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SIPP from AJ Bell (Now with ISA and Dealing Account)

June 2011

Over recent years there has been a flurry of activity in the SIPP market. Increased popularity amongst advisers and investors has led to challenges in the shape of new entrants and an increased regulatory focus.

This has been excellent news for SIPP adopters as it has driven continued evolution of the market with increased use of technology by some providers. This has led to very positive changes to charging structures and the range of permitted investments available.

Online products have developed that are both low cost and offer the vast majority of the investment flexibility available to full SIPPs. These are adviser led products, where the majority of money typically ends up either in unit trusts/OEICs via a platform or invested by a panel discretionary investment manager. However, the range of other investments available includes external cash deposit facilities, Gilts, corporate bonds, shares, ETFs, insurance company trustee bonds and commercial property. In essence you are getting an open architecture type range of investments at a competitive price. Importantly, the client only pays for increased flexibility that they use.

Our own Sippcentre proposition competes in this area. Research we carried out with advisers identified the features and benefits that drive their suitability decisions. The top four reasons identified, in order of preference, were low charges, service, online control/functionality and the range of investments.

In some ways the increase in SIPP popularity has mirrored the popularity and growth of platforms. Low cost, online solutions have allowed advisers to build bespoke investment solutions with costs that compete head on with the other pension solutions available in the mainstream market. It is probably not a coincidence that the FSA's CP10/29 made mention of other nominee services in the title "Platforms: Delivering the RDR and other issues for platforms and nominee related services".

Looking across the platform and wrap market the following areas are often used to differentiate the huge variety of propositions available:

- bundled or unbundled charges
- range of tax wrappers
- range of investments
- management information tools
- client valuation capability
- on line functionality
- straight through new business processing
- reputation and financial standing

With all of this in mind it is understandable that our own developments have raised the odd question from those in the know about our proposed platform launch. We set a course over three years ago now to both deepen and broaden our service, without compromising our core proposition whereby we do not provide financial advice or manage money. This has manifested itself in us now having our own execution only in-house institutional and retail stockbroker, enabling us to offer dealing, settlement and custody services. This satisfied the deepening part of the strategy, whilst the broadening part will be satisfied in the coming weeks by the launch of an ISA and Dealing Account (or General Investment Account) to complement the SIPP on our Sippcentre platform.

With over £15 billion in AUA, we are probably big enough to be taken seriously by most advisers and have always put service at the heart of our proposition. Sippcentre's online control/functionality and investment range work well in the SIPP market, so we are hopeful that we will be able to translate this seamlessly into the ISA and unwrapped market.

So the big differentiator will be price. But with layered menu pricing unavoidable in the platform market, it is difficult to make simple comparisons.

I think it is possible to look at the platform market in a rather overly simplistic way, leaving myself wide open to challenge which is always part of the fun.

Fund supermarkets have a simple bundled charging structure that is good value, but their investment range needs widening, ironically to include those assets that do not work well in a fund supermarket model.

Wrap platforms, with their open architecture and transparent charging structure, would appear to be the ideal model, but for the acknowledgement that price pressure is possible.

Whilst our pricing will remain under wraps, please forgive the pun, until launch, we have positioned our platform as a hybrid between the fund supermarket and the wrap model. For those assets that generate a platform fee i.e. OEICs & unit trusts, we are happy to receive that in lieu of an explicit charge. Where assets do not generate a platform fee e.g. shares, ETFs, off platform funds, structured products, gilts etc then we will charge an explicit fee, albeit a flat fee rather than an ad valorem one.

This hopefully gives the benefits of fund supermarket pricing to those clients whose investment strategy is satisfied by mainstream OEICs and unit trusts. For those clients who require a wider range of assets, they will be charged explicitly.

Whether this gives the best of both worlds remains untested and you will be pleased to learn that we will not be trying to introduce any new nomenclature such as a Hybrid Platform or a SuperWrap! We will simply remain a SIPP operator who will also happen to offer an ISA and a Dealing Account under a service and value proposition that we believe will continue to be very attractive to the adviser community.

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A J Bell

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

Notes for Editors

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A J Bell is continuing to grow rapidly in challenging capital markets. Invesco Perpetual and Midas Capital own 37% and 10% 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 the largest privately owned provider of self administered pensions and institutional stockbroker services in the UK, with in excess of 55,500 individual SIPPs and assets under administration exceeding £15.1bn. It also provides third party SIPP administration services for Barclays Stockbrokers, Halifax Share Dealing, Skandia and TD Waterhouse.

Our customer proposition - Market leading, low cost, transparent, service, value, choice, leading functionality, integrity, award winning.

Our business - Market leaders, growing, innovative, own intellectual property, profitable, stable, we don't provide advice or investment management.

Research by CoreData Research places Sippcentre alongside Standard Life as advisers' two most preferred SIPPs.



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