/Retirement Control		Aegon Scot Eq	Aegon Scot Eq	Annual Y, self-inv
2 A J Bell	AJ Bell SIPP	A J Bell (PP) T'tees	A J Bell	Annual	Y, inv advice and admin (1)
3 Alliance Trust	Alliance Trust Full SIPP	Alliance Trust Pens	Alliance Trust Pens	Annual	No
4 Alpha T'tees	Charles Stanley Alpha SIPP	Alpha T'tees	EBS Mgt (2)	Annual	Yes, n/d
5 Ashcourt P'sn T'tees	Ashcourt SIPP	Ashcourt Pen T'tees	Ashcourt Admin	Standard SMPI only	Yes, all
6 Axa	SIPP Plan	Suntrust	Axa Sunlife Services	Annual; ad hoc for £40.	Y, Execution only, DFM
7 Barnett Waddingham	BW SIPP	BW SIPP T'tees	Barnett Waddingham	Annual	Yes, n/d
8 City T'tees	City Private Pen	City T'tees	City Pens	Annual	Yes, nominee acc set ups
9 Cooper Parry Fin Servs	Cooper Parry SIPP	Park Row SIPP T'tees	Cooper Parry FS	Annual	Yes, invst advice, stockbroker, legal
10 Dentons	Dentons SIPP	Denton & Co T'tees	Dentons Pens Mgmt	Annual	Yes, n/d
11 EBS Mgt	EBS SIPP	EBS Mgt (2)	EBS Mgt (2)	Annual	Yes, all inv services
12 Friends Provident	FP SIPP	James H Pen T'tees	James Hay Admin Co	Annual + (3)	Yes, n/d
13 GE Life	Standard SIPP	GE Pens T'tees	GE Pens T'tees	Annual	Yes, DFM
14 Greyfriars Asset Mgmt	Gf Preferred Retirement Acc	GAM T'tees + member	GAM LLP	Biannual	Yes, inv advice
15 Hargreaves Lansdown	Vantage SIPP	HL Pens T'tees	HL Asset Mgt	Biannual + free online	No
16 Hartley SAS	Lifetime SIPP	Hartley SAS	Hartley SAS	Biannual; £50 thereafter	Yes, inv mgt
17 Hazell Carr Pen Servs	Hazell Carr SIPP	Hazell Carr (AD) Servs	IPS Actuarial Services	Annual; £50 thereafter	No
18 Hornbuckle Mitchell	Private Pen/Flexible Plan	Horn Mitchell T'tees	Hornbuckle Mitchell Gp	Annual	Yes, n/d
19 Investacc	Minerva SIPP	Investacc	Investacc	Annual	Yes, inv and prop mgmt
20 IPM Personal Pen T'tees	IPM P P Scheme	IPM Pers Pen T'tees	IPM Pers Pen T'tees	Annual	Yes, inv mgt
21 IPS Actuarial Services	IPS Pen Builder	Union Pen T'tees	IPS Actuarial Services	Annual	No
22 James Hay	James Hay P P Plan	James Hay Pen T'tees	James Hay Admin Co	Annual; £60 thereafter	Yes, subject to negotiation
23 Jupiter	Jupiter Full SIPP	n/a	Suffolk Life	Annual; min £100 thereafter	Yes, inv mgt
24 Legal & General	SIPP 2000	L&G Ass Soc	L&G Ass Soc	Yes	Yes, inv mgt
	Portfolio Plus SIPP	L&G Ass Soc	L&G Ass Soc	Yes	n/d
25 MC T'tees	MC T'tees Private Pen	MC T'tees	MC T'tees	Biannual	No
26 Merchant Investors	Self Invested Pen Portfolio	Merch Inv Trustee Servs	Merchant Investors	Quarterly (4)	Yes, DFM
27 MetLife	MetLife SIPP	MetLife Pen T'tees	MetLife Pen T'tees	None	-
28 M J Field C'ing Actuaries	The Michael J Field SIPPs	MJF Pen T'tees	MJF Pen T'tees	Annual	Yes, n/d
29 Nigel Sloam & Co	NSS Solution SIPP	NSS T'tees	NSS T'tees	Annual (at least)	Yes, invst, pen advice, prop mgt
30 Norwich Union	NU SIPP	NU Pen T'tees	Norwich Union (5)	Annual and online	Inv decisions can be made by client's agent
31 Origen	Self Invested Pen	Origen Trustee Services	Origen Inv Servs	Annual and free online	Yes, prop + inv mgt, + fund supermarket
32 Pointon York	The PY SIPP	Crescent T'tees	PY SIPP Solutions	Annual	Yes, n/d
33 Purplecircle Pens	Purplecircle Priv Pens Plan	Purplecircle T'tees and Purplecircle Peneers	Purplecircle T'tees and Purplecircle Peneers	Annual	Yes, legal and inv
34 Rathbones	Rathbone SIPP	Rathbone Pen & Advisory Service	Rathbone Pen & Advisory Service	Yes, client agreement	Yes, inv mgt
35 Rensburg Sheppards	Rensburg Sheppards	Rensburg Sheppards T'tees	Rensburg Sheppards Inv Mgmt	Biannual	No
36 St James's Place	SJP Self Inv Pen Plan	Capita Life & Pens Regulated Service	Capita L & P Regulated Service	Biannual	No
37 Scottish Life	St James's Place SIPP Plan Pen Portfolio	Alliance Trust Pens RL Mutual Ins Soc	Alliance Trust Pens RL Mutual Ins Soc	Annual Annual and online, £110 thereafter.	No Yes, inv mgt
38 Scottish Widows	The Retirement Account	Scottish Widows T'tees	Scottish Widows (6)	Free online, annual for prop	Yes, DFM
39 @sipp plc	@sipp	@sipp Pen T'tees	@sipp plc	Annual, £30 thereafter	Yes, n/d
40 Sippdeal	Sippcentre SIPP, Sippdeal e-SIPP	Sippdeal T'tees	Sippdeal T'tees	Online	No
41 Skandia	Skandia SIPP	Sippdeal T'tees	Sippdeal T'tees	Online	Yes, admin to Sippdeal
42 Standard Life	Standard Life SIPP	Standard Life Trustee Co	Standard Life Ass	Annual and online	Yes, prop and DFM
43 Suffolk Life	Suffolk Life SIPP	n/a	Suffolk Life Pens	Annual and £100 min thereafter	Yes, inv mgt
44 Taylor Patterson T'tees	The Taylor Patterson SIPP	TP T'tees + member	TP Associates	Annual	Yes, inv and prop mgt, payroll
45 Tenon Pen T'tees	Tenon Group SIPP	Tenon Pen T'tees	Tenon Pen T'tees	Annual	Yes, n/d
46 TJ Green	Uptel SIPP	Union Pen T'tees	TJ Green	Annual	Yes, legal, accountancy, prop and inv mgt
47 TM SIPP Services	Elite Retirement Account	Member and TM T'tees	TM SIPP Services	Annual and costed thereafter	Yes, n/d
48 Wensley Mackay	Wensley Mackay Pers Pen	WM Pen Trustee Servs	Wensley Mackay	Annual	Yes, legal, valuations, banking
49 Winterthur Life	Winterthur Life SIPP	Winterthur Pen T'tees	Winterthur Pen T'tees(7)	Quarterly and online	Yes, DFM

Key: DFM – discretionary fund management. (1) Investors use own adviser, solicitor, surveyor, lender for property. (2) From 6/04/07. (3) One ad hoc free and charge thereafter from £48-£144. (4) Additional charge on property investments. (5) Commercial property purchases managed by Suffolk Life. (6) Commercial property administered by Alliance Trust. (7) Outsourced to Capita SIP Services. **Source:** Money Management.

Table 2 : SIPP business levels

Company	Fully self-invested plans	Insured SIPPs in force	Value of in force business £	Average SIPP value £	Amount of business from transfers %	Properties in business	Average property price £	Typical size of borrowing £/%
1 Aegon Scottish Eq	3,500	67,154	5.39bn	80,500	n/d	359	330,000	200,000
2 AJ Bell	n/d	n/d	n/d	n/d	80	n/d	n/d	-
3 Alliance Trust	4,305	0	n/d	n/d	n/d	440	n/d	-
4 Alpha Trustees	250	0	32m	177,000	75	0	-	-
5 Ashcourt Pen T'tees	161	0	41.2m	256,098	n/d	9	389,000	50%
6 Axa	382	n/d	26.6m	432,719	95	69	359,331	114,047/51
7 Barnett Waddingham	1,150	n/d	520m	450,000	60	500	350,000	250,000
8 City Trustees	911	0	280m	307,000	unknown	150	unknown	unknown
9 Cooper Parry FS	110	0	23m	210,000	60	29	367,000	n/d
10 Dentons	1,378	0	581m	421,625	80	251	375,000	n/d
11 EBS Management	1,400	0	400m	300,000	75	450	n/d	n/d
12 Friends Provident	1,456	1,236	313m	214,813	100	10	377,994	n/d
13 GE Life	n/a	4,456	1.4bn	291,161	90+	687	169,141	85,976
14 Greyfriars Asset Mgmt	480	0	78m	162,500	90	90	250,000	75
15 Hargreaves Lansdown	22,000	0	820m	37,000	70	0	-	-
16 Hartley SAS	350	0	48m	137,000	60	85	300,000	200,000
17 Hazell Carr Pen Servs	302	0	68.8m	227,895	<5	122	286,000	219,000
18 Hornbuckle Mitchell	7,500	0	-	250,000+	80	50	n/d	n/d
19 Investacc	456	0	60m	130,000	80	115	280,000	100,000/70
20 IPM P P Trustees	3,075	0	850m	325,000	85	580	375,000	150,000
21 IPS Actuarial Servs	4,179	0	935m	200,000	45	1,230	250,000	130,000/59
22 James Hay	37,656	20,818	11.8bn	313,477	94	2,134	328,801	222,582
23 Jupiter	n/d	n/d	n/d	n/d	n/d	n/d	n/d	n/d
24 L&G	n/d	n/d	n/d	n/d	n/d	n/d	n/d	n/d
25 MC Trustees	1,057	0	500m	220,000	79	368	347,000	50
26 Merchant Investors	n/d	n/d	n/d	n/d	n/d	n/d	n/d	n/d
27 MetLife	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
28 MJ Field C'ting Actuaries	825	0	n/d	n/d	n/d	-	-	-
29 Nigel Sloam	n/d	0	n/d	n/d	90	0	-	-
30 Norwich Union	2,320	0	144m	62,000	n/d	n/d	n/d	n/d
31 Origen	375	0	8.89m	236,000	85	85	400,000	200,000
32 Pointon York	4,000	0	3.4bn	850,000	80	600	3m	50
33 Purplecircle Pensions	100	0	5m	500,000	95	19	250,000	75
34 Rathbones	650	0	275m	423,000	95	45	500,000	190,000
35 Rensburg Sheppards	1,000	0	400m	400,000	90	0	n/a	n/a
36 SJP - SIPP	781	0	234m	300,000	90	50	400,000	HMRC max
- Self Invested Pen	1	0	1.1m	1.1m	100	0	-	-
37 Scottish Life	n/d	n/d	n/d	n/d	n/d	n/d	n/d	n/d
38 Scottish Widows	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
39 @sipp plc	737	0	156m	211,440	n/d	181	349,344	n/d
40 Sippdeal (3)	n/d	0	n/d	n/d	80/75(1)	n/d	n/d	n/d
41 Skandia	n/d	n/d	n/d	n/d	n/d	n/d	n/d	n/d
42 Standard Life	25,433	16,423	4.3bn	169,000	80	350	150,000	81,000
43 Suffolk Life	7,800	0	>2bn	271,000	60+	>1,000	385,000	140,000
44 Taylor Patterson	233	0	71m	320,000	90	108	350,000	60(2)
45 Tenon Pension T'tees	279	0	45m	150,000	90	42	200,000	50
46 TJ Green	60	0	18.5m	308,333	50	11	318,666	250,000
47 TM SIPP Services	800	0	-	200,000	90	160	350,000	60
48 Wensley Mackay	200	0	30m	150,000	80	100	150,000	85,000
49 Winterthur Life	8,077	n/d	1.4bn	180,000	95	189	266,815	142,097/73
Total	145,729	110,087	36.655bn	-	-	-	-	-
Average	-	-	-	267,349	82	254	317,382	-

Notes: Some figures are approximations. N/d - information was not disclosed. N/a - information was not applicable. (1) 80% on Sippcentre SIPP; 75% on Sippdeal e-SIPP. (2) 60% property value. (3) Sippcentre and e-SIPP. Figures correct as at 1 January 2007. **Source:** Money Management.

their administration – five in total.

The valuations shown are free unless stated otherwise. Thus all providers give out at least one free annual statement a year. However, for anyone that wants to keep track of their investments more than once a year, which is likely to be most SIPP investors given that they tend to be more sophisticated, there is quite a big cost

difference between those with online services and those without.

If a provider has not yet joined the online revolution, a SIPP holder could have to fork out as much as £100 for extra statements. This is the case with **Suffolk Life** and therefore also **Jupiter**. Other chargers include **James Hay** and **Hazell Carr**.

But some providers, such as **Hargreaves Lansdown**, offer free online statements at any time, while others at least give statements more regularly than just once a year – **Merchant Investors** and **Winterthur Life** offer quarterly statements, although the former imposes an additional charge on property.

Table 3 : Charges for self-invested portion of SIPPs

Company	Min inv £	Mthly pm £ pm	Annl pms £ pa	Sing prm £	Init chrg £	AMC £	Transaction charges					Dpsits £	Trans in £	Trans out £	Vesting £	Invs servs £	Int paid on cash %BBR	Op chr £	Chr sub to VAT
							UK shares £	O'seas shr £	IT/UT £	Ins co funds £	TCB								
1 Aeg Scot Eq (1)	-	100	1,200	2,500	0-300	0-400	21	21	21/0(2)	0	0	0	0	0	0-500 (3)	1.25	n/a	n/a	
2 AJ Bell	0	0	0	0	425	480	0(4)	0(4)	30(5)	30(5)	0	75	75	150(5a)	0	1.25	n/a	All	
3 Alliance Trust	0	0	0	0	350	400	0	0	0	0	0	0/100(6)	100	100(6a)	250(6b)	-	-	All	
4 Alpha Trustees	0(6c)	0	0	0	0	250	0	0	0	0	0	0	0	0	Yes	-	-	All	
5 Ashcourt PT	0	0	0	0	500	750	0	0	0	0	0	25	25	150pa	0	-	100(7)	All	
6 Axa	50,000	100	1,200	1,000	299	349	25	25	15	15	50(8)	25/90	25/90(9)	n/a	100	1.4	-	None	
7 Barnett Wham	0	0	0	0	440	470	Levied by ins co/invt manager					TCB	TCB	90S	-	-	-	-	
8 City Trustees	0	0	0	0	275	350/500	0	0	0	0	0	TCB	TCB	0	0	-	0	All	
9 Cooper Parry	0	0	0	0	650	750	30	30	30	30(10)	0	95	195	200	CBC	-	-	All	
10 Dentons	0	0	0	0	495	466	None if held in nominee			0	TCB	TCB	200	CBC	-	-	All(10a)	-	
11 EBS Mgmt	0	0	0	0	450	500	0	0	0	0	0	125	125	100	0	-	0	All	
12 Friends Prov	75,000	n/a	n/a	5,000	0-290(11)	0-525	24	24	24	0(11a)	24	0	n/a	n/a	0	15/16th	60(11b)	None	
13 GE Life (S'dard)	20,000	0	0	0	315(12)	525(12)	35	35	35	35	35	0	60	135pa	-	-	-	None	
14 Greyfriars	1	1	1	1	600	550-750	0	0	0	0	0	0	0	0	0	-	-	All	
15 H'greaves Ldn	50(13)	50	1,000	1,000	0	0(14)	9.95-50(14a)	n/a	0	0	75	0-75	-	0.25(14b)	0	-	Some(14c)	-	
16 Hartley SAS	0	0	0	0	350	450	-	-	-	-	-	50	200	190	No servs	(14d)	-	All	
17 Hazell Carr	0	0	0	0	630	530	100 initial + 50pa per invt		50	-	125D	CBC	-	-	All	-	-	-	
18 H'bckle Mitch	0	0	0	0	300	400	25	25	25	25	25	n/a	n/a	250	n/a	1.95-0.4(14e)	n/a	All	
19 Investec	0	0	0	0	0	400	0	0	0	0	0	0	0	100paD	0	-	0	All	
20 IPM PPT	0	0	0	0	0	540	0	0	0	0	75(15)	0	80	150D	0	-	-	All	
21 IPS Act Servs	0	0	0	0	495	395	5	5	5	5	5(16)	0	100-	150-	0	1.3-	n/a	All	
														250	195pa	1.1(16a)	-	-	
22 James Hay	0(17)	0	0	0	290	455	30	30	30	30	30(18)	0	0	0	0	0.9375	0	None	
23 Jupiter	1,000	100	1,000	1,000	200	455	25	25	25	25	25(18a)	75(18b)	0	150	n/a	25-1(18c)	n/a	None	
24 L&G-SIPP 2000	25,000	200	2,000	10,000	395	455	21	21	21	21	21	0	0	130(18d)	110(19)	1.0	n/a	None	
- Portfolio +	25,000	200	2,400	5,000	295	200(37f)	20	20	20	35	20	0	0	(18d)	(19)	1.0	n/a	None	
25 MC Trustees	0	0	0	0	250	539	0	0	0	0	0	135	539(20)	145	0	-	Yes(21)	All	
26 Merchant Inv	1,000	100	1,000	1,000	350	432(22)	35	35	35	35	35(23)	75(24)	0(25)	0	250pa(26)	-	-	None	
27 MetLife	50,000	must equal	£50K	400	480	20-40	20-40	20-40	45(26a)	0(26b)	0	0	n/a	n/a	n/a	None	-	-	
28 MJ Field	0	0	0	0	CBC	CBC	CBC	CBC	CBC	CBC	CBC	CBC	CBC	-	-	-	-	All	
29 Nigel Sloam	0	0	0	0	630	1,050	0	0	0	0	0	TCB	TCB	TCB	CBC	-	TCB	All	
30 NU	n/a	200	2,400	10,000	0	0.55%	10	n/a	0	0	0	0	0	0	CBC	-	-	Incl in figs	
31 Origen	0	0	0	0	300	500	0	0	0	0	0	0	0	0	0	-	100-150(27)	All	
32 Pointon York	0	0	0	0	500	600	n/a	n/a	n/a	n/a	n/a	50	350	350	n/a	0(27a)	n/a	All	
33 Purplecircle	0	0	0	0	245	395	25	25	25	25	25(28)	95	295	230	0	-	-	All	
34 Rathbones	0	0	0	0	300	500	Depends on invt mnger			75	100	150(29)	-	-	-	-	-	All	
35 Rens Shepp	0	0	0	0	0	25%(30)	0	0	0	0	0	0	0	0	Yes(31)	-	0	Both	
36 SJP - SIPP	0	0	0	0	350	400	0	0	0	0	0	0(32)	100	(33)	100-250(34)	(34a)	0	All	
- SIP	0	0	0	0	285	320	50(34b)	UT:40	66	45	(34c)	(34d)	(34e)	1.9	Yes	All	-	-	
37 Scottish Life	-	50	600	1,000	0	300/550	25-75	25-75	25-75	-	-	130	130	130	60-145(35)	1.5	Yes	None	
38 Scottish Wids	-	200	2,400	10,000	0	0.2-0.7%	0	0	0	0	0	n/a	n/a	n/a	Varies	-	See(35a)	None	
39 @sipp plc	0	0	0	0	395/590	395/625	30	30	30	30	30	0	250	180S,70pa	n/a	-	-	Inc linfigs	
40 S'deal-S'ctre	0	200	0	1,000	120	20-40	Depends on invt manager			0	60	75	150-250D	n/a	2.75-1(35b)	n/a	All		
- E-SIPP	0	150	0	1,000	0	0	9.95-30	20	n/a	0	50	50	150(35c)	n/a	(35b)	n/a	All		
41 Skandia	0	150	n/a	1,000(36)	150	160(37)	Depends on invt manager			60(38)	75	75	Varies	(38a)	(39)	All	-	-	
42 Standard Life	-	300(40)	3,600	10,000	0-290	0-400	10	10	10	50	50(41)	0	0	0	250(42)	1.0	120D	None	
43 Suffolk Life	0	0	0	0	300	455	0/25	0/25	0/25	n/a	0	0/75(43)	n/a	150	-	-	-	None	
44 Taylor Pat(43a)	0	0	0	0	125-500	125-600	30	30	30	30	0	50	300	250	n/a	-	Various	All	
45 Tenon PTs	0	0	0	0	375	425	25	25	25	25	25(44)	0	0	0	0	1.69-0.13	Yes(45)	All	
46 T.J Green	0	0	0	0	425	425	TCB	TCB	TCB	TCB	TCB	TCB	TCB	TCB	TCB	-	n/a	All	
47 TM SIPP Servs	0	0	0	0	375	615	20	20	20	20(46)	0	TCB	TCB	100	0	-	0	All	
48 W'sley Mack	0	0	0	0	0	480	0	25	0	0	0	100	100	100	Yes(47)	-	Yes(48)	All	
49 Winterthur	0	0	0	0	0	560(49)	15-60	15-60	15-60	15-100	15	15	0	85/140(50)	Yes(51)	1.875	n/a	(51)	

Key: D-drawdown. S-setup. BBR - below base rate. CBC - case by case basis. TCB - time cost basis. AMC - annual management charge. (1) Prem details provided for Flexible PP only. Retirement control charges are £50K min inv and £50,000 single prem. (2) Nil charge through supermarket. (3) No setup charge, £250 annual for supermarket and DFM. Execution only stockbroker - £300 setup, £400 pa w/out supermarket, £500 pa with. (4) Must be held in nominee with fund manager/stockbroker. (5) Nil when held in nominee account. (5a) £150, initial + additional; £150, review; £15, annual. (6) No fee for processing, £100 for arranging/chasing; in-specie transfers £100+£50 each asset. (6a) £100, drawdown set up; £150pa. (6b) £250-loan; £250-borrowing. Unquoted for purchase £250+£100 for selling. (6c) £250,000 for collectives. (7) Per hour for non routine business eg pension sharing. (8) Only for establishing external deposit acc. (9) £90 for commercial property; £25-in specie. (10) Charges only £30 if not bought through nominee, otherwise nil. (10a) Not investment services. (11) Nil for Retirement Investment Bond (RIB) only; £175 for RIB plus UTs and insurance co. invt funds; £290 for RIB plus any permitted invt. (11a) For FP PIB and RIB. (11b) On ad hoc withdrawals. (12) If insured plan size <£50K. (13) All premiums quoted gross. (14) Free on over 1,400 funds. (14a) Online-£9.95-£29.95; offline-£10-£50; UTs-free. (14b) On funds->£7K. (14c) Transfer+vesting charges. (14d) Variable/banded according to balance. (14e)-<£5K-1.95BBR; £5K-<fund>-£15K-1.43BBR; £20K-<fund>-£500K-0.66BBR; £500K->£1M-0.4BBR. (15) Nil for Bank of Scotland. (16) All per transaction after 1st six transactions. (16a)<£50K-1.3BBR->£50K-1.1BBR. (17) Except on Select SIPP-£50K. (18) All up to max of £300pa. (18a) Nil via platform. (18b) Nil if handled by IFA. (18c) Fund size-<£50K-1%BBR; £50K-<fund>-£250K-0.5%BBR; £250K-0.25%BBR. (18d) For plans with self-investment; £100 one off fee for fully insured plans on SIPP 2000; £0 on P+. (19) For appt of new invt manager. (20) W/o property; £808 with property. (21) External fees if applicable. (22) Or 0.25%pa. (23) All charges free if paperless. (24) £75 per scheme, £125 if contribution to existing policy. (25) Only charge for enhanced allocation. (26) If discretionary fund manager used. (26a) Setup-£45; Annual-£45; Transaction-£45. (26b) £100 in-specie. (27) £100 for external investment manager. £150pa for USP. (27a) Pension b/a does not offer commercial rates but members can select other bank a/c. (28) 1st three free; max charge £250. (29) For establishment of retirement benefits. (30) Min £250, max £1,250. (31) Value-based - tiered structure. (32) £100 for arranging/chasing (optional). (33) £100-Drawdown setup; £150-annual drawdown. (34) £100-selling, annual; £250-purchase, loans, borrowing. (34a) <£50K-0.98BBR; £50K-<fund>-£100K-0.54BBR; £100K->£500K-0.03BBR; £1M->£1.5M-0.06aboveBR. (34b) Size dependent. £50 on transfers up to £10K. (34c) Cash-£35, In-specie-£120. (34d) £75-Drawdown setup; £160pa w/income; £50pa w/out income. (34e) Stockbroker commissions only. (35) £60-setup; £75-Drawdown setup; £145-annual drawdown. (35a) Adviser payment charge. (35b) <£1K-2.75BBR; £1K-<fund>-£5K-2.25BBR; £5K-<fund>-£20K-1.75BBR; £20K->£1M-1.1BBR. (35c) +£10 per instalment+£75 per review. (36) Charges for SIPP wrapper only. (37) Additional fee of £200pa for investments outside Skandia Pension Trustee Bond, multifunds or cash. (38) Max charge of £300. (38a)-<£1K-2.75BBR; £1K-<fund>-£5K-2.25BBR; £5K-<fund>-£20K-1.75BBR; £20K->£1M-1.1BBR. (39) £25-telegraphic transfer; £150-income withdrawal (USP); £250-income withdrawal (ASP). (40) If fund is in excess of £50K, monthly prems are £100 and annual £1,000. (41) All charges capped at £300pa. (42) For discretionary fund manager. (43) Max £300. (43a) All charges either Master, Investor or Cash. (44) Max £200pa. (45) Ad hoc income payment fee £35; Additional valuation £75; Regular income payment £175pa. (46) £10 if through nominee a/c. (47) Annual fee incl. trustees' meeting with member. (48) Feasibility study for investment in property. (49) £355 if £100K+ invested in Winterthur funds. (50) Drawdown - £85pa first tranche; £140 one off subsequent tranche charge. (51) Additional charges if discretionary managers used. **Source:** Money Management.

Table 4 : Commercial property charges

	Company	Property purchase charge		Charges subject to VAT
		Initial £	Annual £	
1	Aegon Scot Eq	300	500	n/a
2	AJ Bell	550	360	Y
3	Alliance Trust	600	350	Y
4	Ashcourt PT	100ph	100ph	Y
5	Axa	500(1)	500(2)	Y
6	Barnett W'ham	800M	210(3)	Y
7	City Trustees	500max	250	Y
8	Cooper Parry	750min	0-350	Y
9	Dentons	500-900(TCB)	0	Y
10	EBS M'ment	TCB	TCB	Y
11	Friends Prov	550	550	N
12	GE Life (S'drd)	1,300	200	N
13	Greyfriars	400	0	Y
14	Hartley SAS	640	250	Y
15	Hazell Carr	600	300	Y
16	H'buckle Mitch	750	100	Y
17	Investacc	0	250	Y
18	IPM PP	350/700M	0	Y
19	IPS Act Serv	500-750	n/a	Y
20	James Hay	550-900(4)	500	N
21	Jupiter	TCB	100+TCB	N
22	L&G-2000	680/805M	600	N
	- Portfolio+	550/675M	600	N
23	MC Trustees	589/808L	916/970L	Y
24	Merch Inv	600	450/700(5)	N
25	MetLife	780	675	N
26	MJ Field	CBC	CBC	Y
27	Nigel Sloam	TCB	TCB	Y
28	Norwich Union	375	0.12%(6)	Y, incl
29	Origen	500	650(7)	Y
30	Pointon York	800	300	Y
31	Purplecircle	500	150	Y
32	Rathbones	n/d	n/d	Y
33	SJP-SIP(8)	644	675	Y
	- SIPP	600	350	Y
34	Scottish Life	710/860M(9)	575(10)	N
35	Scottish Wids	0	0.1-1.25%(11)	
36	@sipp plc	795	500	Y, incl
37	Skandia	550	360	Y
38	Standard Life	650	200	N
39	Suffolk Life	TCB - c.1500	TCB - c.600	N
40	Taylor Ptson	400/850(12)	75+75M	Y
41	Tenon PT	400	225	Y
42	TJ Green	TCB	TCB	Y
43	TM SIPP	TCB-650min	n/a	Y
44	W'sley Mackay	300min	0	Y
45	Winterthur	660	488	N

Key: ph-per hour. M-with mortgage. L-with loan. Y,incl-prices quoted include VAT. TCB - time cost basis. CBC - case by case basis. (1) Property instruction fee. Lender, surveyor and solicitor fees also apply. Charge for lease review-£300. (2) £400 per unit, £100+ property manager. For Class A properties only - different charges for Class B. (3) At least, per property.(4) £550+0.1% of value over £400Kwhere panel of solicitors used;£900+1% of value over £400K where non-panel solicitor used. (5) £350 w/managing agent, £600 w/out; £100 VAT admin charge. (6) of net value, taken monthly. (7) £300 property; £200 borrowing; £150 VAT. (8) Self Invested Pension Plan. (9) £410 initial charge, £300 completion charge. (10) Many details of admin charges too. (11) Dependent on property price. (12) £400 purchase, £250 mortgage, £200 new lease, £300 joint SIPP ventures. **Source:** Money Management.

information, meaning that the total number of fully self invested SIPPs is therefore at least 145,729, as the Table shows, while the number of insured SIPPs is at least 110,087. This compares to 116,040 policies announced in the December 2005 survey, again albeit with some not disclosed.

The total value of SIPPs under business as at 1 October 2005 from those that disclosed the information was £31.311bn. The total value of SIPPs under business as at 1 January 2007, as stated for this survey, had risen to £35.255bn. This is an increase of 12.6%, although the true figure will again certainly be higher due to the non disclosures.

This value is mostly made up by **James Hay**, which has far and away the largest amount of SIPP business in the country at £11.8bn. Its closest rival is **Aegon Scottish Equitable**, with less than half that amount at £5.39bn.

In October 2005 James Hay had £10bn in its SIPPs business, meaning that it has grown 18% since that time. A more significant increase is shown by Aegon Scottish Equitable, which, back when it was merely Scottish Equitable in the December 2005 survey, had £3.8bn of SIPPs business, this year's figure therefore representing an increase of 42%.

One provider that has shown a drastic reduction in its business is **Axa**, which currently has £26.6m compared with £128.9m 15 months previously.

The fourth column of Table 2 shows how big the average size of the SIPP is, which gives an indication of whether a provider is catering for the high or low end of the market. **James Hay** has the largest number of individual plans at 37,656, so the average size of its SIPP is in fact just £313,477 – not a minnow certainly, but by no means the largest average of those shown here. That spot goes to **Pointon York**, which with a total of 4,000 SIPPs with an average value of £850,000 is catering for the high end of the market in extremis. A few other smaller players are also clearly aiming at the very wealthy. **Purplecircle Pensions** has just 100 SIPPs in force, but with an average value of £500,000. **Axa**, with a welcome disclosure of figures for a life company, has 382 SIPPs with an average value of over £430,000.

Other providers are clearly aiming their SIPP at the mass market. **Hargreaves Lansdown**, for example, has 22,000 SIPPs but with the smallest average value of just £37,000.

As would be expected, it can be seen from Table 2 that a large amount of providers' business comes from transfers from other pensions, something for which SIPPs are particularly suited as advisers

Business levels

Table 2 shows the amount of business held by providers, correct as of 1 January 2007. Of all the sections in the survey, this was the most sensitive, with a number of providers, generally the life companies, refusing to provide this information on grounds of "commercial sensitivity". Those that chose not to reveal the information

have therefore been shown in the Table as not disclosing. Some, in fairness, were unable to provide the information due to the fact that they launched very recently, such as **MetLife** and **Scottish Widows**. Their details have therefore been shown as not applicable as opposed to not disclosed.

Most companies did however fill in this

There is something to be said for simplicity when it comes to charges, something sadly lacking with many providers

seek to consolidate clients' diverse and often confusing pension assets that are often scattered around various providers. Business garnered in this manner ranges from less than 5% from **Hazell Carr** and up to 100% from **Friends Provident**, but the average amount is 82%, showing that SIPPs are still mostly about consolidation.

When questioned on why their business from transfers is so much less than the average, Stuart Russell, head of technical at **Hazell Carr**, speculated that it could be because most of their business has existed for more than two years, and that people began consolidating pensions and turning to SIPPs in a big way during this period. However, the provider's business grew from £45.5m to £68.8m over a 15 month period, an increase of over 50%, which would mean that most of this business was new, unlike most of the rest of the marketplace, an anomaly that **Hazell Carr** could not account for.

Finally, nearly all providers hold property in their SIPPs with an average value ranging from £150,000 from **Standard Life** and **Wensley Mackay** to £500,000 from **Rathbones**.

Charges

Table 3 shows the array of charges levied by providers. Relatively few – only 17 out of 52 – require a minimum investment. Some

of the minimum investments shown are before self investment can even commence. **Axa**, for example, requires an initial investment of £50,000, but following the commencement of self investment the minimum residual insured fund value is just £3,000.

Cooper Parry levies the highest initial charge at £650, closely followed by **Hazell Carr** and **Nigel Sloam** at £630. All are well above the average of £284.

Nigel Sloam does redeem itself somewhat when it comes to charges on transactions made – it imposes no charge on any of the options, a feature it shares with 12 other SIPPs out of the 52 shown.

Most charges fall between £20-£30 for each transaction. **Hazell Carr** levies higher than average charges on UK and overseas shares transactions, at £100 initially then £50pa per transaction. For those that charge on a case by case basis, as with **Michael J Field**, or a time costed basis, as with **TJ Green**, it is impossible to say how they compare with their competitors.

Annual management charges (AMC) show a similar range though tend to be higher, with an average of £461. By far the highest charge here is from **Nigel Sloam** with £1,050, followed by **Ashcourt Pension Trustees** and **Cooper Parry** at £750.

It is rarer for a provider to levy no AMC whatsoever. **Hargreaves Lansdown** says that there is no AMC on 'over 1,400 funds' out of its range of 1,500 funds.

The question is whether some providers offer consistently lower charges, or whether some offer better deals in certain areas. Some do seem to be consistently low, for example **Investec**, which levies no charges at all bar £100pa for income drawdown and a below average £400 AMC. **Alpha Trustees** also has hardly any charges, with a very low £250 AMC, though charges on its investment services, which are imposed by **Charles Stanley**, are not stated here.

Overall however, there is little consistency when it comes to charges by SIPP providers. There seem to be few accepted limits or ranges, leaving providers free to charge more on certain elements and less on others. As would be expected from a product with a high degree of client control, advisers arguably need to be more thorough than for many other products in discovering their clients' needs, in order to match them with a SIPP that is most suitable for them.

The effect of VAT, which adds 17.5% to the charges shown, should not be overlooked. Providers are fairly evenly split as to whether VAT is added to their charges, but it should be borne in mind that the net effect is costs nearly 20% higher than those shown in the Table.

In general, there is something to be said for simplicity when it comes to charges, something sadly lacking with many providers as indicated by the vast amount of footnotes. **Scottish Life**, for example, provided in 19 pages what others did in four. No doubt this was to ensure that as much information as possible was given, but the effect of this can be confusion rather than clarity, something of particular importance to advisers sifting through the various options for their clients.

A *Money Management* article in February 2007 by John Chapman on the tricky issue of charges, arguing that it is very difficult to make a comparison between one provider and another due to the complexity of charges.

Commercial property

Table 4 gives details of charges on commercial property for those providers that offer the investment through their SIPP. Of the 52 in this survey, only five, **Alpha Trustees**, **Hargreaves Lansdown**, **Nigel Sloam**, **Rensburg Sheppards** and **St James' Place's** Self Invested Pension Plan – not to be confused with its Self Invested

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Table 5 : Charges and other plan details for the insured portion of SIPP's

Company	Min amount for insured portion £	Charges for insured portion						Allocation rates	Commission for insured business				
		Initial %	Bid/offer spread %	Annual %	Policy fees £	Switching investments £	Other		Initial %	Renewal %	Level %	Fund based %	Other
1 Aegon Scot Eq – FPP	1,000	Comms depend	0	AMC	0	0	0	100	to 115L,RP; to 8SP	to 2.5	to 9.5RP	to 0.55RP 0.8SP	–
2 – Ret Control	35,000	Com dep	0	AMC	0	0	0	100	to 6	–	–	to 0.5	–
3 Axa	50,000(1)	–	0	n/a	0	0(2)	n/a	100			Nil comm contract		
4 Friends Prov	75,000	n/a	5	0.75	5.04pm	15	Y(3)	104-105.3(4)	0-6	n/a	n/a	0.25-4 (5)	–
5 GE Life (Standard)	20,000	0	0	Fd dependnt	0	0	–	100	to 6	–	–	to 1	–
6 Jupiter (Full)	0	1.5+ creation	Varies	1.5	0	25	n/a	100	3	–	–	0.5	Agreed with client
7 L&G – SIPP 2000	25,000	0	0	0.7–1.5	0	0	–	100	2xMP	n/a	2.5RP, to 3.5SP (6)	0.4	1xMP+ 0.2% fbc; 1.5% level+ uplift+ 0.15%
8 – Portfolio+	25,000	0	0	0/0.5(7)	0	0	0.1/0.6 (8)	100	to 2.5MP (9)	n/a	to 5	to 1	–
9 Merc Inv (10)	25,000	–	–	–	–	–	–	–	–	–	–	–	–
10 Norwich Union	0	see (11)	see (11)	see (11)	see (11)	see (11)	see (11)	100	7SP; to 16AP	n/a	n/a-SP; 5RP	1	–
11 Scottish Life	0/1,000 (12)	0	0	0	0	0	0	100	to 20 (13)	to 2.5	to 5	to 0.5	see (14)
12 Scottish Widows	0	n/a	n/a	0.2-0.7	n/a	0 (15)	see (16)	100	0-5/0-50	0-1	–	–	–
13 Skandia	Varies	0.42av	0.25-2(18)	–	–	–	–	100	3-4.5	–	–	–	–
14 Standard Life	0	0	0	1 to 2	0	0	0	100	5	–	5	0-1	see (19)

Key: L – LAUTRO, av – average, RP – regular premium, SP – single premium. MP – monthly premium. (1) Min fund size – £50K; residual fund size following commencement of self investment – £3K. (2) Axa reserves the right to charge for ‘excessive’ switches. (3) If fund based renewal commission taken, AMC increased by amount of FBRC. (4) Assuming nil commission. (5) 0.25%; 0.5% if FBRC taken; max of 4%. (6) +uplift. (7) 0.5% extra AMC if fund size <£15K. (8) 0.6% if fund <£25K; 0.1% if fund >£25K. (9) Up to 2.5x1st monthly contribution, depending on term and commission style chosen. (10) All other details shown as “–”: charges are same as SIPP charges. (11) Charges are on a fund by fund basis. (12) Min fund level of £1K applies to core investments arrangement. (13) Based on term of 25 yrs. (14) Financial Adviser Fee (FAF) of up to 75% for regular payments, 7.5% for single premiums. If there are self investments, only FAF or fund based renewal commission applies. (15) Charges only on ‘excessive’ switching. (16) Fund management charges and adviser payment charge. (17) Three types of commission: scaled, flexible and fund based. (18) Fund management charge of 0.25% to 2%, Product AMC of 0.5% on funds <£10K. (19) Large fund discounts of 0.3-0.5%pa. **Source:** Money Management.

Personal Pension Plan – do not allow investment in commercial property.

Again, some of the providers add VAT onto the charges shown so this should be borne in mind when conducting a comparison.

As with Table 3, the charges vary wildly between different SIPP's. **Investacc** has the lowest property charges, with no initial charge and just £250pa, while those levying higher than average charges include **GE Life**, with a whopping £1,300 initial charge. **GE Life** also has transaction charges towards the higher end as shown in Table 3, though it compensates slightly by imposing no charge on transactions in.

Suffolk Life says that it charges on a time cost basis, with estimated charges of £1,500 initial and £600pa shown in Table 4, which, if accurate, would make its charges on property even higher than those of **GE Life**, though again, the provider compensates by having average self invested charges as shown in Table 3.

Not all providers specify whether the charges shown include a mortgage – for those that do, this increases the amount further, for example both **L&G's** SIPP's and **IPM Personal Pensions**, which go up by £125 and £350 respectively.

Interestingly, annual charges tend to be lower than initial charges for property, unlike initial charges vs AMC for the self

invested portion of SIPP's as detailed in the previous Table.

Insured portion

Table 5 shows the charges, allocation rates and commission on insured business for those SIPP's that have an insured portion, which number only 14 out of 52 in this survey.

Some charges are dependent on the funds selected, as with all of **Norwich Union's** charges and **GE Life's** annual charge. Most providers have no charges on policy fees or switching investments. Those that impose more charges than their competitors are **Friends Provident**, which charges in five out of the six instances shown, and **Jupiter**, with

charges in four out of six categories.

One good sign is that all of the providers offer 100% allocation rates. **Friends Provident** says that it offers up to 105.3% rates where no commission is taken. On the surface, this looks like an excellent deal. But the quid pro quo is that the fund bears a bid-offer spread of 5.3%, effectively cancelling out this additional allocation.

In last year's survey, a number of providers were still offering allocation rates of less than 100%, including **Axa**, **Merchant Investors** and **Scottish Life**. Fortunately they have now become more transparent in their charging and are offering 100% rates alongside their competitors.

Again, terms and conditions of the charges vary with no clear patterns emerging, and some charges tucked away in the small print. Only three providers appear to levy a charge for switching investments – **Friends Provident**, **Jupiter** and **Norwich Union** – but look a little closer, and **Axa** and **Scottish Widows** say that they levy charges on ‘excessive’ switching, an amount that could be anyone's guess.

It is interesting to compare these charges with those of the same SIPP's for their self invested portion. Naturally, insuring a part of the SIPP will come with a cost, and the question is whether it is

One good sign is that all of the providers offer at least 100% allocation rates. In last year's survey, many were still offering allocation rates of less than 100%

Table 6 : Additional options

Company	Services			Retirement			Other features		
	Point of sale illustrations	Cooling off notices	Key features	PR-no of segments	ID-no of segments	PD-no of segments	Increasing contributions	PCI	Other
1 Aegon Scot Eq	●	●	●	1,000	1,000	1,000	●	●	–
2 AJ Bell	●	○	●	●	●	●	●	○	–
3 Alliance Trust	●	○	●	●	●	●	n/a	n/a	–
4 Alpha Trustees	●	●	●(1)	●	●	●	●	○	–
5 Ashcourt PT	○	○	●	1,000	●	●	○	○	–
6 Axa	●	●	●	1,000	1,000	1,000	●	○	–
7 Barnett Wadd	○	●(2)	●(2)	1,000	1,000	1,000	●	○	–
8 City Trustees	●(2)	●(2)	●(2)	1,000	1,000	1,000	n/a	n/a	Client discretion standing order
9 Cooper Parry	○	○	○	●	●	●	●	○	–
10 Dentons	○	●	○	Unlimited	Unlimited	Unlimited	●	○	–
11 EBS	●(3)	●(3)	●(3)	●	●	●	●	○	–
12 Friends Prov	●	●	●	10,000	10,000	10,000	○	○	–
13 GE Life	●	●(4)	●(4)	1,000	1,000	1,000	○	○	–
14 Greyfriars	●(2)	●(2)	●(2)	1,000	1,000	1,000	○	○	–
15 Hargreaves Lansdown	○	○	○	●	●	○	○	○	Free helpdesk access, free investment research
16 Hartley SAS	○	○	○	1,000	1,000	1,000	●	○	–
17 Hazell Carr	●	●	●	1,000	1,000	1,000	●	○	None
18 Hbuckle Mitch	n/a	n/a	n/a	1,000	1,000	1,000	●	○	–
19 Investec	●	●	●	1,000	1,000	1,000	●	○	–
20 IPM PP	●	●	●	1,000	1,000	1,000	●	○	–
21 IPS Act Servs	–	–	–	1-1,000	1-1,000	1-1,000	–	–	–
22 James Hay	●	○	●	1,000	1,000	1,000	●	○	–
23 Jupiter	●	●	●	1,000	1,000	1,000	○	○	–
24 L&G – SIPP 2000	●	●	●	1,000	1,000	1,000	●	●	No need to self invest from day 1 on deferred SIPP
– Portfolio +	●	●	●	●	●	●(5)	●	○	–
25 MC Trustees	m	m	m	10,000	10,000	10,000	●	○	–
26 Merchant Inv	●	●	●	●	●	●	●	○	–
27 MetLife	●	●	●	●	●	●	○	○	–
28 MJ Field	○	○	●	1,000	1,000	1,000	●	○	All investments are registered jointly in name of SIPP member and MJF
29 Nigel Sloam	○	●(2)	●	1,000	1,000	1,000	○	○	–
30 Norwich Union	●	●	●	●	●	●	○	○	–
31 Origen	○	○	●	●	●	●	●	○	In specie contributions
32 Pointon York	●	○	○	●	●	●	●	●	–
33 Purplecircle	●	○(6)	○(6)	1,000	1,000	1,000	●	●	–
34 Rathbones	○	●	●	1,000	1,000	1,000	●	○	–
35 Rensburg Shepp	●	●(3)	●	1,000	1,000	1,000	○	○	–
36 SJP – SIPP – SIP	●	○	●	●	●	●	○	○	–
37 Scottish Life	●	●	●	●	●	●	●	●	Online projections and portfolio management
38 Scottish Widows	●	●	●	●	●(7)	●(7)	●	●(7)	Death benefit; basic rate tax relief applied immediately
39 @sipp plc	●	○	●	1,000	1,000	1,000	n/a	n/a	–
40 Sippdeal – Scentre – e SIPP	○	○	●	○	●	○	●	○	–
41 Skandia	●	●(8)	●	1,000	1,000	1,000	●	○	Certain investments and property held in joint names
42 Standard Life	●	●	●	●	●	●	●	●	Contributions can be stopped/started with no extra cost
43 Suffolk Life	●	●	●	1,000	1,000	1,000	●	○	Gross personal and in specie contributions accepted
44 Taylor Patterson	●	○	●	●	●	●	●	○	Contributions at member discretion
45 Tenon PT	○	●	●	1,000	1,000	1,000	○	○	–
46 TJ Green	○	○	●	10,000	10,000	10,000	○	○	–
47 TM SIPP Servs	○	○	○	1,000	1,000	1,000	●	○	–
48 Wsly Mackay	●	○	●	1,000	1,000	1,000	●	○	–
49 Winterthur	●	●(2)	●	1,000	1,000	1,000	○	○	–

Key: PCI-pension contribution insurance. PR – phased retirement. ID – income drawdown. PD – phased drawdown. (1) All services from 6/04/07. (2) From 04/07. (3) From 06/04/07. (4) Insured plan only. (5) Designation. (6) Being introduced. (7) Separate contract. (8) For Skandia investments. ● - yes, ○ - no. Source: Money Management.

Table 7 : Allowable investments

Company	Res prop	Comm prop	Overs's as prop	Luxuries	Indiv shares	Unit trust/ ICVC	Hedge funds	Unlisted shares	Other
1 Aegon Scot Eq	○	●	○	○	●	●	●	-	Most allowable investments
2 AJ Bell	○	●	○	○	●	●	●	-	-
3 Alliance Trust	●	●	●	○	●	●	●	●	CFDs
4 Alpha Trustees	○	○	○	○	●	●	●	-	-
5 Ashcourt PT	○	●	●	○	●	●	●	-	-
6 Axa	●	●	●	●	●	●	●	-	-
7 Barnett Wadd	●	●	●	●	●	●	●	●	All allowable investments
8 City Trustees	●	●	●	○	●	●	●	●	All allowable investments
9 Cooper Parry	○	●	●	○	●	●	●	○	Cash
10 Dentons	○	●	●	○	●	●	●	-	Investments subject to acceptance by administrator in terms of investment prudence
11 EBS	○	●	●	○	●	●	●	-	Investments considered on CBC basis
12 Friends Provident	○	○	○	○	●	●	●	○	None
13 GE life	○	●	○	○	●(3)	●	○	-	-
14 Greyfriars	○	●	○	○	●(4)	●	●	●(CBC)	All allowed - taxable property considered on CBC basis
15 Hargreaves Lansd'n	○	○	○	○	○	●	●	○	Bonds, gilts, cash, covered warrants, investment trusts
16 Hartley SAS	○	●	●	○	●	●	●	-	-
17 Hazell Carr	○	●	○	○	●	●	○	○	None
18 Hornbuckle Mitchell	○	●	●	○	●	●	●	●	All allowable investments
19 Investec	○	●	●	○	○	○	○	-	-
20 IPM Personal P	○	●	○	○	○	●	●	-	Non standard investments looked at on CBC basis
21 IPS Actuarial Servs	○	●	●	○	●	●	●	-	● (unstated)
22 James Hay	○	●	○	○	●	●	●	-	-
23 Jupiter	○	●	○	○	●	●	●	●	Most allowable assets – except TEPs + derivatives
24 L&G – SIPP 2000	○	●	○	○	○	○	○	-	Most allowable investments
- Portfolio +	○	●	○	○	○	○	○	-	Most allowable investments
25 MC Trustees	○	●	●	○	●(6)	○	●(6)	-	-
26 Merchant Investors	○	●	○	○	●(7)	●(7)	●(7)	○	Investment trusts (7)
27 MetLife	○	●	○	○	●	●	○	○	MetLife Trustee Investment plans with secure retirement options
28 MJ Field	○	●	●	○	●	●	●	○	None
29 Nigel Sloam	○	●	●	○	●	●	●	●	All allowable investments not incurring tax charges for investing in unauthorised transactions
30 Norwich Union	○	●	○	○	●	●	○	○	None
31 Origen	○	●	●	○	●	●	○	●(CBC)	CFDs
32 Pointon York	○	●	●	○	●	●	●	●	None
33 Purplecircle	○	●	●	○	●	●	●	●	All non taxable investments
34 Rathbones	○	●	○	○	●	●	●	-	-
35 Rensburg Shepp	○	○	○	○	○	○	○	○	Property funds, gilts, corporate bonds
36 SJP - SIPP	●	●	●	○	○	○	○	○	CFDs
- SIP	○	●	○	○	○	○	○	-	Other insurance company trustee investments, cash
37 Scottish Life	○	●	○	○	○	○	●(7)	○	None
38 Scottish Widows	○	●	○	○	●(8)	●(9)	●(8)	●	Most allowable investments
39 @sipp plc	○	○	○	○	○	○	○	●(CBC)	All allowable investments on CBC basis
40 Sipdeal - Scentre	○	○	○	○	○	○	○	-	Dependent on investment partner platform
- e SIPP	○	○	○	○	○	○	○	-	-
41 Skandia	○	●	○	○	●(10)	○	○	○	Most allowable investments
42 Standard life	○	●	○	○	○	○	○	-	Most allowable investments
43 Suffolk Life	○	○	○	○	●(11)	○	●(7)	○	-
44 Taylor Patterson	○	●	●	○	○	○	○	-	CBC
45 Tenon PT	○	●	○	○	○	○	○	-	●, unstated
46 TJ Green	○	●	○	○	○	○	○	○	Trustee investment plans, national savings
47 TM SIPP Servs	○	●	○	○	○	○	○	○	-
48 Wensley Mackay	●	●	●	●(12)	○	○	○	○	Equities
49 Winterthur	○	●	○	○	○	○	○	-	-

Key: Luxuries=fine wine, antiques, art, jewellery, classic cars. CFDs – contracts for difference. CBC – case by case basis. TEP - traded endowment policy. (1) Any countries that can recognise trust law. (2) At administrator's discretion. (3) Only if held with authorised investment manager. (4) Excluding unlisted shares. (5) All countries that can provide suitable commercial property investment via pension fund. (6) Limited to 20% of shares in a company; hedge fund investment usually limited to 10% of pension fund. (7) Restrictions may apply. (8) Via discretionary fund manager (DFM). (9) Via fund supermarket or DFM. (10) Must be purchased on recognised stock exchange and held by stockbroker. (11) Must be quoted on recognised stock exchange. (12) Except classic cars. ● - yes, ○ - no. **Source:** Money Management.

worth it for the investor.

Looking at the higher chargers here, **Jupiter's** charges for the self invested portion shown in Table 3 are fairly average - neither the highest nor the lowest of the lot with, for example, £25 per transaction levied. **Friends Provident** also has average

charges, though it does levy a £60 charge on ad hoc withdrawals, something which few others do (or admit to doing).

The lowest charger in Table 5 is **Scottish Life**, which imposes no charges at all on the insured portion. However its self invested charges shown in Table 3 are

generally higher than its competitors, with transaction charges of up to £75 and charges of £130 on transfers in and out and vesting.

This suggests that there is more of an incentive to take out an insured portion of a SIPP with Scottish Life than with Friends

Provident or Jupiter, since the latter two impose higher charges on the insured portion than the self invested portion while Scottish Life does the opposite.

Special features

Table 6 considers what special options each SIPP offers its SIPP holders, focusing on services, retirement features and others such as the free helpdesk access offered by **Hargreaves Lansdown**.

Cooling off notices will become mandatory on 6 April, hence a number of providers, such as **Barnett Waddingham** and **Nigel Sloam**, state that they will begin offering cooling off notices from April. Other providers are ahead of the game, including **Aegon Scottish Equitable** and **MetLife**, who already offered the notices as of 1 January.

New key features documents will be required by November 2007, but again some providers, such as **Suffolk Life**, are offering them ahead of the deadline in April.

Point of sale illustrations will remain optional with the new regulations.

Only two SIPPs do not offer phased drawdown – **Hargreaves Lansdown's** product and **Sippdeal's** e SIPP. With the exception of the e SIPP, all providers offer both phased retirement and income drawdown options.

Hazell Carr has improved its retirement services since the last survey as of October 2005, when it only offered income drawdown and then not segmented.

Other features stated generally depended on the enthusiasm of the person completing the survey. One notable feature is from Michael J Field, which registers all its investments jointly in the name of the SIPP member and the provider. Field explained that the service gives greater control to the client. "It puts a check on us and it gives security to the

With SIPPs tailored to specific investors more than most other types of product, the small print really does need to be pored over

client. We think it's a fundamental feature." Other providers are known to offer this feature, but did not disclose it in the survey itself.

Range of investments

Table 7 shows which investments are permitted by SIPP providers.

Since the Government's U-turn on luxury investments like fine wine and residential property in December 2005, these options are offered by very few providers since they are no longer tax efficient. Only **Axa**, **Barnett Waddingham** and **Wensley Mackay** seem to be taking the view that the client can make up their mind what to invest in by allowing luxury investments. A further three providers, **Alliance Trust**, **City Trustees** and **St James' Place** join in on the matter of residential property.

Most providers allow commercial property investment while a few allow overseas investment. All providers allow investment into unit trusts or investment companies with variable capital (ICVCs) and individual shares, while only four do not allow investment into hedge funds.

A number of providers stated that they

allowed investment into unlisted shares and hence a separate column was created for this. This is an area which is widely agreed to be the domain of investment houses or specialists offering SIPPs rather than life companies, which find it harder to offer the more obscure investments as they do not tend to specialise in this area.

John Moret at **Suffolk Life**, for example, which does not permit investments into unlisted shares, admits that there is an issue of cost – "fringe investments are often expensive to administer" – as well as the fact that certain permitted investments are banned by the Government specifically for life companies.

An FSA spokeswoman said that there were plans to review these regulations but that a definite timescale had not yet been set.

Such limitations suggest that more adventurous SIPP investors may want to invest with a specialist investment house such as Jupiter, or at least make sure that they are fully aware of the options of the SIPP that they choose.

In fact this has been the theme throughout this survey. With SIPPs tailored to specific investors more than most other types of product, the small print really does need to be pored over. Which charges apply and which investments are allowed say something about the type of investor – whether adventurous or cautious, more wealthy or with more modest means – at which the SIPP is aimed.

However, with little standardisation of charges at present, this can be a very difficult question to answer. Whether the new rules introduced by the FSA will help to bring a little more uniformity to SIPPs, so that advisers and clients find it easier to compare one with the other, remains to be seen.

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What we can learn from over there

The US is grappling with similar problems to the UK when it comes to pensions. **Christopher Reed**, vice president of UK retirement and savings business at MetLife, argues that we can learn something from our friends across the water

It is a picture that will be wearily familiar to IFAs and their clients. Pensions and retirement savings are being squeezed by the effects of historically low long term interest rates on annuities. Even though they have edged up they have still not risen by enough to improve payouts in the annuity market very much. At the same time private and public bodies such as the Government and major companies are grappling with growing pensions liabilities and seeking ways to fund their promises to employees and voters.

However, this wearily familiar picture is not of the UK where the word 'pensions' is almost always accompanied by the word 'crisis' in media reports. This is the experience in the US where the world's richest economy is facing similar problems to the UK.

Of course not everything in the US is the same. The UK's issues with an ageing population are not mirrored to the same extent across the Atlantic but in essence both countries are grappling with similar problems and both can learn something from each other.

Things that are common on both sides of the 'pond' include the fact that clients need to take full responsibility for their retirement savings as a result of increasing longevity, the decline of traditional pensions and increasing healthcare costs.

Despite all the alarmist media coverage both countries can go a long way to solving their pensions issues by moderately increasing amounts saved, boosting the proportion of national income dedicated to pensions and also raising the state retirement age.

Retirement options

Advisers will be well aware that the UK pensions industry has undergone tumultuous change in recent months. A-Day in April 2006 saw a step change in flexibility surrounding pensions both in terms of saving ahead of retirement and

drawing down income after retirement. However, given that annuity rates are sliding and there is uncertainty about the future of pensions for the over 75s, savers still have a conundrum to solve. Do they swallow low annuity rates for the certainty of a long term income or accept the risks of drawdown?

In many ways these developments bring the UK more in line with the US which, given that both countries face similar challenges, makes sense.

Advisers will be well aware that US companies have seen the potential for bringing US style solutions which are firmly rooted in UK experience to the UK pensions industry.

A number of US companies have seen these opportunities and have launched products in the UK: **Aegon**, **The Hartford**, **LivingTime**, which is backed by **AIG**, and **MetLife**.

IFAs and their clients will have noticed that the Americans have landed and are offering variants on what could be called halfway houses between the stark choice of an annuity or drawdown.

Shifting mindset

A-Day has already begun to shift the mindset of the UK financial services industry. Practitioners, savers and pensioners are all keen to take advantage of their new found flexibility.

The 2006 new business figures from the Association of British Insurers (ABI) show that there has been a demonstrable effect on sales. Last year saw 28% growth to a record £15.46bn in annual premium equivalents with individual pensions regular premium new business increasing by 45% from £2.1bn to £3bn.

However, the US experience has not always been positive. The UK's Pension Protection Fund (PPF) is modelled to some extent on the US Pension Benefit Guaranty Corporation (PBGC) which comes to the aid of bankrupt occupational schemes.

However, the PBGC has taken on enormous liabilities and as its levies have increased so too has the number of companies closing down their pension schemes.

Personal pensions

The really positive effect, however, has come through in personal pensions in the US. The 401(k) pension is a perfect example of a product which combines flexibility with effectiveness. Since its introduction in 1978 it has become one of the stalwarts of the US financial services industry.

The main reasons for its success are that it was created without recourse to any prescriptive Government design and it meets a consumer need for more control and adaptability.

To some extent the 401(k) was used as a framework for the UK's stakeholder pensions. There are of course crucial differences between the two but essentially 401(k) fulfils the role of encouraging employees to take responsibility for their own retirement.

Flexibility

The pensions industry has to respond by offering greater flexibility and control to UK savers so that they can take responsibility for their own retirement.

A-Day has created the legislative framework for the industry to develop solutions that offer a mix of the income security of annuities and the flexibility of drawdown. In the US, products offering guarantees are popular and are adapted for the UK where investors can choose a guaranteed income at the outset with the prospect of a lump sum at 75.

Investors are now well placed in the UK to benefit from more flexible retirement schemes and take advantage of some of the experiences of their US counterparts. Pension provision in the UK is undergoing real transformation – with a little help from the US.



What can SIPPs invest in now?

New taxation rules on certain investments have not deterred investors. **Neil Marsh**, managing director at Hornbuckle Mitchell, explains the present investment rules for SIPPs

SIPPs have achieved what many thought was impossible by bringing new excitement and enthusiasm to pension saving.

Allowing people to take responsibility for their pension provision by making their own investment decisions across a wide range of assets is a simple idea, but one that has had a powerful effect with billions invested and sales continuing to rocket.

SIPPs have become a phenomenon due to a number of key factors. Over the long term, dissatisfaction with the high costs and poor performance of traditional personal pensions has been a powerful force working in favour of SIPPs. The ability to buy commercial property within a SIPP has also been a major attraction.

The proposal to allow residential property to be held in a SIPP thrust self invested pensions into the sights of a much wider audience. Fears that demand for SIPPs could dry up following the Chancellor's infamous U-turn over residential property proved unfounded and the SIPP market has since gone from strength to strength. The dawn of low cost online services has broadened their appeal dramatically.

Reforms

A-Day on 6 April last year was undoubtedly a major turning point for SIPPs due to the introduction of new flexibilities and freedoms. One of the features of the new regime is that very little is banned from being held in a SIPP – there is no list of 'allowable' investments. Instead, the approach taken by Her Majesty's Revenue & Customs (HMRC) was to impose onerous tax consequences on some transactions but ultimately to leave it to the investor to make their own choices.

The freedom now given to SIPP investors is evident from a list of asset

classes that include cash, direct investment in stocks, shares, bonds and gilts, managed funds such as unit trusts, investment trusts and OEICs, and insurance company managed funds.

It is also possible to buy unlisted shares, as discussed in **Box 1**, overseas stocks and shares quoted on a recognised stock exchange and more sophisticated investments such as hedge funds or futures and options on a recognised futures exchange.

Property

Much of the interest in SIPPs has been generated by the freedom to invest in property. Commercial property is often understood as shops, offices or industrial units, but the scope is far wider encompassing hotels and motels, nursing homes, public houses, student halls of residence, care homes, prisons, hospitals and even greyhound tracks. Land also comes in this category whether it is development land or used for forestry or farming.

Indirect property investment can be through UK or overseas property funds and Real Estate Investment Trusts (REITs). The rules have led to growth in

specialist property funds focusing on themed investments, perhaps focusing on a region, country or type of property.

Investments could include funds specialising in apartments in Polish cities to benefit from the shift of the population from rural to urban areas, rental homes for young professionals in London's Docklands, or a fund set up to invest in a single motor dealership property.

Taxable property

Direct or indirect investment in some asset classes, called taxable property, can in some circumstances trigger heavy tax charges. Residential property, considered by many as an obvious asset for long term retirement planning, can fall into this category, along with tangible movable assets such as art, fine wines and antiques.

But these charges can be avoided if the assets are held in a genuinely diverse commercial vehicle (see Box 1). In simple terms, this means that the SIPP holder or any connected party should derive no personal benefit and that there must be a sufficiently diversified asset and ownership base. This explains the rise of specialist residential investment funds and the continued high interest in fine wine investing through funds that, of course, prohibit the investors from drinking away their assets.

Differing options

While HMRC has laid out an extensive menu of assets for investors to choose from, it does not follow that all SIPP providers have invested in the expertise and systems to allow the full range of assets to be held within their schemes. It is fair to say that the term 'SIPP' has to some extent become diluted and SIPP investors and their advisers need to read the provider's small print carefully to see exactly what is and

The rules have led to growth in specialist property funds focusing on themed investments, perhaps focusing on a region, country or type of property

Box 1 : Unlisted shares

A-Day on 6 April last year swept away the rule that prevented investment in shares unless they were listed on a recognised stock exchange. But although HMRC now allows investment into unlisted shares, only a minority of SIPP companies are willing to let their clients hold unlisted shares and many impose a blanket ban.

One of the huge benefits of pension saving within a SIPP is to give investors the freedom to make their own investment decisions so it is arguably wrong for some providers to ban an entire asset class with which the taxman has no problem.

Under the new regime introduced on A-Day there is no distinction between listed and unlisted shares. The extra complexity arises because a listed company is likely to be bigger and therefore have a more diverse ownership and asset base than an unlisted company.

Clients and their advisers must therefore take care when investing in a company either directly or indirectly via unlisted shares in order not to fall foul of the taxable property rules, which would trigger higher tax charges.

Taxable property is defined as residential property or 'tangible moveable property' which can be anything you can touch or move and includes assets such as art, antiques, fine wine, classic cars and yachts.

But the regulations state that even though a company may invest in taxable property, purchase of shares in that company by a SIPP will not fall foul of the restrictions if the company is a genuinely diverse commercial vehicle (GDCV). A GDCV cannot hold assets for the personal use of the SIPP holder or anyone connected to them and must also fulfil criteria on the diversity of ownership and the assets held.

An example of a GDCV would be a residential investment company. The shares of this company (listed or unlisted) can be held in a SIPP without onerous tax consequences provided that the company fulfils three key criteria: that it has assets of at least £1m or holds at least three properties with no single property constituting more than 40% of the assets; that the assets are not for the private use of the SIPP holder or anyone connected to them; and that the ownership is diverse in that the pension fund together with associates owns or controls less than 10% of the company.

Some SIPP administrators draw the line at allowing unlisted shares because of worries that they would become responsible for checking what a company is investing in and whether it falls foul of the taxable property rules. The problem with this approach is that it applies equally to listed and

unlisted companies, and these same SIPP administrators would never choose to impose such a ban on holding listed shares.

The reality of unlisted shares is that many are automatically excluded from being held in a SIPP because small companies often have ownership concentrated in the hands of a small number of people. But that still leaves a large number of businesses with unlisted shares, many with compelling investment stories that are attractive to experienced investors.

The issue of unlisted shares is complicated further by connected party rules so any investor keen to avoid nasty surprises must make sure that their SIPP administrator has the necessary expertise to guide them through.

For example, about 80% of Hornbuckle Mitchell clients who hold unlisted shares in a SIPP are not connected parties, but that still leaves a significant 20% that are connected but can still proceed without tax penalties due to the circumstances of their individual cases.

In order to make sure that the rules are workable, any assets valued at no more than £6,000 are ignored for these purposes if they are held for the purpose of administration or management of the company and not for personal use of a member. So a laptop for the accountant may be ignored, but a painting on the managing director's office may not.

This requires some care. Suppose that the pension fund owns shares in a trading concern and the company then purchases a car for the use (private and company) of a director/member. If the trading concern is a genuinely diverse commercial vehicle, then the director will be subject to a P11D assessment, a form used by employers to tell HMRC about the value of any benefits in kind given to employees during the tax year. If the director and member is a controlling director the company cannot be a genuinely diverse commercial vehicle and the higher tax charge will apply in addition to the P11D assessment on the director as an employee of the company. The easy way to avoid the problem is to pay the director and allow him or her to make their own arrangements for a car.

SIPP administrators will look more closely at deals involving unlisted shares, insisting on an independent valuation by a qualified accountant and perhaps also looking at the investor's investment timescales, exit strategies and the company's dividend policies. But if it complies with HMRC's rules, the investment rationale stacks up and the investor is clear about the risks and rewards, there should be nothing stopping the investor holding those shares within their SIPP.

is not allowed by their own rules.

They should also take steps to ensure that their SIPP has built in future flexibility to embrace all the asset classes that may become of interest, and offers the option of using their own trusted advisers such as wealth managers, solicitors or stockbrokers where appropriate.

Insurance companies, suffering from the decline in interest in traditional personal pensions and seeing the power of the SIPP moniker, have been quick to launch their own diluted versions that give access to some, but not always all, of the asset classes available.

In a bid to keep costs low and keep some of the fund business within the insurer, many are limited to only the inhouse funds, a range of external funds through a fund supermarket and listed assets such as shares and bonds.

Commercial property and specialist property funds are often outside the scope of insurance company

SIPPs because of the extra complexity involved. Low cost, online SIPPs work along similar rules.

In addition, a number of specialist operators impose their own restrictions on what can and cannot be held, often excluding the purchase of perceived

riskier assets such as futures and options or unlisted shares.

Less choice ahead?

Regulation of SIPPs starts on 6 April 2007 with the intention of bringing new consumer protection and more professionalism to the marketplace. The irony is that many small SIPP companies that have built up strong expertise in the more specialist assets are likely to be unable to continue trading under the more rigorous regulations, potentially concentrating the market in the hands of larger companies that give investors less choice.

SIPPs have put the power of investment choice into the hands of investors, allowing them to take advantage of compelling opportunities as they arise. But investors need to ensure that they look through the provider hype to choose a SIPP that is up to the job.

Insurance companies suffering from the decline in interest in traditional personal pensions and seeing the power of the SIPP moniker, have been quick to launch their own diluted versions

The customer of tomorrow

What is the difference between the SIPP customers of today and tomorrow?

Alistair Hardie, product marketing manager, SIPP & executive pensions at Standard Life, argues that providers need to know their market

It is worth stepping back to think about what a SIPP actually is and what it aims to deliver for the customer. Many think of it as a product when in reality it is an offering of services. It is not just about the administration services from the plan operator but the range of services that the customer can buy from the service providers within the SIPP wrap.

Services

So, what are these services and why do SIPP customers value them? The most obvious and perhaps overlooked is the tax efficiency of the SIPP wrap which offers tax relief on personal payments in and tax efficient ways of making payments out.

Within the SIPP wrap, services include direct investment in the stock market, discretionary fund management, direct investment in property and tax efficient ways to pay for advice. Customers can access and manage these services remotely via the internet or telephone or in person. Underpinning the range of services is clarity on what they cost.

Today's customer

A pen portrait of today's SIPP customer may look something like this. They are in their late 40s or 50s, they earn good incomes and they are likely to be directors, senior managers, entrepreneurs or business owners.

Financially, they are very astute. They use financial advisers and do their own research using the internet and personal finance magazines. They are well placed for retirement with investments in stocks and shares, pensions and ISAs. They are likely to be mortgage free and may have a second property. They are receptive to new technology.

Today's SIPP customers have a propensity to purchase high quality, high value and time efficient services in their day to day lives. They are responsive to products that offer these attributes and when it comes to savings and retirement

planning, SIPPs clearly fit the bill.

The long held view that SIPPs have traditionally been the domain of the wealthy is a fair assessment of today's SIPP customer. But will this be true of tomorrow's?

Tomorrow's customer

The first thing tomorrow's SIPP customer is faced with is more choice. The market has witnessed a rush of established providers relaunching tired propositions in the run up to and after A-Day. UK fund managers, platforms and banks have entered via the white labelling route, whereby distributors agree to distribute another provider's product but branded as their own. The Americans want a slice too, with some US companies entering the UK SIPP market in 2006 under their own brands.

Customers have a myriad of SIPP providers and propositions to choose from although SIPP regulation will remove some choice from the market.

The second major factor is more access points. SIPPs have traditionally been distributed through financial advisers and this will continue. Although a developing market, customers will be able to access SIPPs more and more through the workplace as part of the benefits package. This could be as the main employer sponsored arrangement, as a 'top hat' arrangement – ie, additional voluntary contributions – or for maturing share options. It may be presented as part of an employer's wrap proposition. The SIPP services available to employees will be tailored according to the needs of different groups: a one size fits all approach is unlikely to be appropriate.

Thirdly, there will be more information to assimilate. The introduction of SIPP regulation will require full disclosure of costs.

The downside is that customers will have more paperwork but the upside is that it will make comparisons between different SIPP propositions simpler and easier for customers. It should also put to bed the

view, held by some, that SIPPs are more expensive than other individual pensions.

Catch me if you can

However, the reality is that the SIPP market is playing catch up with the mature and regulated personal pensions market. Here customers have a plethora of providers and propositions to choose from. The personal pension spectrum ranges from price capped, limited fund choice stakeholder pensions through to personal pensions with extensive fund options.

An issue for customers is how they move up the investment spectrum should they need more options. Another issue is that not all personal pensions allow customers to draw benefits. This is where SIPPs fit in neatly because they offer this spectrum, or range of services, to customers as and when they need them. They should not need to incur the costs of changing product or provider as their circumstances change.

Only for the rich?

The long held view that SIPPs are just for the wealthy who are prepared to pay a premium for the privilege of having one no longer holds true. SIPPs are being stretched to meet a broad spectrum of customer needs from limited services start up SIPPs to those that offer the full menu of services. A key selection issue for the customer is the ability to access more services when they need them and to pay for those services only when they use them.

In summary, the SIPP market has generally served today's SIPP customers well. The challenge for new and existing providers will be whether they can identify what the SIPP customer of tomorrow values and deliver the services to meet those values. What might the pen portrait of tomorrow's SIPP customer look like? The SIPP provider(s) that get this right will emerge as winners in what is shaping up to be a very competitive market.



Raising the game

Michael Phillips, head of distribution at MetLife Europe, describes what financial advisers must do to compete in the new SIPP marketplace

While the purpose of the A-Day reforms may have been to simplify pensions, customers have become increasingly sophisticated. The boom in the SIPPs market demonstrates their appreciation of the options available to them and their desire to have more control over their savings.

While some investors choose to manage their own investments, a consequence of this increased sophistication, especially among higher net worth individuals, is that their demand for financial advice has become more sophisticated too.

The onus is increasing on advisers to develop the skills necessary to meet this sophisticated demand, but the incentives are there too, because it is a valuable market. By improving their approach, financial advisers can not only benefit their clients but their own businesses as well.

Know your client

The first rule is for advisers to know their clients. Having a better understanding of how clients view the relationship is a good way of identifying sales opportunities. By fully appreciating their appetite for risk and particular investments, advisers can put together portfolios much more in line with their clients' sentiments, which, in turn, is a good way of achieving client satisfaction and higher retention rates. Having a grasp of their clients' income streams, especially windfalls, will also create opportunities, given that A-Day has increased the scope for lump sum payments into pension pots by raising the annual limits on contributions.

TCF

All of this is also important from the point of view of Treating Customers Fairly (TCF). Regulators lay down standards but advisers with high net worth clients should be looking to go way beyond these. Articulating exactly what services a client can expect is good for both the client and the adviser.

For example, threesixty, the IFA services

provider, has addressed this issue by producing template service agreements for advisers to give to their clients, outlining exactly their commitment to the client through the services they provide, frequencies and costs.

A holistic approach

Advisers should be doing more than just focusing on the sale of products. The advice experience should be much more of a holistic experience for clients, whereby they understand how the products that they have bought match their investment goals, their attitudes to risk, and their tax situation.

This holistic approach is particularly relevant for clients with SIPPs, who will need long term advice over many years, starting with the purchase of the right SIPP wrapper and the right investments, then regular monitoring and followed up later with advice at the point of retirement and during retirement.

Investments

Essentially, advisers must raise their game. The pillar of good investment advice is asset allocation. It is notoriously difficult to get right but financial advisers must model their clients' portfolios and comprehend them in their entirety, taking account of all assets, such as property, investment bonds and equities as well as mutual funds.

Advisers must keep themselves updated on the kinds of investment products that are available within SIPPs. For many, this would mean understanding the kind of funds that are out there. Given the wide range of unit trusts, investment trusts and OEICs available in the UK, this is a gargantuan task for many adviser practices.

These tasks are made much easier by using the panels that are available via service providers and networks, but also in the products themselves. The MetLife TIP, for example, uses Morningstar Associates Limited, which has recommended a range of best of breed funds and managed

portfolios that help advisers build tailored financial solutions. This takes away much of the research task for advisers, giving them the time to do what they do best, which is spend time with their clients.

But advisers also need to look beyond traditional mutual funds for their clients. There are now many sophisticated products available that can be used within a SIPP to support investments, such as the guaranteed products that have been around in the US for some years and which are now being launched in the UK. Advisers need to understand these products and how they can be used within a portfolio to support investments and help clients reach their investment goals.

Investors expect their advisers to be able to give them the kind of service afforded by current technology. There are several tools available to advisers that can help with product research and selection of funds.

Looking ahead

Finally, the ongoing service that financial advisers give must continue for their clients to the point of, and into, retirement. Again, the products available in the market now go way beyond the traditional annuities that were the mainstay prior to A-Day. Those advisers who seek to be worthy of the 'New Model Adviser' description will have to familiarise themselves with this new generation of products to the point where they can give high quality advice to clients.

Advisers are now looking to target better quality, high net worth clients, principally those with at least £100,000 to invest. The number of people coming under this bracket is rising, but banks and tied agents are eyeing this market too.

If advisers are to capture this market they must become more competitive and offer a valuable service that meets the sophisticated demands of today's market. By giving a more valuable service, financial advisers will also add more value to their own businesses. **M**