

SIPPS » Suffolk Life's director of marketing, John Moret,, talks about the possibility of holding unquoted shares and private equity within Sipp and bringing the vehicles into the workplace

Room for expansion with a range of investment ideas

“The industry needs to accept that within a Sipp there will be a range of investment solutions that can be adapted to meet individual client needs”



More than half a million people in the UK have already purchased a Sipp but the economic problems of the past couple of years have illustrated the importance of advisers carrying out proper due diligence, according to Suffolk Life's John Moret.

The company's highly respected director of marketing points out that a number of providers have felt the strain of the financial turmoil in global markets and questions whether some client funds could be jeopardised in the future.

“Investing in a Sipp is an important decision so advisers and their clients need to have confidence in their chosen provider,” he says. “A totally transparent company that can be relied upon to act with integrity and due care is a prerequisite.”

Finding one, however, is not an easy task. Painstaking analysis needs to be carried out to improve the chances of tracking the best possible company with which to put their clients' money.

“SIPPS may be engrained in the thinking of most advisers – particularly those with significant sums to invest – but that does not mean to say every provider offers the same level of service,” points out Mr Moret.

Key questions

At the centre of this process is a list of key questions to be asked of potential business partners which will help advisers gain a thorough understanding of the ways in which they operate, and their prospects for the future.

How financially secure is the business? Can I get up-to-date valuations of my Sipp online? How flexible is your Sipp offering? What happens if you go out of business? How can I be sure you will keep your service promises?

In addition, establishing how much room there is for personal choice of pro-

fessionals – such as legal services, valuations, and management, and finding out the charges made from cash deposit accounts are also vital pieces of information.

It is not difficult to see why Sipp have grown in popularity. Effectively, it provides more of a cradle-to-grave solution than any other financial product, despite the current limitations imposed as a result of the requirement to buy an annuity at age 75.

“Flexibility has always been a part of the SIPP world and it is inevitable that we will eventually see freeing up of the legislation on drawdown – particularly on having to buy an annuity – which is unsustainable given long-term trends,” he predicts.

Such changes in the legislative framework for the post-retirement world – almost regardless of who wins this year's general election – are expected to work in favour of Sipp because of this need to have a more flexible investment approach.

“There is already a lot of pressure mounting on the government in terms of issues to do with the age of retirement,” he says. “It has already come out and suggested that a more flexible approach to compulsory retirement needs to be considered.”

Separately, the other major development that is expected to have an impact on the industry is the acceleration in the development of platforms and wraps that are available in the marketplace.

“We are seeing convergence between the paths of platforms and Sipp,” he explains. “In fact one can view a Sipp as a mini-platform in that it is basically a flexible investment around which is a pension tax wrapper.”

Mr Moret believes platforms will play a much bigger role in shaping the future of the Sipp world; with a lot of the collective style Sipp that may have previously gone the way of insurance companies ending

up being invested through them.

"An awful lot of money is up for grabs with billions of pounds in legacy pension products and plenty more sat in defined benefit final salary and other occupational schemes. For advisers and providers this represents a terrific opportunity."

It is an opportunity that Suffolk Life is keen to help facilitate.

Bespoke and hybrid

As well as reinforcing its position as the market leader at the bespoke end of the market, Suffolk Life is also looking at what it could bring to the fast-developing hybrid area.

"Our reputation has been made at the top end of the market and there will continue to be a place for those types of solutions," he says. "However, we are likely to see more mergers and takeovers as the regulatory overhead starts to take its toll."

The net result is likely to be a reduction in the number of providers, particularly at the top end where there is currently a plethora of companies each staking their claim. It is a scenario that Mr Moret believes may work to the company's advantage.

"The middle ground is going to be increasingly platform driven and anyone wanting to operate a suite of Sipp solutions needs access to one or the ability to embrace open architecture," he says.

"One of our key objectives going forward is to come up with a fully integrated SIPP proposition that we can take to market."

Going down such a fully integrated route would provide full transferability and portability throughout the business with everything from platform collectives to bespoke investments all being available within the one Sipp.

"I would describe this as a definite aim for the future and not a long way off by any means," says Mr Moret. "We are confident of being able to make a lot of progress on our plans this year and are looking forward to the challenges these will bring."

Being able to deal with both bespoke Sipp and the investments within them means Suffolk Life would be able to meet the requirements and concerns that most advisers have when it comes to due diligence.

"It would be possible to demonstrate systems and controls, how you deliver operationally, and in our case how we put a lot of effort into building a reputation based around the quality of our service," he says.

Suffolk Life already has more than 15,000 bespoke Sipp and Mr Moret believes a volume proposition would require a combination of good systems, a decent platform, and the right people running the whole operation.

"In our case it would involve enhancement of the technology that makes fac-

tors such as online statements available," he says. "You need to provide access to fund valuations if you are going into this space."

Looking for ways to add value to the company's proposition makes particular sense now that Sipp have been a part of the financial landscape for two decades, and on the back of some semi-negative press stories about the products in 2009.

"We are moving into a new era which is totally different from the time when Sipp were struggling to assert themselves," explains Mr Moret. "There are now £75bn of assets under management so there is certainly no doubt they have come of age."

Going forward it ought to become the pension product of choice for advisers, he suggests, although it still needs to be acknowledged that they are flexible investment products so a move away from being too rigid with the labels makes sense.

"The industry needs to accept that within a Sipp there will be a range of investment solutions that can be adapted to meet individual client needs," he explains, emphasising the fact that there is plenty of room for expansion in this area.

One area that is particularly ripe for development is the currently untapped possibility of bringing Sipp into the workplace. It is something that Mr Moret believes a number of companies will start to look at closely over the next few years.

"They could possibly even work well alongside the introduction of personal accounts," he suggests.

"It would effectively mean having two solutions in the workplace, with the Sipp being either fully bespoke or a slimmed down version."

This is just one of many ideas that Mr Moret and his team are discussing. Another is the possibility of holding unquoted shares and private equity within Sipp – something that existing customers would like to see.

"It is not something we currently allow but we are looking to change that over the next few months," he says. "We have listened to our customers and it is our policy to implement the changes they would like to see if at all possible."

Longer-term the company's ambition is to cement its position as one of the leading Sipp providers in the business – not just at the bespoke end of the market but right across the board, albeit there are no plans for any direct to customer offerings.

"We have already established a reputation in the industry for delivering on our promises and offering a range of solutions to clients," he adds.

"It is our intention to maintain our good name while also looking at ways of expanding our business."

CV

JOHN MORET

2010 Suffolk Life, director of marketing

2004 Suffolk Life, director of sales and marketing

2000 Personal Pension

Management, managing director and then executive chairman

1986 Provident Life (then Winterthur Life), pensions manager and then director of sales and marketing

1983 UK Provident (then Friends Provident), assistant manager – individual pensions

OTHER In 1999, Mr Moret was the first to predict there would be 500,000 Sipp by 2010 – current figures show he was right