

More to SIPP_s

SIPP blog – January 2015

Journey's end – or just the beginning?

2015 is a watershed for me. It heralds the end of one journey and the start of another. It's difficult to be precise but sometime around 6th April will probably mark the transition point.

Let's start with the first journey. That started 25 years ago with the launch of the first SIPP in February 1990. Some life companies had offered a unit linked version of a self invested pension prior to the 1989 legislative changes that facilitated SIPPs but I regard 1990 as the year when the first genuine SIPP was launched.

The debate over which company launched the first SIPP has gone on for many years. It's now of little consequence. What I can say with confidence is that in 1991 there were five inaugural members of the SIPP Provider Group – the predecessor of AMPS. None of those five companies exist today – proof if needed that it's the pioneers that get scalped – and the second movers that benefit.

The intervening 25 years have seen huge developments in the SIPP market with an amazing growth rate. That growth looks set to continue with the April pensions tax changes. So why do I see this as the end of a journey? Well the reality is that today most SIPPs are little more than personal pensions – with a few bells and whistles. Regulatory pressure has meant that the SIPP as originally envisaged by Nigel Lawson is now an endangered species.

Investments outside of the bog standard are seen as problematic and too risky. For example few providers will allow investment in unquoted shares and even fewer will countenance peer to peer lending. Whilst neither investment might have been envisaged by Nigel Lawson in 1989 why shouldn't they be more widely available to SIPP investors where appropriate and suitable?

My industry data suggests that the number of true, bespoke SIPPs is now declining -and it's clear that the consolidation of smaller SIPP providers is accelerating. Which is why I consider that first pioneering journey is coming to an end.

But not for the first time as one door closes another opens. I believe the 2015 pension reforms in terms of their likely impact exceed any that I've experienced in the last 25 years. Recently I've been drafting some guides on the new reforms for a client. It's brought home to me the difficulty in explaining the impact of these changes to consumers – and also the challenges that advisers face in this rapidly changing pensions environment.

In all my time in the financial services industry I've never experienced a situation where there has been so much uncertainty about prospective consumer behaviours. Rarely can so much



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have been written about the potential implications of change – with so little confidence. And the impact is far wider than just the narrow world of the traditional drawdown or annuity debate. With the likely implementation of CDC (Collective Defined Contribution) schemes, the potential increase in DB to DC transfers – including partial transfers - the pot follows member initiative and the increased risks of pension scamming – not to mention the concerns around the Pension Wise guidance service – it is a fascinating pensions landscape.

As I mentioned in my last blog I'm so intrigued by all of this that I've deferred my final retirement. That doesn't mean that my wife & I aren't affected by all of this. We both have SIPP_s – no surprise there! My wife is using capped drawdown and I am in flexible drawdown. Both of us have some big decisions to take in conjunction with our financial adviser before 6th April!

The drafting of those guides mentioned above has helped me understand many of the key points of the Pensions Taxes Act –and also the Pensions Schemes Act when enacted. It has also brought home the enormity of the challenge facing all involved with the delivery of the Pension Wise initiative. Communicating the impact of the changes and the options available will be challenging enough. Advising clients on the various options will also be demanding – but for the well-equipped adviser it should offer new opportunities and the potential to really make a difference. It really is the start of a new journey for all involved.

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