More to SIPPs

SIPP blog – March 2015

Too much excitement can damage your health!

At the time of writing the new pensions landscape is less than 4 weeks away. And yet quite remarkably no-one seems able to predict with any confidence just how pension savers will respond. I attended a pre-election briefing event where there were panellists from the 3 mainstream political parties including Steve Webb. Although there was a reassuring alignment in all three parties' perspectives on the post-election pensions landscape there was far less confidence on how the pensions population will respond to the new freedoms and choices –and on what "success" will look like.

That's hardly surprising because we are entering a new world where there is no history on which to project forward. Investors' behaviour in this new environment is hard to predict. What is easier to predict is that some investors will be sadly disappointed by the industry's response. That maybe because they are invested in a legacy product where the provider won't be offering the full flexibility or they may be in an occupational DC plan where the trustees (or their advisers) are sitting on the fence regarding making the new options fully available.

Wherever you turn there are unknowns. What will members of DB schemes do & how will trustees of these schemes react? Will there be a surge in transfer requests –and if so will be there sufficient numbers of advisers to meet the demand? How will providers respond to the insistent customer who wants to proceed with a transfer from a DB scheme? I fear there could be a backlash - with disappointed customers feeling let down by delays and having their expectations dashed.

But more positively there are huge opportunities too. For well qualified advisers the changes provide a huge opportunity. The death benefit provisions alone are a game changer for estate and IHT planning and there is a seismic shift in the balance between pensions and other forms of saving.

Much has been made of the risks to savers from "scammers" and I think it's likely that further action will be needed to protect individuals –particularly those who forgo guidance and/or can't afford advice. The admission by the FCA that it "can't stop fools acting like fools" whilst refreshingly honest hardly inspires confidence. And I wonder if that statement has implications for other areas such as SIPP investments?

More to SIPPs, 8 School Road
West Wellow, Hampshire S051 6AR
T 01794 324 608
M 07711 492 440
E john@moretosipps.co.uk
www.moretosipps.co.uk

More to SIPPs

One part of the current pensions landscape market which seems destined to benefit from the changes is the SIPP market. March 2015 marks the twenty fifth anniversary of the establishment by Personal Pensions Management Ltd of the first ever SIPP. Details of that particular case are buried in the mists of time – and three takeovers of that business, But looking back over those twenty five years it's interesting to note how external influences have regularly driven growth in this market. The introduction of income drawdown in 1995, the Equitable Life debacle five years later, pensions A-day in 2006 and more recently the increased focus on pensions of investment platforms have all fuelled the SIPP market's phenomenal growth –which is still running at over 15% per annum.

Over the years I've made a number of predictions about the future growth of the SIPP market and each time I've been surprised at how quickly the targets have been achieved. I recently predicted that the 2015 pensions reforms would lead to a doubling in the size of SIPP assets from £150billion to £300 billion. At the time I didn't put a timeframe on this prediction but looking at the market again I think that level could be comfortably achieved by 2020 – although obviously it is dependent on investment market movements.

What is less clear to me is which providers will be the winners. A number of companies that historically would have been perceived as annuity providers are now viewing the new drawdown arena as home territory. Some of these companies have been building a strong presence in the platform market - and that seems to me a pre-requisite in this new world. But most of the current investment platforms also see this as a big opportunity –even though they may lack experience in the drawdown market. And of course we shouldn't forget the "bespoke" SIPP providers for whom income drawdown has been "bread and butter" business for many years. By my reckoning over £100 billion of current SIPP assets are still to vest – which is quite a prize to play for ignoring all the potential new "pension transfer" clients.

It is an extraordinary time for the world of SIPPs and drawdown – and there's still another pre-election budget to come. I'm not sure I can take too much more excitement!

John Moret **March 2015**
Principal, MoretoSIPPs

More to SIPPs, 8 School Road
West Wellow, Hampshire S051 6AR | **T** 01794 324 608
M 07711 492 440 | **E** john@moretosipps.co.uk
www.moretosipps.co.uk

More to SIPPs

More to SIPPs, 8 School Road
West Wellow, Hampshire S051 6AR

T 01794 324 608
M 07711 492 440

E john@moretosipps.co.uk
www.moretosipps.co.uk