

SIPPs - UK - December 2011

Report Price: £1750 / \$2837 / €1995



“The SIPP market faces many challenges with legislative and regulatory changes a constant threat to providers. SIPPs have seen impressive growth over the past few years and there is a feeling within the industry that they could become the most popular pension choice for the general public in the future. However, there are many factors working against the industry at present including the external economic environment, the RDR and changes to tax relief. However, if providers can successfully navigate their way through these dangers then the future for SIPPs looks bright.”

– **Stephanie Seenan, Financial Services Analyst**

In this report we answer the key questions:

- How will changes to tax relief impact on SIPPs?
- Can the SIPPs market continue to flourish?
- What impact will fees have on SIPPs?
- How big an influence will other factors besides supplier control have?
- Will flexible drawdown increase SIPP business levels?

Definition

Since its inception in 1989, the product has evolved to the point where there are now various categories of SIPP available, which cater for different markets. The main product types are as follows:

- Full SIPP – this is a SIPP in its purest form, allowing every investment permitted by HMRC rules. Full SIPPs tend to have higher administration charges than other types of SIPP and usually require a minimum investment of £50,000. Consequently, they are often taken out by the high net worth through the advised channel.
- Mid-range SIPP – will offer more than cash and quoted investments, but not the fully permitted range, and hence charges will be lower than for a full SIPP. They are unlikely to include the more esoteric investment types such as derivatives and venture capital trusts.
- Simple SIPP/e-SIPP/platform-based SIPP – these low-cost SIPPs limit investments to cash and quoted investments, but still offer access to an extensive range of funds. Most of these plans do not have a minimum investment and so are ideal for those starting their pension planning.

SIPPs may also be categorised according to how they are legally structured, ie whether they are insured or non-insured/trust-based products.

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