

comfortable in a regulated world



Nick Bladen
Head of Pensions Marketing

April 2007

Since the first **SIPP** contract was written in March 1990, the market has been flourishing. **Nick Bladen** explains why this month's introduction of regulation presents a huge opportunity for those who are prepared.

The growth rate in the SIPP market has been consistently strong since inception. In 1998, there were a fledgling 3,000 schemes in operation. A year later, and the number had doubled to 6,000. By 2000, the number had reached five figures. Advisers have already indicated that they see the introduction of regulation not as a hindrance, but a stimulus for growth in this already-thriving market.

In a recent survey*, 83% of the 465 advisers questioned said regulation of SIPPs would make the market more attractive, suggesting that we can expect to see even more business being driven through the SIPP route post-regulation. Nonetheless, there is work to be done and many points to consider before all SIPP schemes in the market truly sit comfortably in a regulated world.

investment solutions are key

At the heart of all pensions, no matter what wrapper they are held in, are the underlying investment solutions. A well thought-through investment strategy is crucial to the majority of advised pension recommendations. How much control the client and adviser wish to take over the individual investments to a large extent dictates what wrapper is selected.

The principle benefit of SIPPs is the broad range of investment options that truly differentiates them from other types of personal pension, including those offering access to hundreds of funds. In the survey mentioned earlier, advisers were also asked what they consider to be important when choosing a SIPP. Not surprisingly, the favourite options were investment choice and service, ranked as 'very important' by 64% and 63% of advisers, respectively. Clearly for advisers, investment choice, in combination with quality service, remains the cornerstone of the SIPP market and regulation will not take this away.

embracing regulation

The introduction of regulation for SIPPs will ensure that clients are able to access the products they want, that are suitable for their needs. SIPPs offer choice and control over investments, and regulation is not designed to take any of that away. Regulation should protect clients and advisers - improving the process of buying a SIPP.

We can expect to see a flourishing pension market in the future, with a shift away from occupational schemes and gravitation towards products offering the necessary control, investment sophistication and

retirement options clients desire. We can also expect to see a certain amount of continuing consolidation into and within the SIPP and personal pension market.

advice opportunity

Above all, regulation presents an opportunity for advisers. Clients and advisers alike need to have confidence in financial products. For clients, confidence is boosted by greater transparency, as well as the reassurance that providers are being duly examined. Regulation will ensure not only that individual SIPPs are more transparent, but that transparency is more consistent across the market.

Ultimately regulation should make life easier for clients, not more complicated. The concept of SIPPs was created when Nigel Lawson said in the 1989 Budget speech 'I propose to make it easier for people in personal pensions to manage their own investments'. Let's hope that with the introduction of regulation, that sentiment is continued.

A document outlining the key changes you need to be aware of following the introduction of SIPP regulation will be available in the May informer e-newsletter.

*Skandia Product Survey, July 2006.

www.skandia.co.uk

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Skandia Life Assurance Company Limited (an incorporated company limited by shares) Registered number: 1363932 England

Registered Office: Skandia House, Portland Terrace, Southampton, SO14 7EJ, United Kingdom Authorised and regulated by the Financial Services Authority
FSA Register number 110462

Skandia Life (Pensions Trustee) Limited Registered number: 1538109 England Registered Office as above