

Article

Views on the impact of RDR and future legislation

27th July 2009

With so much advertising in the press from execution only SIPP providers such as Hargreaves Lansdown, how can you give additional value to the IFA that can be used to demonstrate to the client the value of advice?

David Batchelor
Director and principal
Wills and Trusts

Many of the low cost execution only SIPPs are not established to deal with financial advisers/investment managers, they are targeted at the DIY market where there is no pension or investment advice on offer. They exist simply because some investors have a strong appetite to manage their own pension fund and make their own investment decisions. On the flip side of this there are of course many clients who will need and value advice before taking decisions about how to provide for retirement.

Execution only SIPPs will focus on providing access to a less extensive range of investment options such as cash, unit trusts, OEICs, gilts and corporate bonds. In the adviser market you find a wider range including commercial property, insurance company trustee bonds, own preferred bank account etc.

Over the last few years the products available to advisers have further evolved to provide low cost, online solutions that offer most of the flexibility available to full SIPPs. Advisers and their clients can now also access unit trusts and OEICs via a range of platforms and a large panel of discretionary investment managers. Importantly, these SIPPs are structured to ensure the client only pays for increased flexibility that they use.

Making best use of the wider range available helps demonstrate the value of advice.

As it looks like Labour will not be re-elected, we need to start to fix pensions legislation now. Who are you currently lobbying on issues such as death benefits post age 75 and realistic SIPP borrowing levels?

Howard Scott BSc(Hons) APFS
Chartered Financial Planner
Partner
HJ Scott & Co

Our lobbying is focussed on trying to achieve fairer tax treatment for clients who die when using ASP.

As a reminder, our proposal remains that you allow residual ASP funds to be paid to heirs as a lump sum after a one-off tax charge. We wrote an open letter to George Osborne and Alistair Darling and received a reply from both parties.

The Conservative response came within a week of sending the letter. It was clear they were happy to enter into constructive discussions at a senior level and recognised the strength of our arguments. We have been communicating with Mark Hoban, Shadow Financial Secretary to the Treasury.

The Ministerial Correspondence Unit of HMRC replied two months later confirming that the Government does not accept our arguments for change.

We will continue to communicate with representatives of the Conservative Party as they formulate their policy on pensions.

What impact is the RDR having on the SIPP market place?

Matthew Clark BA (Hons) FPFS CFP TEP
Chartered Financial Planner

Adviser business models are changing to meet the demands of today's industry. Pension arrangements that provide access to a range of investment solutions are the favoured choice of many. Transparent costs and charges are more important than ever. The RDR is increasing the need to provide product structures that allow you to clearly unbundle charges.

Much of the discussion has focused on the structure of adviser remuneration and removing provider input. Consumers have the right to understand the service they are receiving and exactly how much they are paying for it. Equally, advisers should be fairly remunerated for the work they agree to undertake for their clients.

Successful SIPP providers already have transparent products with charges and adviser remuneration clearly disclosed in a manner entirely consistent with the RDR proposals. It is for this reason that the market continues to grow and benefit from funds moving from traditional pension products.

We're finding that low cost SIPPs are becoming a real alternative to those wishing to consolidate several pension funds into one. How do you intend to cope with potentially large volumes of new business from pension transfers of £50,000 or more?

Douglas RG Baillie
Director
Douglas Baillie

Managing growth in new business is a challenge that we are always happy to accept and something the business has had to do over many years. We meet the challenges of growth by continuing to invest in our staff and our technology.

Our staff numbers have increased dramatically whilst retaining a core of very experienced SIPP administration staff. Many of these staff have "grown up" with the A J Bell service philosophy and occupy team leader or manager positions in the expanded organisation.

Our investment in technology has allowed us retain our focus on service, create efficiencies and offer our online SIPPs at a very low cost. Our IT capacity is internal so we control the scope and pace of development.

We have a track record that demonstrates our business can continue to meet the expected future growth. We never rest on our laurels or take success for granted. Success and growth will be influenced by continuing to invest in our staff and technology.

END

Please note this document is intended for trade and national press individuals.

Notes for Editors

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A J Bell is the UK's largest privately owned SIPP provider and is continuing to grow rapidly in challenging capital markets. Invesco Perpetual and Midas Capital own 23% and 15% respectively of the share capital, the remainder being owned by Andy Bell and the management team.

Established in 1995, A J Bell specialises in providing administration, trustee and actuarial services for SIPP and SSAS.

A J Bell is now one of the largest SIPP trustee and administrators in the UK with in excess of 36,000 individual SIPPs and assets under administration exceeding £8.4bn*. It provides third party SIPP administration services for Barclays Stockbrokers, Halifax Share Dealing, Skandia and E*Trade.

Research by CoreData Research placed Sippcentre as one of the two most preferred SIPPs.

A J Bell has won an array of prestigious industry awards recognising our reputation for leading products and services. A J Bell products include Sippcentre, Sippdeal, Sippdealxtra, A J Bell Platinum and A J Bell Securities.

*As at 31st March 2009.



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