

SIPPs: colourful combinations

Laverne Hadaway eavesdrops on the debate around execution only and limited investment SIPPs and myriad choices available in our survey of the market

The self invested personal pension (SIPP) success story can surely be held up as one able to counter the usual doom over pensions. Survey after survey suggests that SIPPs are selling like hot cakes. Yet not everyone in financial services is happy about the boom in SIPP sales. The FSA has just revealed some concerns that it has over advice given on SIPPs. It detects a “potential risk” that SIPP recommendations could be based on “access to a broader range of packaged investment funds” rather than “because the SIPP provides self selection of actual investment assets.

It is concerned that many investors may be paying for the investment

flexibility and functionality of a SIPP, when they may not need it and a personal pension with a wide range of funds may be all that they need.

Providers share the FSA's concerns. “SIPPs seem to be the latest, must have, financial fashion accessory,” says Martin Tilley, business development manager at Denton's. “But there are lots of good platform based personal pensions that can do the job just as well. Skandia offers access to a thousand funds. You don't necessarily need a SIPP”.

Diet SIPPs

James Hay is unhappy about the rise of “off the page SIPPs” sold direct to

consumers without any help from an adviser. The suggestion is that many of these are execution only SIPPs bought by people in the wake of aggressive marketing tactics. It points to a growing commoditisation of the SIPP market leading to a proliferation of so called diet SIPPs – in other words low cost SIPPs with limited functionality.

In contrast to the FSA's fear that people may be receiving the wrong advice, this time the fear is that people are investing for their retirement without taking any professional advice at all. In other words, instead of being missold, these SIPPs are being misbought.

Other providers share James Hay's concerns, particularly over ‘diet SIPPs’ and a proper definition of a SIPP. “We regard ourselves as offering a true SIPP with open architecture,” says Steven Hart of IPS Pensions. “We're concerned about the use of the term SIPP relating to products that don't offer full flexibility.”

Tilley at Denton's expresses similar sentiments: “A SIPP offers the widest possible range of investment flexibility, so it should include commercial property and unquoted shares for example, but if your product only invests in funds or platform shares, it doesn't warrant the title SIPP – it should be called a restricted SIPP or some such name.”

He also complains that the SIPP rules aren't always clear, arguing that the specific features of a SIPP should be made clear from the outset in the literature.

However, the spokesperson of one rival provider, who preferred not to be named, suggested that James Hay's attack on low cost SIPPs was motivated primarily by jealousy. He suggested that the company had also attempted to launch a low cost SIPP that had not been as successful as Hargreaves Lansdown's and that the latter's aggressive marketing campaign made it an easy target for criticism.



Table 1 : SIPP provider, plan trustee and administrator

| Company | Plan name | Plan trustee | Administrator | Valuation statements | Services outsourced? |
|-----------------------------|---|--|--|--|--|
| 1 A J Bell | SIPPcentre Sippdeal e-sipp | Sippdeal Trustees Sippdeal Trustees | A J Bell Management A J Bell Management | Half yrly/quarterly + online Half yrly/quarterly + online | Yes, inv admin, invst panel (1) Yes, inv admin, invst panel (1) |
| 2 Alliance Trust Savings | Alliance Trust Full SIPP Select Pension | Alliance Trust Pensions Alliance Trust Savings | Alliance Trust Savings Alliance Trust Savings | Annual Quarterly | No No |
| 3 Axa | Axa Full SIPP/Deferred SIPP | Sun Trust | Axa Sunlife Services | Annual, ad hoc £40 | Yes, invst man |
| 4 Cooper Parry Fin Servs | Cooper Parry SIPP | Park Row SIPP T'tees | Cooper Parry FS | Annual | No |
| 5 Denton's | Denton's SIPP | Denton & Co T'tees | Denton's Pen Mgmt | Annual | Yes, n/d |
| 6 Friends Provident | Friends Provident SIPP | James Hay Pens T'tees | James Hay Admin Co | Annual + 1 ad hoc (2) | Yes, n/d |
| 7 Hargreaves Lansdown | HL Vantage SIPP | H' Lansdown Pen Tr | H' Lansdown Asset Mgt | Half yrly + online | No |
| 8 Hazell Carr | Hazell Carr SIPP | Hazell Carr (AD) Servs | Hazell Carr Pen Servs | Annual | No |
| 9 Hornbuckle Mitchell | Hornbuckle Mitchell Sipp | Hornbuckle Mitchell T'tees | Hornbuckle Mit Grp | Annual | Yes, inv man |
| 10 Investacc | Minerva SIPP | Investacc | Investacc | Annual | Yes, n/d |
| 11 IPM Sipp Admin | IPM Personal Pen Scheme | IPM Sipp Admin | IPM Sipp Admin | Annual | Yes, invst man |
| 12 IPS Pensions | IPS Pensions Builder | Union Pension Trustees | IPS Pensions | Annual | Yes, invst & prop mgt, stock broking |
| 13 James Hay | James Hay Pers Pen Plan | James Hay Pens Trustees | James Hay Admin Co | Annual, £60 ad hoc | Yes, n/d |
| 14 Legal & General | SIPP 2000 Portfolio Plus SIPP | L&G Assurance Society | L&G Assurance Soc L&G Assurance Soc | Yes Yes | Yes, invst man n/d |
| 15 Michael J Field Cons Act | The Michael J Field SIPP | MJF Pension Trustees | MJF Pension Trustees | Annual | Yes, n/d |
| 16 Mattioli Woods | Mattioli Woods SIPP | MW Trustees | Mattioli Woods | Annual | Yes, n/d |
| 17 Merchant Investors | Self Invested Pen Portfolio | Merchant Investors | Merchant Investors | Quarterly | Yes, DFM |
| 18 Nigel Sloam & Co | NSS Solution SIPP | NSS Trustees | NSS Trustees | Annual | Yes, invst, pens advice, prop man |
| 19 North Star | North Star SIPP | North Star SIPP | North Star SIPP | Annual | Yes, invst man |
| 20 Origen | Self Invested Pen | Origen Trustee Services | Origen Invst Servs | Annual | Yes, property + invst man |
| 21 PAL Partnership | PAL SIPP | PAL Trustees | PAL Partnership | Annual + online | Yes, n/d |
| 22 Purplecircle Consulting | Purplecircle Private Pen Pl | PC Pen'eers and PC T'tees | Purplecircle Consulting | Annual | Yes |
| 23 R'thbone Pen & Adv Ser | Rathbone SIPP | R'thbone Pen & Adv Ser (Tr) | R'thbone Pens & Adv Ser | Annual | Yes, invst man |
| 24 Rensburg Sheppard's | Premier Pension Plan | Rensburg Sheppard's T'tees | R'burg Sheps Inv Man | Biannual | No |
| 25 Rowanmoor Pensions | Family Pension Trust | Rowanmoor Trustees | Rowanmoor Pers Pens | Annual | Yes, n/d |
| 26 Scottish Widows | The Retirement Account | Scottish Widows T'tees | Scottish Widows | Free online, ann for prop | Yes, DFM |
| 27 Skandia | Skandia SIPP | Sippdeal Trustees | AJ Bell Man | Annual and online | Yes, admin to AJ Bell; legal, prop & invst man Yes, DFM |
| 28 Standard Life | Standard Life SIPP | Standard Life Trustee Co | Standard Life Ass | Annual and online | |
| 29 Suffolk Life | Suffolk Life SIPP Suffolk Life MasterSIPP | Suffolk Life Trustees Suffolk Life Trustees | Suffolk Life Pens Suffolk Life Pens | Annual Annual | Invst mgt, legal |
| 30 The Lifetime Sipp Co | The Lifetime SIPP | The Lifetime Sipp Co | Hartley SAS | Half yrly, £50 thereafter | Invst mgt, property mgt |
| 31 TM SIPP Services | Elite Retirement Account | TM Trustees | TM SIPP Services | Annual | No |
| 32 Tomorrow | Standard SIPP Fund Supermarket SIPP Discretionary Pen Portfolio | NM Pensions Trustees NM Pensions Trustees NM Pensions Trustees | NM Pens T'tees NM Pens T'tees NM Pens T'tees | Annual Annual Annual | Yes, DFM |
| 33 Uptel | Uptel SIPP | Uptel | Uptel | Annual | Yes, legal, acc, prop + invst man Yes |
| 34 Wensley Mackay | Wensley Mackay Pers Pen | WM Pen Trustee Servs | Wensley Mackay | Annual | Yes |
| 35 Winterthur | The Winterthur Life SIPP | Winterthur Pen T'tees | Winterthur Pen T'tees (3) | Half yrly + 2 ad hoc | Yes, admin to AJ Bell; legal, prop |
| 36 Zurich Assurance | Self Invested Personal Pen | Zurich Pension Trustee | Capita Life & Pens | Annual, £100 thereafter | Yes, invst man |

Key: DFM - discretionary fund management. (1) Investors use own adviser, solicitor, surveyor, lender for property. (2) Thereafter £48 - £144. (3) Day to day administration includes record keeping and valuations carried out by Capita. Source: Money Management.

Factionalism

But Hargreaves Lansdown, provider of one of the lowest cost execution only SIPPs, is not fazed. "A SIPP is a pension that allows people to invest in what they want – but how far they take it, is up to them," says Laith Khalaf, pensions analyst at the company. "SIPPs have helped increase the popularity and awareness of pensions. We don't need factionalism in the industry. Does it matter what the products are called so long as people get the right product? Low cost SIPPs like ours are already differentiated by their charges; branding them 'restricted' or 'diet' is meaningless."

As for the FSA's comments, he argues that the difference between his firm's low cost SIPP and a personal pension, is that

the SIPP allows a broader range of investments such as equities and over 1,200 funds that can be invested in free of charge.

He also says that the charges on the SIPP are lower than those of many personal pensions.

The survey

Once again, *Money Management* has undertaken a detailed survey of SIPPs, which we believe to be unique. All data is as at 1 September 2007.

One of the features of SIPPs is that their administration and trusteeship are often separate. **Table 1** provides basic details of SIPPs including the names of the plan trustees and administrators and how often valuation statements are provided.

At least five firms offer more than one plan – **A J Bell, Alliance Trust Savings, Axa, Legal & General, Suffolk Life and Tomorrow**. AJ Bell's SIPPcentre and Sippdeal e-SIPP are very similar in that they offer exactly the same investment freedom, including property investment from January next year. However, e-SIPP is a purely online execution only offering, sold direct to the public, while SIPPcentre is available only through an adviser.

By offering more than one SIPP, some with a more limited investment remit, providers themselves are acknowledging the different sectors of the SIPP market. **Alliance Trust** offers both a full SIPP and the Select Pension, which is in effect a SIPP with a limited investment remit.

Legal & General's Portfolio Plus SIPP

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 AJ Bell | 26,134 | 0 | 4.23bn | 162,000 | 80 | n/d | n/d | n/d |
| 2 Alliance Trust | 5,288 | 0 | n/d | 350,000 | 75 | 300 | n/d | - |
| 3 Axa | 0 | 8,794 | 1.5bn | 273,214 | 80 | 525 | 287,704 | 42,500 |
| 4 Cooper Parry FS | 186 | 0 | 3.7m | 200,000 | 80 | 70 | 400,000 | 50 |
| 5 Denton's | 1,557 | 0 | 739m | 474,630 | 78 | 287 | 385,000 | n/d |
| 6 Friends Provident | 1,348 | 1,171 | 288m | 213,971 | 100 | 12 | 267,611 | n/d |
| 7 Hargreaves Lansdown | 33,000 | 0 | 1.4bn | 42,500 | 65 | 0 | n/a | n/a |
| 8 Hazell Carr | 300 | 0 | 69.8m | 232,523 | 5 | 85 | 406,000 | 277,378 |
| 9 Hornbuckle Mitchell | 9,550 | 0 | >2.5bn | 300,000 | >90 | 1,520 | 400,000 | 200,000 |
| 10 Investacc | 523 | 0 | 64m | 122,000 | 91 | 151 | 256,000 | 100,000/50 |
| 11 IPM P P Trustees | 3,500 | 0 | 1bn | 350,000 | 80 | 640 | 375,000 | 150,000 |
| 12 IPS Pensions | 4,443 | 0 | 1bn | 250,000 | n/d | 1,247 | n/d | n/d |
| 13 James Hay | 36,349 | 19,595 | 11.6bn | 319,884 | 94 | 2,138 | 327,766 | 113,754 |
| 14 L&G | 0 | 4,280 | 387m | 90,000 | 73 | 89 | 354,000 | n/d |
| 15 Mattioli Woods | 1,116 | 0 | 280.7m | 251,541 | n/d | n/d | n/d | n/d |
| 16 Merchant Investors | n/d | n/d | n/d | n/d | n/d | n/d | n/d | n/d |
| 17 Michael J Field | 900 | 0 | n/d | n/d | n/d | n/d | n/d | n/d |
| 18 Nigel Sloam | n/d | 0 | n/d | 600,000 | n/d | n/d | n/d | n/d |
| 19 North Star | 371 | 0 | 63m | n/d | 80 | 111 | 120,000 | 40,000 |
| 20 Origen | 499 | 0 | 150m | 300,000 | 80 | 85 | 275,000 | 150,000 |
| 21 PAL Partnership | 1,100 | 0 | 300m | 272,000 | 60 | 100 | 175,000 | 175,000 |
| 22 Purplecircle Pensions | 167 | 0 | n/d | n/d | n/d | n/d | n/d | n/d |
| 23 Rathbones | 800 | 0 | 270m | 340,000 | 80 | n/a | n/a | n/a |
| 24 Rensburg Sheppard's | 1,021 | 0 | 347m | 340,000 | 80 | 0 | n/a | n/a |
| 25 Rowanmoor Pensions | 302 | 0 | 31.4m | 103,840 | 87 | 26 | 213,900 | 80,590 |
| 26 Scottish Widows (1) | 165 | 2,310 | 200m (1) | 86000 (1) | 92 | n/a | n/a | n/a |
| 27 Skandia | n/d | n/d | n/d | n/d | n/d | n/d | n/d | n/d |
| 28 Standard Life | 36,800 | n/d | 6.3bn | 172,000 | n/d | 561 | 290,000 | 176,000/33 |
| 29 Suffolk Life | 9,500 | 0 | > 2.5bn | 260,000 | n/d | >1,350 | 440,000 | 100,000 |
| 30 The Lifetime SIPP Co | 402 | 0 | 56m | 139,000 | 60 | 95 | 300,000 | 180,000 |
| 31 TM SIPP Services | 870 | 0 | n/d | 200,000 | 80 | 150 | 250,000 | 150,000 |
| 32 Tomorrow | 0 | 4,527 | 1.4bn | 317,064 | 90+ | 1,012 | 288,626 | 80,254 |
| 33 Uptel | 90 | 0 | 20m | 222,000 | 70 | 20 | 350,000 | 250,000 |
| 34 Wensley Mackay | 250 | 0 | 150m | 200,000 | 75 | 100 | 300,000 | 150,000 |
| 35 Winterthur | 7254 (3) | n/d | 2bn (4) | n/d | n/d | 661 | 405,000 | n/d |
| 36 Zurich Assurance | n/d | n/d | 29.3m | 167,000 | n/d | n/d | n/d | n/d |
| Total | 183,785 | 40,677 | 38.9bn | - | - | - | - | - |
| Average | - | - | - | 245,039 | 77 | 436 | 312,119 | - |

Notes: Some figures are approximations. N/d - information was not disclosed. N/a - information was not applicable. (1) Data refers only to Retirement Account product launched March 2007. No figures available on self invested assets or legacy products. (2) 60% property value. (3) No of plans as at 31/07/07. (4) Value of business as at December 2006. **Source:** Money Management.

has a broader investment range than its SIPP 2000 product. Additional investments include futures, VCTs and TEPs. **Portfolio Plus** is based on Cofunds, the fund supermarket that L&G co-owns. Both SIPPs, however, can invest in commercial property.

Four firms outsource their administration: **Friends Provident** to James Hay, **Skandia** to A J Bell and **Zurich** to Capita Life & Pensions, although **Winterthur** also outsources its day to day admin to Capita.

In the past, one of the big complaints about SIPP providers, and the life offices in particular, was their poor administration. Investors often voted with their feet by moving to more efficiently run providers. Today, with the regulations appearing to proliferate, SIPP providers cannot

afford to be run inefficiently.

As of 17 October this year, providers had to do all their reporting to HMRC online. "It will kick start everyone," suggests Jessica Smith at Cooper Parry. "But the providers that are around now are here to stay. Anyone who was struggling has already gone."

The Table also shows how often investors are provided with a valuation statement. Most providers offer one a year free of charge, with charges of between £48 (**Friends Provident**) and £100 (**Zurich**) for each additional statement. However, **A J Bell**, **Hargreaves Lansdown**, **PAL Partnership**, **Scottish Widows**, **Skandia** and **Standard Life** all offer free online statements. Presumably this is the state of things to come as other firms, such as **Cooper Parry** have indicated that they are considering

offering valuations online.

Finally the last column reveals whether any services are outsourced and if so which ones, although not every provider specifies.

Business levels

Table 2 shows the business levels of SIPP providers, including the number of plans, the value of in force business and the number of properties being managed. Of the providers disclosing figures, there was a total of 183,785 self invested plans and 40,677 insured SIPPs worth a total of £38.9bn.

Standard Life had the largest number of fully invested plans, 36,800, although it is unable to specify how many of those are insured SIPPs. However, **James Hay** has the second largest number of fully self invested plans with 36,349, but it also

Table 3 : Charges for self-invested portion of SIPPs

| Company | Min inv £ | Mthy pm £ pm | Annl pms £ pa | Sing prm £ | Init chrg £ | AMC £ | Transaction charges | | | | | Trans in £ | Trans out £ | Vesting £ | Invs servs £ | Op chrgs £ | Chr sub to VAT |
|--------------------|--------------|-----------------|------------------|---------------|----------------|-----------|--------------------------|-----------------|------------|-------------------|-------------|---------------|----------------|--------------|-----------------|---------------|----------------|
| | | | | | | | UK shares £ | O'seas shr £ | IT/UT £ | Ins co funds £ | Dpsits £ | | | | | | |
| 1 A J Bell | 0 | 200(1) | 0 | 1,000 | 120 (2) | 640(2) | 0 | 0 | 0 | 0 | 0 | 60 | 75 | Yes(3) | n/a | £100 pa | All |
| 2 Alliance Trust | 0-50 (4) | | | | 350 (5) | 400 (5) | 0-30 (6) | | | | 0 | 0/100(7) | 100 (7) | 100/150(8) | 250(9) | - | All |
| 3 Axa | 50,000 | 100 | 1,200 | 1,000 | 299 | 349 | 15/25 | n/a | 15/25 | 0 | 0(10) | 25/90 (11) | n/a | n/a | - | - | None |
| 4 Cooper Parry | 0 | 0 | 0 | 0 | 450 | 550 | 30 (12) | | 30 | 30 | 0 | 95 | TCB | 200 | Per client | - | All |
| 5 Denton's | 0 | 0 | 0 | 0 | 495 | 466 | None if held in nominee | | | 0 | TCB | TCB | 250 | Per client | TCB | All(13) | |
| 6 Friends Prov | 75,000 | n/a | n/a | 5,000 | 0/290(14) | 0-525 | 24 | 24 | 24 | 0(15) | 24 | 0 | n/a | n/a | 0 | 60(16) | None |
| 7 H'greaves L | 50 | 50 | 1,000 | 1,000 | 0 | 0-200(17) | 0-50 (18) | | | n/a | 0 | 0 | 75 | 0-75 | - | 0 | All |
| 8 Hazell Carr | 0 | 0 | 0 | 0 | 0/500 | 480 (19) | 0 (20) | 0 (21) | 0 (20) | | | 50 | 105 | 105 | - | See (20a) | All |
| 9 H'bckle Mitch | 0 | 0 | 0 | 0 | 300 | 400 | 25 max £250 pa | | | n/a | 0-100 | 0 | 250 | n/a | n/a | - | All |
| 10 Investacc | 0 | 0 | 0 | 0 | 0 | 400 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100paD | 0 | 0 | All |
| 11 IPM PPT | 0 | 0 | 0 | 0 | 0 | 540 | 0 | 0 | 0 | 0 | 75(22) | 0 | 80 | 150 | 0 | - | All |
| 12 IPS Pensions | 0 | 0 | 0 | 0 | 495 | 395 | 0 | 0 | 0 | 0 | 5 (23) | 0 | TCB | 150-195 | - | - | All |
| 13 James Hay | 0(24) | 0 | 0 | 0 | 290 | 455 | 30(25) | | | | | 0 | 0 | 0 | 0 | - | None |
| 14 L&G-SIPP 2000 | 25,000 | 200 | 2,000 | 10,000 | 395 | 455 | 21 | 21 | 21 | 21 | 21 | 0 | 0 | 130pa(26) | 110(27) | n/a | None |
| - Portfolio + | 25,000 | 200 | 2,400 | 5,000 | 295 | 200/375 | 20 | 20 | 20 | 35 | 20 | 0 | 0 | 130pa(26) | 110(27) | n/a | None |
| 15 Mattioli Wds | 0 | 0 | 0 | 0 | 795 | 400 | TCB | TCB | TCB | TCB | TCB | TCB | 250(28) | TCB | TCB | - | All |
| 16 Merchant Inv | 25,000 | 100 | 1,000 | 1,000 | 350 | 432(29) | 35 (30) | 35 | 35 | 0 | 35 | 75(31) | 0(32) | 0 | 0 | - | None |
| 17 MJ Field | 0 | 0 | 0 | 0 | CBC | CBC | CBC | CBC | CBC | CBC | CBC | CBC | CBC | CBC | CBC | CBC | All |
| 18 Nigel Sloam | 0 | 0 | 0 | 0 | 630 | 1,050 | 0 | 0 | 0 | 0 | 0 | TCB(33) | TCB | TCB | CBC | TCB | All |
| 19 North Star | 0 | 0 | 0 | 0 | 415 | 520 | 155 | Varies | | 35 | 35 | 0 | 55 | TCB | 35-125D | - | TCB |
| 20 Origen | 0 | 0 | 0 | 0 | 300 | 500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 (34) | 0 | - | All |
| 21 PAL Partnersp | 1 | 2 | 1 | 1 | 200 | 300 | 0 | 0 | 0 | 0 | 0 | 0(35) | 250 | 100-200 (36) | Yes(37) | 0 | All |
| 22 Purplecircle | 0 | 0 | 0 | 0 | 245 | 395 | 25(38) | | | | | 95 | 295 | 230 | 0 | (39) | All |
| 23 Rathbones | 50,000 | 0 | 0 | 0 | 300 | 1.50% | (40) | (41) | (41) | 0 | 0 | 75 | 100 | 150 | (42) | - | All |
| 24 Rens Shepp | 0 | 0 | 0 | 0 | 0 | 0.25%(43) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | Admin fee |
| 25 Rowanmoor | 100 | 0 | 0 | 0 | 950 (44) | 850 (45) | 0-180 | 90-180 | 0 | 0 | 0 | 0 | 575 (46) | 115-170 (47) | 250-300 (48) | TCB (49) | All |
| 26 Scottish Wids | - | 200 | 2,400 | 10,000 | 0 | 0.1-0.7% | 0 | 0 | 0 | 0 | 0 | n/a | n/a | n/a | Variable | See(50) | None |
| 27 Skandia | 0 | 150(51) | n/a | 1,000(51) | 150 | 160(52) | Depends on invst manager | | | | | 60(53) | 75 | 75 | Variable | Yes(54) | All |
| 28 Standard Life | - | 300(55) | 3,600 | 10,000 | 0-302 | 0-416 | 10 (56) | 50 (56) | | | | 0 | 0 | 0 | 0 | - | None |
| 29 Suffolk Life | 0 | 0 | 0 | 0 | 300-400 | 475-715 | 0-75(57) | | | | 0 | 0/75(58) | n/a | 150 | 100 (59) | - | All |
| 30 The Lifetime | 0 | 0 | 0 | 0 | 350 | 450 | 0 | 0 | 0 | 0 | 0 | 50 | 200 | 200 | n/a | Yes(60) | All |
| 31 TM SIPP Servs | 0 | 0 | 0 | 0 | 375 | 615 | 10 | 20 | 20 | 20 | 0 | TCB | TCB | 100 | 0 | - | All |
| 32 T'm'r'r'w Stand | 20K-200K | 0 | 0 | 0 | 315(61) | 525(62) | 35 | 35 | 35 | 35 | 35 | 0 | 60 | 135pa | - | - | None |
| - DPP | 200K | 0 | 0 | 0 | 0 | 1.4% (63) | n/a | n/a | n/a | n/a | n/a | 0 | 0 | 0 | - | - | None |
| Fund s'mkt | 20K-200K | 0 | 0 | 0 | 315(64) | 525 (65) | n/a | n/a | 15 | n/a | n/a | 0 | 0 | 135pa | 0 | - | None |
| 33 Uptel | 0 | 0 | 0 | 0 | 425 | 425 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | TCB | n/a | 0 | None |
| 34 W'sley Mack | 0 | 0 | 0 | 0 | 0 | 480 | 0-25 (66) | 25 | 0-25 (66) | 0 | 0 | 100 | 100 | 100 | 0 | - | All |
| 35 Winterthur | 0 | 0 | 0 | 0 | 585(67) | 585 | 16 | 16 | 16 | 16 | 16 | 0 | 0 | 0 | n/a | n/a | None |
| 36 Zurich | 50,000 | 200 | 2,000 | 50,000 | 0-300 | 0-400 | 40 | 40 | 40 | 40 | n/a | 0 | 0 | 0 | 150pa | 0 | None |
| Average | | | | | 315.289 | 481.559 | 25.62 | 22.22 | 18.26 | 14.15 | 9.72 | 32.73 | 86.79 | 107.98 | | | |

Key: Where a dash is indicated, details were not provided. n/a-not applicable. D-drawdown. S-setup. CBC - case by case basis. TCB - time cost basis. AMC - annual management charge. (1) £150 on Sippdeal e-sipp. (2) Sippcentre annual fee: from £80 to £160 quarterly in arrears. Set up and annual fees on Sippdeal e-sipp nil. (3) USP £150 pa; ASP £250 pa; Designation of additional funds £75. (4) Min £50 on Select Pension. (5) Nil charge on Select Pension. (6) On Select Pension £12.50 for online dealing, £15 for purchase of OEIC/UT, £30 for sale; £2.50-£30 dealing by telephone and post. (7) No fee for processing, £100 for arranging/chasing; in-specie transfers £100+£50 each asset. On Select Pension £50 transfer in, £125 transfer out. (8) £100, drawdown set up; £150pa on full SIPP. On Select Pension £200 set up for income withdrawal plus £5 per fund withdrawal; £10 per variation of payment. (9) £250 loan; £250 borrowing; Unquoted for purchase-£250+£100 for selling. (10) Establishing external deposit account £50. (11) In specie transfer is £25 per line of stock or £90 ph for commercial property. (12) One off charge of £150 to establish nominee account. (13) Not investment services. (14) Nil for Retirement Investment Bond (RIB) only; £175 for RIB plus UTs and insurance co. invt funds; £290 for RIB plus any permitted invt. (15) Nil for FP PIB and RIB. (16) On ad hoc withdrawals. (17) Free on funds that pay renewal commission to HL and money held in cash, otherwise 0.5% capped at £200 pa. (18) UK shares and investment trusts: online £9.95 - £29.95; offline £10 - £50. Non UK stocks dealt with over the phone additional charge of £5 each. UTs and OEICs free. (19) Option 1 - 0.24% pa (min £12.50 pm, max £40pm); option 2 - £40pm. (20) Transaction charges nil on basis that investment is made via Hazell Carr's funds supermarket, and in the SIPP bank account. (20a) Additional closure fee where option 1 has been chosen and all benefits transferred out. Also charges for protection calculations, property sale and regular benefit payments. (21) £105 initial per invst plus £5pm. (22) Nil for Bank of Scotland. (23) 1st six transactions free, thereafter £5 each. (24) Except on Select SIPP-£50K. (25) All up to max of £300pa. (26) On SIPP 2000, for deferred plans one off income withdrawal fee of £100; for plans with self invested arrangement, £130 for first withdrawal every year; £0 on P+. (27) For appt of new invt manager. (28) Plus TCB. (29) Or 0.25%pa. (30) No charge if using DFM from MI's list. (31) £75 per company. (32) Depends if IFA opted for funded commission. (33) Cash transfers £75 each. (34) £150 for paying income. (35) Except in specie. (36) £100 for retirement calculations; £100pa D; £150 pa PR; £200 pa for ASP. (37) Possible fees for due diligence on unusual investments. (38) 1st three free; max charge £250 unless in nominee name. (39) £100 VAT registration and £50 per return unless in nominee name. (40) £10 + 1.35% on first £10K, then scaled. (41) £20 + 1.5% on first £10K, then scaled. (42) 1.5% but additional £500 for the first additional external mgr, then £150. (43) Capped at £1,250. (44) + £100 per member. (45) +£125 per member. (46) £235 for cash transfer, £575 for in specie. (47) £115 to set up pension payment under PAYE; +115 pa per member; non standard actuarial calculations £170 each. (48) Borrowing (not related to property purchase) £300; loan establishment £250 per loan; loan monitoring (not related to property purchase) £115 pa. (49) Tax reclamation £115 per recovery; self assessment £135 pa; trustee mtg, HMRC reporting & consultancy TCB plus disbursements. (50) Adviser payment charge. (51) For SIPP wrapper only. (52) Additional fee of £200pa for investments outside Skandia Pension Trustee Bond, Multifunds or cash account. (53) £60 per transfer, max £300. (54) £25-telegraphic transfer; £150-income withdrawal (USP); £250-income withdrawal (ASP). (55) If fund is in excess of £50K, monthly prems are £100 and annual £1,000. (56) Charges capped at £300pa. (57) Charge depends on type of transaction, application and reporting process. (58) Max £300. (59) For establishment of invst mgr. (60) Application for protection by negotiation. (61) Standard SIPP £0 to £315 depending on amount invested. (62) £365 to £525 depending on amount invested. (63) AMC varies depending on invst mgr: 1% to 1.4% on first £500K, 0.7% to 1.2% on next £500K and 0.5% on excess over £1m. (64) DPP SIPP £100 to £315 depending on amount invested. (65) Fund Supermarket SIPP: £200 to £525, depending on amount invested. (66) First 10 free. (67) £375 if £100K or more held for 6 months.

has the second largest number of insured SIPPs, 19,595, giving it the largest overall total of 55,944. Not surprisingly, with such a volume of plans, it has the highest value of in force business at £11.6bn. This figure is slightly down from £11.8bn of business that it reported in *MM*'s last

survey published in April 2007.

Standard Life's figures, however, are all significantly up on the last survey, with the value of business rising from £4.3bn to £6.3bn. The company attributes some of the increase to the rising stock markets, but also reports that its SIPP

sales are up 82% in the 12 months to 30 June 2007 compared with the same period in 2006.

Three of the firms in the survey have no fully self invested plans at all – **Axa, Legal & General** and **Tomorrow** – so all their SIPPs are insured. Between them they have over

Table 4 : Commercial property charges

| Company | Property purchase charge | | Charges subject to VAT |
|----------------|--------------------------|--------------|------------------------|
| | Initial £ | Annual £ | |
| AJ Bell | 550 | 350 | Y |
| Alliance Trust | 600 | 350 | Y |
| Axa | 500 (1) | 400 (2) | Y |
| Cooper Parry | 750min TCB | 0-350 | Y |
| Denton's | 500-900 TCB | 0 | Y |
| Friends Prov | 550 | 550 | N |
| Hazell Carr | 700 (3) | 420 | Y |
| H'buckle Mitch | 750 | 100 | Y |
| Investacc | 0 | 250 | Y |
| IPM PP | 350/700M | 0 | Y |
| IPS Pensions | 500-750 | 0 | Y |
| James Hay | 550-900(4) | 500 | N |
| L&G-2000 | 680/805M | 600 | N |
| - Portfolio+ | 550/675M | 600 | N |
| Mattioli W'ds | TCB | TCB | Y |
| Merch Inv | 600 | 300(5) | N |
| MJ Field | CBC | CBC | Y |
| Nigel Sloam | TCB | TCB | Y |
| North Star | 625 | 102 | Y |
| Origen | 500 | 300 (6) | Y |
| PAL Partn'ship | 500 | 0 | Y |
| Purplecircle | 500 | 150 | Y |
| Rowanmoor | 575 | 115 | Y |
| Scottish Wids | 0 | 0.1-1.25%(7) | N |
| Skandia | 550 | 360 | Y |
| Standard Life | 650 | 200 | Y |
| Suffolk Life | TCB - c.1500 | TCB - c.700 | Y |
| The Lifetime | 640 | 250 | Y |
| TM SIPP | 650min | n/a | Y |
| Tomorrow | 1,300 | 200 | N |
| Uptel | TCB | TCB | N |
| W'sley Mackay | 300min | 0 | Y |
| Winterthur | 685 | 504 | N |
| Zurich | 374 | 0 | N |

Key: ph-per hour. M-with mortgage. L-with loan. Y, prices quoted include VAT. TCB - time cost basis. CBC - case by case basis. (1) Property instruction fee. Pre-application assessment, lender, surveyor and solicitor fees also apply. Charge for lease review-£300. (2) £400 per unit, £100 ph (min £300) property manager. For Class A properties only - class B properties are more complex; annual charge quoted per property. (3) On basis that HC panel solicitor is used. At least, per property.(4) £550+0.1% of value over £400K where panel of solicitors used; £900+0.1% of value over £400K where non-panel solicitor used. (5) £75 per quarter w/managing agent. (6) £200 borrowing. (7)Dependent on property price. **Source:** Money Management.

execution only SIPP is designed for investors with smaller funds who want to handle their investments themselves and do not require the broadest possible investment remit on their SIPP. However, alongside its paper based Sippcentre SIPP, A J Bell also offers e-SIPP, an execution only, online based SIPP. Both products will offer the broadest investment remit, including commercial property.

But while some firms were able to reveal the number of individual plans, they could not or would not disclose the total value of their SIPP business. **Alliance Trust**, for example, was willing to give the number of plans in force, 5,288, and an average SIPP size of £350,000, but refused to put a figure on the total value of its business.

Head of business development, Ian Dawson, insisted that the company was not particularly interested in looking at how much it had in SIPPs under management. He stressed that the figures supplied were guestimates, but conceded that a figure of £18.5bn, derived from multiplying the average SIPP value by the number of SIPPs might be representative of the value of in force business.

Unfortunately, the firm with the highest average SIPP size of £600,000, **Nigel Sloam**, was unable to disclose either the number of plans or the value of the business that it has in force. In theory, it might have only one plan, but it would clearly be at the more sophisticated end of the business spectrum. The second largest average is quoted by **Denton's**, with £474,630.

In Table 2 providers also reveal how much of their business has come from transfers. **Friends Provident** reports that 100% of its business is from transfers, while at the other end of the scale, 5% of **Hazell Carr's** business is from transfers. A spokeswoman explains that the firm acquired Allied Dunbar's SIPP book in 2004 and has yet to begin actively marketing the product itself. However, it plans to launch a new SIPP by the end of the year.

As well as having the largest amount of business, **James Hay** also manages the largest number of properties – 2,138 with an average price of £327,766. **Hornbuckle Mitchell, IPS Pensions, Standard Life, Suffolk Life and Tomorrow** all manage over 1,000 properties. These can represent quite a large part of the value of the in force business with average property prices ranging as high as £440,000 (Suffolk Life). Four other providers report average property prices of £400,000 or over: **Cooper Parry, Hazell Carr, Hornbuckle Mitchell and Winterthur**.

17,000 SIPPs worth just over £3bn.

In addition to complaining about diet SIPPs, James Hay has warned that some SIPP providers appear to have a high proportion of their assets in insured funds. It accuses three unnamed SIPP providers of having over 70% of SIPP assets held within their in house insured funds. It argues that these firms are using SIPPs to sell internally managed funds effectively turning their SIPPs into little more than insured personal pensions. Propositions and e-commerce manager, Chris Smeaton, suggests that many fund supermarkets and life offices are simply replicating their historic fund ranges for use in their SIPPs. He points out that these options can be restrictive and do not make the best use of a SIPP product and that over reliance on any single asset type should be monitored closely. He says that SIPP investment should allow the investor to be able to balance portfolio risk and

achieve investment goals.

However, it is probably not just the insurers who have a lot of their SIPPs invested in insured funds. Where providers have taken on transfer business, it is likely that a proportion of their SIPPs remain in insured funds.

Hargreaves Lansdown has a healthy 33,000 plans, while **A J Bell**, disclosing its figures for the first time, reveals a total of 26,134 SIPPs under its belt. However, it depends whether quality or quantity is of significance. While A J Bell's in force business is worth £4.23bn, Hargreaves Lansdown's is worth only £1.4bn. This leads to contrasting average SIPP values: while A J Bell's average SIPP is worth £162,000, Hargreaves Lansdown's is worth £42,500, the lowest disclosed average in the Table.

No doubt, the figures reflect the types of market at which each firm's SIPPs are aimed. Hargreaves Lansdown's low cost,

Table 5 : Charges and other plan details for the insured portion of SIPPs

| 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 | |
| Axa | 50,000(1) | 0 | 0 | 0.55-0.8(2) | 0 | 0(3) | n/a | 100 | 15-100(4) | n/a | 10 | 0.5 | - | |
| Friends Provident | 75,000 | n/a | 5 | 0.75 | 5.04 pm | 15 (1st 2 free) | Y(5) | 104-105.3(6) | 0-6 | n/a | n/a | 0.25-4(7) | - | |
| L&G - SIPP 2000 | 25,000 | 0 | 0 | 0.7-1.5 | 0 | 0 | - | 100 | 2xMP | n/a | 2.5 RP, to 3.5 SP (8) | 0.4 | 1xMP+ 0.2% fbc; 1.5% level+ uplift+ 0.15%. | |
| - Portfolio+ | 25,000 | 0 | 0 | 0/0.6(9) | 0 | 0 | 0.1/0.6(10) | 100 | to 2.5MP (11) | n/a | to 5 | to 1 | - | |
| Merchant Inv | 0 | - | - | - | - | - | - | - | 5 (12) | - | - | 1.5 SP | - | |
| Scottish Widows | 0 | n/a | n/a | 0.1-0.7 | n/a | 0(13) | (14) | 100 | 0-5/0-50 (15) | - | - | 0-1.5 | - | |
| Skandia | 0 | Charges depend on the product selected. | | | | | | - | - | - | - | - | - | - |
| Standard Life | 0 | 0 | 0 | 0 | 0 | 0 | (16) | 100 | 5 | 0 | 5 | 1 | - | |
| Tomorrow | 20,000 | 0 | 0 | Dep on fd size | 0 | 0 | - | 100 | 0-6 | 0-1 | - | - | - | |

Key: FBRC - fund based renewal commission, RP - regular premium, SP - single premium. MP - monthly premium. (1) Min fund size-£50K; residual fund size following commencement of self investment-£3K. (2) 0.8% reducing to 0.75% when fund is £20K to £49,999; 0.6% when fund is £50K to £99,999; 0.55% when fund is over £100K. (3) Axa reserves the right to charge for 'excessive' switches. (4) Term related RPs up to 100% of premium, SP/TV up to 16% of SP. DSIPP and SIPP contracts designed as nil commission contracts. Adviser adds cost of advice on top of basic charges. (5) If FBRC taken, AMC increased by amount of FBRC. (6) Assuming nil commission. (7) 0.25%; 0.5% if FBRC taken; max of 4%. (8)+uplift. TVs depending on term to age 65 or SRA. (9) 0.5% extra AMC if fund size<£15K.(10) 0.6% if fund<£25K; 0.1% if fund>£25K.(11)Up to 2.5x1st monthly contribution, depending on term and commission style chosen. (12) Funded Commission option. (13) Charges only on 'excessive' switching.(14) Fund management charges and adviser payment charge.(15) Three types of commission: scaled, flexible and fund based. (16) AMC for insured funds. **Source:** Money Management.

Investment minima

There is some debate about how much people should have in their pension fund before they decide to go into a SIPP. Some argue that SIPPs are not really for people with small funds. "People are going into SIPPs before they need to," suggests Smith at Cooper Parry. "Small funds can't justify the charges on a full SIPP. It's a high standard, top end product; it's not a cheap product." She reckons that £150,000 is reasonable for a full SIPP and that a fund of £30,000 or £40,000 is too small.

However, Hargreaves Lansdown points to the lower charges on its SIPP, which has proved popular. Fergus Lyons at A J Bell has a similar perspective pointing out that both the Hargreaves product and his company's online offering, e-Sipp are suitable for those with smaller pots of money who want to go it alone. "It's important that people don't overdeal," he says. "As these products have little or no fees, the revenue comes from the transactions that are made."

Table 3 shows the charges and minimum investment levels required on the self invested portion of SIPPs. It also shows that most providers do not require a minimum investment. The main exceptions are **Tomorrow**, which requires between £20,000 and £200,000, **Friends Provident**, which requires £75,000 and **Axa**, **Rathbones** and **Zurich**, which require £50,000. Others require much smaller, almost token amounts such as **Rowanmoor** (£100), **Hargreaves Lansdown** (£50) and **Alliance Trust**, which requires a minimum of £50 in its Select Pension.

Rather than specify a minimum investment, companies such as **A J Bell**,

Scottish Widows and **Standard Life** specify minimum monthly, annual or single premiums. These can vary depending on the product – the minimum monthly premium on the e-Sipp is £150, while the minimum on the Sippcentre is £200 – or the amount invested; once a fund is more than £50,000, Standard Life's minimum monthly premium drops from £300 to £100 and its annual premium from £3,600pa to £1,000pa. **Axa** requires a minimum investment of £50,000 before self investment can commence, after which £3,000 must remain in insured funds.

Charges

The charges vary widely and can be difficult to compare. A few providers have no initial charge on their SIPPs. These include **Investacc**, **IPM** and **Wensley Mackay**. At the other end of the scale, **Rowanmoor** charges

£950 plus £100 per member.

Perhaps more significant in the investment mix, however, is the cost of annual charges, which will be eating into any potential investment growth. Here, the execution only SIPPs such as **A J Bell's** e-Sipp and **Hargreaves Lansdown's** HL Vantage are shown in their best light. There is no initial or annual charge on the e-sipp, however, Sippcentre, A J Bell's other product has an initial charge of £120 and charges of between £80 and £160 per quarter payable in arrears. **Alliance Trust** has a similar set up with charges of £350 initial and £400 pa on its full SIPP, but nil initial and annual management charge (AMC) on its Select Pension SIPP.

Hargreaves' product's AMC is nil under certain circumstances, otherwise it is 0.5% capped at £200 pa. By contrast, **Rensburg Sheppard's** AMC of 0.5% is capped at £1,250. Again, it is another indication of the different ends of the market that both firms are aimed at.

Transaction charges can also vary depending on how the deal is done. **Hazell Carr**, for example, makes no charge for transactions done via its funds supermarket. **Hargreaves Lansdown** charges between £9.95 and £29.95 for online dealing of UK shares and investment trusts and between £10 and £50 for offline dealing. Non UK stocks dealt with over the phone, however, attract an additional charge of £5 each.

Some firms, such as **Purplecircle**, allow the first three transactions to be free, after which charges are capped at £250 pa. **James Hay** also caps its transaction charges – at £300 pa.

Transfers in and out, vesting, investment

There is some debate about how much people should have in their pension fund before they decide to go into a SIPP

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 AJ Bell | ● | ● | ● | ● | ● | ● | ● | ○ | - |
| 2 Alliance Trust | ● | ● (1) | ● | ● | ● | ● | ○ | ○ | - |
| 3 Axa | ● | ● | ● | ● | ● | ● | ● | ○ | - |
| 4 Cooper Parry | ○ | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 5 Denton's | ○ | ● | ● | Unlimited | Unlimited | Unlimited | ● | ○ | - |
| 6 Friends Prov | ● | ● | ● | 10,000 | 10,000 | 10,000 | ○ | ○ | - |
| 7 Hargreaves Lansdown | ○ | ● | ● | ● | ● | ○ | ○ | ○ | Free pension helpdesk, free investment research |
| 8 Hazell Carr | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ● | - |
| 9 H'buckle Mitch | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 10 Investacc | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 11 IPM PP | ○ | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 12 IPS Pensions | ● | ● | ● | Unlimited | Unlimited | Unlimited | ● | ● | - |
| 13 James Hay | ● | ○ | ● | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 14 L&G - SIPP 2000 | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ● | No need to self invest from day 1 on deferred SIPP |
| - Portfolio + | ● | ● | ● | ● (2) | ●(2) | ●(2) | ● | ○ | - |
| 15 Mattioli Woods | ○ | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 16 Merchant Inv | ● | ● | ● | ● | ● | ● | ● | ○ | - |
| 17 MJ Field | ○ | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | All investments registered jointly in name of SIPP member and MJF |
| 18 Nigel Sloam | ○ | ● | ● | 1,000 | 1,000 | 1,000 | ○ | ○ | - |
| 19 North Star | ○ | ● | ○ | ● | ● | ● | ● | ○ | - |
| 20 Origen | ● (3) | ● | ● | ● | ● | ● | ● | ○ | - |
| 21 PAL Partn'rship | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 22 Purplecircle | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ● | - |
| 23 Rathbones | ● | ● | ● | ● | ● | ● | ● | ○ | - |
| 24 Rensburg Shepp | ● | ● | ● | 1,000 | 1,000 | 1,000 | ○ | ○ | - |
| 25 Rowanmoor | ○ | ● | ● | Unlimited | Unlimited | Unlimited | ○ | ○ | Individ trust, common invest funds & scheme pension |
| 26 Scottish Widows | ● | ● | ● | ● | ●(4) | ●(4) | ● | ●(4) | Death benefit; basic rate tax relief applied immediately |
| 27 Skandia | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | Certain investments and property held in joint names |
| 28 Standard Life | ● | ● | ● | ● | ● | ● | ● | ● | Tax efficient dripfeed drawdown option |
| 29 Suffolk Life | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | Protected rights self investment |
| 30 The Lifetime | ○ | ● | ○ | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 31 TM SIPP Servs | ● | ● | ● | 1,000 | 1,000 | 1,000 | ● | ○ | - |
| 32 Tomorrow | ● | ● (5) | ●(5) | 1,000 | 1,000 | 1,000 | ○ | ○ | - |
| 33 Uptel | ○ | ● | ● | ● | ● | ● | ● | ○ | Annual accounts |
| 34 Wsly Mackay | ○ | ○ | ● | ● | ● | ● | ● | ○ | - |
| 35 Winterthur | ● | ● | ● | 1,000 | 1,000 | 1,000 | ○ | ○ | - |
| 36 Zurich | ● | ● | ● | ● | ● | ● | ○ | ○ | - |

Key: PCI - pension contribution insurance. PR - phased retirement. ID - income drawdown. PD - phased drawdown. (1) Cancellation period on transfers in, going into drawdown for the first time and SIPP applications as per regulations. (2) Designation. (3) On request only. (4) Separate contract. (5) Insured plan only. **Source:** Money Management.

services and optional charges also vary widely, depending on investor requirements. Many providers offer options such income drawdown and unsecured and alternatively secured pensions and charge set prices. Others offer the services on a time cost basis or on a case by case basis. Finally, whether a provider charges VAT depends on its status. Businesses administering life insurance are VAT free while standalone pensions administration firms' services are VATable.

Property

In the whole debate about 'diet' and low cost SIPPs, the ability to invest in commercial property is usually the ultimate test of whether a SIPP is truly full blooded. SIPP investors have often bought their business premises, with the rent being paid back to the SIPP. **Table 4** documents the charges that providers make for managing commercial property.

Axa appears to have a whole host of

charges to make in the initial stages of property purchase. These include a property instruction fee and a pre application assessment fee as well as the usual lenders' and solicitors' fees. Other firms, such as **Mattioli Woods** and **Uptel** charge on a time cost basis, or on a case by case basis – such as **Michael J Field**. Still others do not charge any specific fee for annual management, but this may simply be because property management is outsourced to another firm.

Table 7 : Allowable investments

| Company | SIPP bank acc | Com prop | DFMs | Equities quotd | ETFs | exem prop UTs | Gilts/ bonds/ loan stock | Hedge funds | Inv trusts | Off-shore inv bonds | Over-seas curr | TIPs | ICVCs /UTs | Unau exem UTs | Warrants | Other |
|------------------------------------|---------------|----------|------|----------------|------|---------------|--------------------------|-------------|------------|---------------------|----------------|------|------------|---------------|----------|---|
| 1 AJ Bell | ● | ●(1) | ● | ○ | ● | ● | ● | ● | ● | ●(1) | ●(1) | ●(1) | ● | ● | ● | iShares, land |
| 2 Alliance Tr - Full - Select Pens | ● | ● | ● | ○ | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | All allowable investments |
| 3 Axa | ● | ○ | ○ | ● | ● | ● | ● | ○ | ● | ○ | ○ | ○ | ○ | ○ | ○ | TEPs (DFMs only) |
| 4 Cooper Parry | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Cash |
| 5 Denton's | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Investments subject to acceptance by administrator in terms of investment prudence |
| 6 Friends Prov | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | None |
| 7 Hargreaves Lansdown | ● | ○ | ● | ● | ● | ○ | ● | ● | ● | ○ | ○ | ○ | ● | ○ | ● | - |
| 8 Hazell Carr | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Will consider any investment, but reserve the right to charge for investigations into suitability |
| 9 H'buckle Mitch | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | All allowable investments, unlisted shares |
| 10 Investacc | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | - |
| 11 IPM SIPP | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Non standard investments looked at on CBC basis |
| 12 IPS Pensions | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Unquoted equities, hotels, land, nursing homes, gold bullion |
| 13 James Hay | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | - |
| 14 L&G - SIPP 2000 - Portfolio + | ● | ● | ● | ● | ● | ● | ● | ● | ● | ○ | ○ | ● | ● | ● | ● | - |
| 15 Mattioli Woods | ● | ● | ● | ● | ● | ● | ● | ● | ● | ○ | ● | ● | ● | ○ | ● | Fixed int, UK gilts, debenture stocks, PIBS, futures, VCTs, rents, TEPs |
| 16 Merchant Inv | ○ | ● | ● | ● | ● | ○ | ● | ○ | ● | ○ | ○ | ○ | ● | ○ | ○ | - |
| 17 MJ Field | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Any HMRC permitted CBC |
| 18 Nigel Sloam | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Unquoted equities |
| 19 North Star | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | None |
| 20 Origen | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Unquoted equities CBC |
| 21 PAL Partnership | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Unquoted equities, CFDs, Gold bullion, loans to unconnected individuals |
| 22 Purplecircle | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Unquoted equities, loans, anything allowed by HMRC |
| 23 Rathbones | ● | ○ | ● | ● | ● | ● | ● | ● | ● | ○ | ● | ○ | ○ | ○ | ● | - |
| 24 Rensburg Shepp | ● | ○ | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Property funds, gilts, corporate bonds |
| 25 Rowanmoor | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | All HMRC permitted invst |
| 26 Scottish Widows | ● | ● | ● | ●(2) | ●(2) | ●(2) | ●(2) | ●(2) | ●(2) | ●(2) | ●(2) | ●(2) | ●(2) | ●(2) | ●(2) | Most allowable investments |
| 27 Skandia | ● | ● | ● | ● | ● | CBC | ● | ● | ● | ● | ● | ● | CBC | ● | ● | - |
| 28 Standard Life (3) | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | - |
| 29 Suffolk Life | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Futures, options and derivatives with certain restrictions |
| 30 The Lifetime | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | - |
| 31 TM SIPP Servs | ● | ● | ● | ● | ● | ● | ● | ● | ● | ○ | ● | ● | ○ | ● | ○ | - |
| 32 Tomorrow | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ○ | ● | ● | ● | ● | - |
| 33 Uptel | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | National savings |
| 34 Wsly Mackay | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | Equities |
| 35 Winterthur | ● | ● | ● | ● | ○ | ○ | ● | ● | ● | ○ | ○ | ● | ○ | ○ | ○ | - |
| 36 Zurich | ● | ● | ● | ● | ● | ○ | ● | ○ | ● | ● | ● | ● | ○ | ○ | ● | - |

Key: DFMs - discretionary fund managers. CFDs - contracts for difference. CBC - case by case basis. TEP - traded endowment policy. (1) From Jan 08. (2) Via DFM. (3) Some investments may be on a CBC. Source: Money Management.

The fact remains that commercial property is one of the potentially most time consuming and expensive investments to administer within a SIPP; consequently charges are generally high. No wonder low cost SIPPs prefer not to know.

Martin Tilley at Denton's raises concerns about the change in the SIPP borrowing rules since A-day. He points out that pre-A-day, the borrowing rules allowed a SIPP investor to borrow up to 75% of the value of the property. When the residential property change was proposed, the decision was taken to limit borrowing to 50% of the fund

value. However, when the Government performed a u-turn on residential property, there was no attempt to put the maximum borrowing back to where it had been.

"The problem is, if you borrowed more than 50% under the old rules pre-A-day, you can't remortgage to a different provider, because under the new rules you can only borrow 50%," says Tilley. "Some people have mortgages that are reviewable every year. If their lender decided to impose draconian terms, there is nothing they can do."

He complains that HMRC should at least

have made provision for people in this position, even if it allowed remortgaging on condition that the loan amount is not increased beyond the existing level, or simply have provided some transitional rules. "We've asked HMRC about this and they've admitted that they didn't intend for this to happen, but that they have no plans to remedy the situation," he says.

Insured charges

Details of the charges on insured plans are shown in Table 5. While some insurers require as much as £50,000 (Axa) or £75,000 (Friends Provident) to be invested

in the insured portion of their SIPPs, **Merchant Investors**, **Scottish Widows**, **Standard Life** and **Skandia** do not require any minimum.

In fact, Merchant Investors and Standard Life have practically no charges at all. It seems that some of the life companies have become sensitive to the criticism surrounding insured and deferred SIPPs. "We're keen to demonstrate to the FSA that our SIPP is being used as a SIPP," says John Lawson, head of pensions policy at Standard Life. "But I don't think the same can be said of other big insurers," he adds wryly.

Nevertheless, old style charging, such as capital units and less than 100% allocation rates have all but disappeared from the life offices' insured products. Only **Friends Provident** appears to have old style charges with a bid offer spread, and a policy fee.

Choices, choices

Table 6 shows the options available on each provider's SIPP. Some of the services are no longer optional for providers to offer. Cooling off notices became mandatory in April, while key features had to be provided from November. However, as we went to press, not everyone appeared to have quite got their services in place ready for the new regulations.

Of the retirement options, only **Hargreaves Lansdown** does not offer phased drawdown. Otherwise every provider offers phased retirement, income drawdown and phased drawdown to some extent or another, with **Denton's**, **IPS Pensions** and **Rowanmoor** offering unlimited segments. While most of the providers are able to facilitate increasing contributions, only six – **Hornbuckle Mitchell**, **IPS Pensions**, **Legal & General** on its SIPP 2000, **Purplecircle**, **Scottish Widows** and **Standard Life** offer pensions contribution insurance.

Investment allowed

In its response to *MM's* survey, asking about provider concerns, Rowanmoor Pensions suggests that the single biggest issue around SIPPs is "the definition and public expectation of what a SIPP is". It goes on to say that, while it is reasonable for the provider to limit the investment content based on unacceptable risks or assets that could be classed as unauthorised payments, for example, too often providers restrict asset choice "to maintain ease of administration. Many personal pensions with an open investment architecture into a limited set of funds are now called SIPPs, which is a complete misnomer."

Table 7 reveals what investments providers will allow in their SIPPs. Despite



all the hoohah around **Hargreaves Lansdown's** low cost SIPP, it does not have the most restricted investment remit. That honour goes to **Merchant Investors** and **Winterthur** with seven blank circles. MI appears to shy away from the more exotic types of investment such as exempt property unit trusts, hedge funds, overseas currency and unauthorised exempt unit trusts. Winterthur has similar aversions with exchange traded funds and warrants among its forbidden investments. However, around two thirds of the firms in the Table offer a full complement of the allowable investments listed, if not more.

It is clear that the SIPP market is opening up and possibly segmenting into different sectors. As it does so, the debate about what a SIPP is and what those with more limited investment scope should be called is likely to continue to rage.

With the market about to enter a new era of regulation and the FSA obviously taking its new role seriously, providers can only be kept on their toes. While they had concerns about the FSA's suggestion that some investors were being advised to buy SIPPs when a personal pension might serve them just as well, few thought that this was potentially another misselling scandal in the making. Both Standard Life and Hargreaves Lansdown pointed out that many SIPPs are now cheaper than stakeholders and personal pensions. Lawson says that the top selling four stakeholder pensions all charge 1.5% for the first 10 years and 1% thereafter. "This might have been low cost 10 years ago, but that is not true today."

He argues that access to a broader range of funds could be a legitimate reason for choosing a SIPP or a personal pension, rather than a stakeholder if a specific recommended fund is not available via stakeholder or if it is available but only at a higher price than within the SIPP or personal pension.

For the moment, the market appears ready to settle down under its new regulatory regime. Several providers expressed dismay at the amount and complexity of regulation over SIPPs. However, since most are experienced pensions practitioners, it was no surprise and is unlikely to be a particularly new experience.

If their lender decides to impose draconian terms, there is nothing they can do

