

Adviser Update Protected Rights

As SIPPcentre operates a trust based SIPP, established with a bank as provider, current DWP regulations only allow protected rights funds to be held in cash deposits. This is expected to change in October this year, when full self-investment of protected rights will be allowed.

In response to adviser demand we have, however, launched our protected rights facility early to allow you to start the transfer process for your clients before October. This means that you can take full and immediate advantage of the self investment facility when it arrives.

We provide below a broad outline of how we will deal with protected rights in SIPPcentre. We hope this will help advisers to make a comparison against existing protected rights products and others as they come onto the market.

Structure - For each client's SIPP, the protected rights fund will be held in an individual segregated Bank of Scotland account until October, at which time it will be merged with the client's main SIPP cash account. Both accounts are subject to our standard terms, which are available on the [website](#).

Fees - There will be no additional establishment or annual administration charges if protected rights are transferred into a SIPPcentre SIPP. All your client will pay in fees is the usual transfer in fee of £60 plus VAT (no charge for the sixth and subsequent transfer). For a transfer including both protected and non-protected rights only one transfer in fee will be payable.

Literature - Revised literature, including application and transfer forms will be made available via our SIPPcentre web site from 12th May.

Removal of investment restrictions - Once the restrictions on the investment of protected rights have been removed by the Government, we will merge the protected rights funds and non-protected rights funds held under a client's SIPP for investment purposes.

Segregation - You should be aware that it is likely we will still have to maintain a notional segregation between protected rights and non-protected rights funds within an individual SIPP as there may still be the requirement to provide a spouse's pension with protected rights funds if an annuity is purchased. We will also have to provide details of the split on transfer.

Government u-turn? - In the very unlikely event that the Government do a u-turn on holding protected rights in a SIPP, we will offer a free transfer-out of these protected rights funds to any other UK pension arrangement within 6 months of the announcement.

Contracting out - As contracting-out via a personal pension is to be abolished from April 2012, we are not intending to offer the facility for our clients to contract-out via a SIPP. We will only be accepting protected rights funds by way of transfers from other UK registered pension schemes.

Regulatory Update

The DWP have yet to publish the results of their consultation on the liberalisation of investment rules surrounding protected rights. However, the consultation period closed on 29th February and we have no reason to believe that implementation will be delayed beyond 1st October 2008.

The FSA's latest quarterly consultation paper, issued on 4th April, includes its proposals for rule changes in relation to SIPP's and protected rights. These rules are due to come into effect from 1st October 2008.

For those wishing to study the detail of this latest document it can be accessed via the following link: -
http://www.fsa.gov.uk/pubs/cp/cp08_07.pdf.

FSA Consultation Paper 08/ 7 April 2008

Chapter 2 of this document sets out the FSA's proposals for the projection of benefits from NI Rebates for Self Invested Personal Pension Plans from October 2008. It also includes some more general remarks from the FSA about their approach to the regulation of SIPP's.

This is a lengthy document and we have summarised the key points below: -

General

- The FSA has emphasised previously that advisers must make sure that advice given to transfer into a SIPP is suitable, reflects the customer's needs, priorities and circumstances, and is not influenced by commission payments.
- The FSA is currently undertaking a research project into the quality of advice behind the increase in SIPP business over the past few years.
- The FSA "wish to remind" firms that any increase in transfers of funds to SIPP's to secure protected rights must reflect the FSA's advice and suitability rules.

Specific Proposals

- The FSA want to ensure that customers are aware of the risks of self-investing NI rebates against the value of any State Second Pension given up. Therefore, the FSA are proposing to require SIPP providers to provide a key features illustration, including Contracting-Out Comparison, for anyone who wishes to use a SIPP to contract-out on an ongoing basis from October 2008. This will ensure consistency with the existing rules for insured personal pensions etc.
- At this stage, the FSA do not propose to require SIPP's to produce projections of potential benefits for non-protected rights, or transfers of existing protected rights. However, this will be reviewed later in the year, following further work to gauge the effectiveness of the projection rules and taking account of developments in the SIPP market.

Comment

We intend to make key features illustrations available for protected rights transfers from October even though they will not be required by FSA rules, indeed we already provide illustrations for non-protected rights transfers.

We shall not be offering the ability for members to contract-out for new rebates as the government is proposing to abolish this option in 2012. Consequently, whilst the proposals for comparison figures make eminent sense, it is not something that is directly relevant to SIPPcentre.

Much has been written about advisers needing to justify the use of a SIPP against more traditional propositions and this latest comment should come as no surprise, or indeed we would hope concern, to our existing supporters.

The arguments for SIPP's can of course stretch far beyond a simple cost comparison. However, cost is a central issue and the recent cost comparisons issued by us, in conjunction with CoreData research, compare SIPPcentre with its peers in a variety of differing circumstances and confirm its position as a market leader on price as well as service and on-line functionality. [Click here to view a copy of this research.](#)

Feedback that we continue to receive from supporting advisers is that SIPPcentre will in fact also compete very aggressively on price against more traditional packaged products where, for example, it is used purely to access one of the three fund supermarkets on offer.

Estimates of the size of the protected rights market have ranged anywhere between £50bn and £100bn. This compares to assets within SIPP's currently of some £37bn. If only a fraction of that market materialises there is no doubt that, with appropriate advice, this could represent the biggest boost to the SIPP market since the onset of Pensions Simplification.



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