

SIPP MARKET COST COMPARISONS

Introduction - Matthew Craig, CoreData Research



The SIPP market has come of age. It has the benefit of FSA regulation and is no longer the sole preserve of the boutique SIPP provider. The big boys are in town and they want a slice of the action.

Transparency of fees, control and flexibility have always been synonymous with SIPPs. However, as a new breed of hybrid SIPPs has entered the market, it has become ever more difficult for advisers to interpret and analyse fee structures to enable them to recommend the most suitable SIPP products for their clients.

It is not all about price. Service delivery, financial strength and product flexibility are all key determinants in the adviser's recommendation. However, if advisers are to recommend a product that is not the cheapest, they need to justify why.

But price is a key factor. And this is where the challenge comes for advisers. Few realise the extent of the differentials between charges levied by different SIPP providers, for providing the same service in the same circumstances.

CoreData has been commissioned by SIPPcentre to verify the charges in a variety of hypothetical client situations. All SIPP providers contained in the comparison were given the opportunity to confirm the accuracy of the charges and pertinent comments from these SIPP providers are included in the notes.

The results speak for themselves and need no comment from me, other than to suggest that a detailed review of the charges of SIPP providers should become a regular discipline for advisers.

The charges outlined in the case studies are correct as at March 2008.

INTRODUCTION



Update from Andy Bell, Chief Executive

I have sensed for some time now that advisers possibly don't truly appreciate the impact that the disparate charging structures of the major SIPP providers has on their clients. So, I decided to spend a little time running a slide rule over the charging structures of those firms who I see as regular competition. Whether those included will be more offended than those who aren't remains to be seen.

To ensure an element of fair play, we commissioned CoreData to verify our figures and Matthew Craig, former editor of Pensions Management, has contacted each SIPP provider involved to verify the charges shown.

As Matthew points out in his foreword, the SIPP market is changing and the fee structures are becoming ever harder to interpret and analyse.

Issuing a comparison like the attached can be dangerous and can attract criticisms of bias and selection. Let me pre-empt any strike on these grounds by saying that the only point of any substance I am trying to make is that there is a massive disparity between the charges that different SIPP providers levy in the same circumstances. I have no doubt that others will point to scenarios where we are not the cheapest, but that misses my point. In two of the examples, the dearest SIPP provider is more than three times the price of the cheapest! As an old hand now in the SIPP market, even I was taken aback by the results of this study.

The fact that SIPPcentre leads the way on price in the examples is academic. We don't aim to be the cheapest, just the most efficient. The fact that we choose to convert these efficiencies into lower prices rather than bigger profits is a commercial decision we have made in order to maintain and increase our market share in a controlled manner.

We could have looked at other examples, where investments are into internal funds of the SIPP provider. However, any results would have been clouded by the cross subsidy between pension and investment costs. The examples shown have all been chosen with external investments where these cross subsidies do not exist.

For our part, we will continue to strive to provide the best overall SIPP package available in the market.

UPDATE

Case Study 1 (Standard Arrangement)

Mr Smith has a SIPP that will receive 1 transfer in of £150k. He intends to invest his monies using Tilney as a discretionary manager.

Provider	Set Up (£)	Transfer In (£)	Annual Admin (£)	Investment Fees (£)	Year 1 (£)	Year 2 (Annual/ongoing) (£)	Total Y1 & Y2 (£)
SIPPcentre	120	60	160	0	340	160	500
Other Providers							
Standard Life	302	0	416	260 (p.a.)	978	676	1,654
Scottish Widows	0	0	675	0	675	675	1,350
Suffolk Life	300	0 ⁽¹⁾	475	0	775	475	1,250
James Hay Private Client	290	0	455	14	759	455	1,214
Alliance Trust	350	0 ⁽¹⁾	400	0	750	400	1,150
Hornbuckle Mitchell (single investment SIPP)	200	0	250	0	450	250	700

1. A charge may apply if the provider coordinates the transfer.

CASE STUDY 1

Case Study 2 (Multiple Investment Accounts)

Mr Smith has a SIPP that will receive 2 transfers in totalling £200k. He intends to invest his monies using Brewin Dolphin as a discretionary manager and also the SIPP's execution only sharedealing facility.

Provider	Set Up (£)	Transfer In (£)	Annual Admin (£)	Investment Fees (£)	Year 1 (£)	Year 2 (Annual/ongoing) (£)	Total Y1 & Y2 (£)
SIPPcentre	120	120	160	0	400	160	560
Other Providers							
Standard Life	302	0	416	260 (p.a.) £10 ⁽²⁾	988	676	1,664
Scottish Widows ⁽¹⁾	0	0	800	0	800	800	1,600
Suffolk Life	300	0 ⁽³⁾	475	0	775	475	1,250
Hornbuckle Mitchell (single investment SIPP)	345	0	445	0	790	445	1,235
James Hay Private Client	290	0	455	28	773	455	1,228
Alliance Trust	350	0 ⁽³⁾	400	0	750	400	1,150

1. Stocks and shares would have to be incorporated into the Brewin Dolphin Portfolio. If execution only dealing cannot be accommodated then the client requirements could not actually be accommodated. 2. Transaction charge. 3. A charge may apply if the provider coordinates the transfer.

CASE STUDY 2

Case Study 3 (Non Standard Investment)

Mr Smith has a SIPP that will receive 2 transfers in totalling £200k. He intends to use this money to buy 4 different TIPs with different insurers (not Standard Life).

Provider	Set Up (£)	Transfer In (£)	Annual Admin (£)	Investment Fees (£)	Year 1 (£)	Year 2 (Annual/ongoing) (£)	Total Y1 & Y2 (£)
SIPPcentre	120	120	160	120 (p.a.) 120⁽¹⁾	640	280	920
Other Providers							
Suffolk Life	300	0 ⁽²⁾	475	500 ⁽³⁾	1,275	575	1,850
Standard Life	302	0	416	200 ⁽¹⁾	918	416	1,334
Hornbuckle Mitchell	345	0	445	80	870	445	1,315
James Hay Private Client	290	0	455	56	801	455	1,256
Alliance Trust	350	0 ⁽²⁾	400	0	750	400	1,150
Scottish Widows	Cannot access TIPs						

1. Purchase. 2. A charge may apply if the provider coordinates the transfer. 3. Purchase £300, Initial £100 and £100 p.a. for use of non e-investment affiliate.

CASE STUDY 3

Case Study 4 (Property)

Mr Smith has a SIPP that will receive 2 transfers in totalling £200k. He intends to borrow an additional £100k to buy a property. The property will be VAT registered.

Provider	Set Up (£)	Transfer In (£)	Annual Admin (£)	Investment Fees (£)	Property Purchase (£)	Annual Property (£)	Year 1 (£)	Year 2 (Annual/ongoing) (£)	Total Y1 & Y2 (£)
SIPPcentre	120	120	160	120 (p.a.)	900⁽¹⁾	420⁽²⁾	1,840	700	2,540
Other Providers									
Suffolk Life	300	0 ⁽³⁾	475	0	1,500 ⁽⁴⁾	850 ⁽⁵⁾	3,125	1,325	4,450
Standard Life	302	0	416	0	650	1,175 ⁽⁶⁾	2,543	1,591	4,134
Scottish Widows ⁽⁷⁾	0	0	800	0	1,050	0	1,850	1,850	3,700
Alliance Trust	350	0 ⁽³⁾	400	0	1,200 ⁽⁸⁾	650 ⁽⁹⁾	2,600	1,050	3,650
James Hay Private Client	290	0	455	0	1,080 ⁽¹⁰⁾	600	2,425	1,055	3,480
Hornbuckle Mitchell	345	0	445	0	1,260 ⁽¹¹⁾	400 ⁽¹²⁾	2,450	845	3,295

1. Property £550 and loan £350. 2. Property £300 and loan £120. 3. A charge may apply if the provider coordinates the transfer. 4. Typically £1,500 to £1,700. 5. Property maintenance £600, property facility £100 and £150 VAT. 6. Figures includes initial Property Admin charges and Property Manager's charges (£725) deducted on completion. These are then re-charged annually in arrears. An additional £720 plus VAT may be charged up front if an environmental report is required. 7. The administration of property has been outsourced to Alliance Trust. 8. Property £600, VAT £100, loan £250 and lease £250. 9. Property £350, VAT £200 and loan £100. 10. On the assumption that non panel solicitor is used. 11. Property £800, VAT £200 and environmental £260. 12. Property £200 and completion of quarterly VAT return £50 per quarter.

Case Study 5 (Non Standard Investments)

Mr Smith has a SIPP that will receive 2 transfers in totalling £300k. He wishes to establish a portfolio with his (non panel) discretionary investment manager, invest in an industrial unit in Pwllheli (no VAT or borrowings) and establish an account with Cofunds for £50,000.

Provider	Set Up (£)	Transfer In (£)	Annual Admin (£)	Investment Fees (£)	Property Purchase (£)	Annual Property (£)	Year 1 (£)	Year 2 (Annual/ongoing) (£)	Total Y1 & Y2 (£)
SIPPcentre	0	120	160	120 (p.a.) 30 (initial)	550	300	1,280	580	1,860
Other Providers									
Suffolk Life	300	0 ⁽¹⁾	475	0	1,500 ⁽²⁾	700 ⁽³⁾ (typical)	2,975	1,175	4,150
James Hay Private Client	290	0	455	28	900 ⁽⁴⁾	600	2,273	1,055	3,328
Hornbuckle Mitchell	345	0	445	40	1,060 ⁽⁵⁾	200 (prop)	2,090	645	2,735
Alliance Trust	350	0 ⁽¹⁾	400	0	850 ⁽⁶⁾	350 (prop)	1,950	750	2,700
Standard Life	Cannot do non panel Discretionary Investment Managers or Cofunds								
Scottish Widows	Cannot access Cofunds								

1. A charge may apply if the provider coordinates the transfer. 2. Typically £1,500 to £1,700. 3. Property £600 and property facility £100. 4. On the assumption that non panel solicitor is used. 5. Property £800 and environmental £260. 6. Property £600 and lease £250.

- VAT - Some providers charge VAT on fees and some do not. To further complicate matters in certain cases VAT is charged on some, but not all, fees. For simplicity, we have excluded VAT from all comparisons. We do not believe that inclusion would materially impact the results.
- Annual/ongoing charges - SIPPcentre currently applies ongoing charges quarterly in arrears. Other providers charge at different intervals, often annually in advance.
- The charges shown above include only the charges made by the provider for pensions administration services. They do not include the charges made by an investment manager or investment product provider for their services or products.

This is not a consumer advertisement. It is intended for professional financial advisers and should not be relied upon by private investors or any other persons.