

Insight

Issue 03 October 2012

 Dentons

Welcome to this edition of Insight which covers topics such as the results from our SIPP survey and comments on the latest Money Management SIPP survey. In addition we discuss the concern of the FSA with regards to the holding of UCIS within a SIPP and Martin Tilley feeds back on the latest Henry Stewart SIPP conference where he was a guest speaker. Just like our recent email communications this newsletter is designed to keep you one step ahead of the competition - and underline the value that we can add.

We listen too. So if you have any feedback on any of our initiatives - or you'd like to find out more about any of the topics covered in this issue, please get in touch.

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Dentons SIPP Survey Results

Thank you to everyone who took part in our SIPP survey that we ran over the summer months. We had a good response and are pleased to provide some key results.



The winner of our iPad - awarded as an incentive for taking part - is Matthew Kneller (pictured above right), being presented with his award by David Fox, Director of Sales & Marketing at Dentons. Matthew previously worked for Paradigm Norton but has recently set up his own IFA business, Fresh Perspective, based in Bristol.

During July and August we ran an online SIPP survey to find out your views on a range of subjects such as the popularity of SIPPs, the potential impact of RDR, the biggest barriers to entry to the SIPP market and key attributes of successful SIPP providers.

We value your opinions and are very grateful to all of you that took part.

Here are some of the key findings:

- › Interestingly, and perhaps surprisingly, 28% of respondents, which were mainly IFAs, personally look after less than 50 clients with just over 20% looking after more than 200 clients
- › The most important attributes of SIPP providers were:
 - Knowledge, experience and technical expertise of staff (54%)

Our Pension Consultants have been with us on average for over 20 years. Each heads a team of experienced administrators who manage all aspects of the SIPP, allowing us to get to know you and your clients.

- Ease of doing business (52%)

Dentons has always prided itself on aiming to meet your clients' needs without putting unnecessary barriers in the way. We do not operate on a call centre basis and each adviser

is allocated a dedicated team for all their clients with an aim to building long term relationships.

- Integrity (52%)

Dentons has been in business for over 30 years and prides itself on its transparency and honesty.

- › Helpful service, technical expertise, good value and long term relationships were given as some of the reasons for why a provider was a preferred provider.
- › Least important attributes were:
 - Online application forms and
 - Profitability of provider

Although profitability of provider was a low requirement, Dentons has been in business for over 30 years and is a profitable company. We plan on being around for the next 30 years. We believe these aspects are important as economic and industry uncertainty continues.

- › 64% of respondents felt they would write more bespoke SIPP business post RDR
- › 33% said they would class their bespoke SIPP knowledge as 'Okay but need help from my provider and other professionals'

Dentons works closely with other professionals to offer you the most appropriate service at all times for your clients' needs. In addition, one

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FSA to ban UCIS promotion to retail investors



The Financial Services Authority (FSA) has recently published proposals to ban the promotion of UCIS (unregulated collective investment schemes) and other similar products to all retail investors in the UK other than to sophisticated investors and high net worth individuals, for whom the products are deemed to be suitable.

Currently financial advisers can recommend UCIS to retail investors once they have assessed the product's suitability but this won't be sufficient under the new proposals. The FSA consultation paper found that only one in four advised sales of UCIS to retail customers were suitable, taking into account the customer's needs and requirements.

The FSA estimate that the UCIS retail market is worth around £2.5 bn in the UK and proposes to introduce new rules to create a level playing field for UCIS and other similar products and to improve standards of consumer protection.

Although the FSA's intentions are clear, they can only influence regulated organisations. Unregulated investment providers will still wish to promote their offerings direct to the client. Intermediaries should be aware and alert their clients to the risks of UCIS.

Dentons SIPP Survey Results continued

of our consultants can assist with technical information at client meetings, if required.

- › For purchases involving commercial property through SIPPs, the vast majority of respondents agreed or strongly agreed that the SIPP provider makes a huge difference during this transaction. Again an overwhelming 86% agreed or strongly agreed to the following statement:

"Good service is more important than cost in a commercial property transaction through a SIPP."

- › In respect of barriers to entry to the take up of SIPPs, the main reasons were cited as:

- Fees (36%)
- Lack of awareness amongst clients (21%)
- No barrier to entry (8%)

Fees are often cited as the main reason but as one respondent said:

'In the long run good service and strong technical support will prove more important than fees.'

We believe our fees are competitive and we will always be pleased to provide a quote for property purchases to demonstrate our competitiveness and transparency.

- › Nearly two thirds of you were concerned at the size of a provider's exposure to unregulated funds and 'potentially taxable assets'.

As a result of our due diligence process, Dentons has almost no exposure to such assets and for any new requests we retain a robust system to thoroughly review such assets before accepting them within a SIPP.

- › Some general comments included:

"Lots of times setting up a SIPP can be difficult in terms of the amount and complexity of the paperwork."

As SIPPs are written under Trust, a lot of paperwork is required but SIPP Providers can make it easier for introducers by having as much of the information in one document as possible. Dentons recently reviewed its

application process and implemented changes based on the feedback received. We continually review our processes and forms and will be happy to hear from you with any suggested improvements.

"SIPP business will increase but due diligence is an issue for IFAs."

At Dentons we recognise that due diligence can be an issue and have had an independent review carried out by Defaqto which will help IFAs and Paraplanners with this. Please ask for a copy or you can download from our website www.dentonspensions.co.uk/Media-Centre/Literature/

"Clients with large pension funds or who want commercial property or more esoteric investments will seek out bespoke SIPP providers with flat, fixed fees."

As part of our major rebrand in February this year, we reviewed our SIPP fees and removed many of the previous time costed fees. In addition we reduced our establishment fee and transfer-in fee. Where we retain time costed fees, such as in property purchase, we believe they are appropriate such that simple transactions do not cross subsidise the more complex ones.

Summary

In general respondents are reasonably satisfied with the service proposition from their current SIPP Provider, however nearly 10% of you were dissatisfied: the main comments related to unsatisfactory levels of administration.

If you would like any further information on any of the subjects raised, or to find out how Dentons can help you, please contact David Fox or Martin Tilley on **01483 521521** or email: enquiries@dentonspensions.co.uk

Money Management SIPP survey

Although this survey saw the largest number of providers taking part, a number still didn't respond and of those that did, a number chose not to disclose all the requested data. In particular, the number of providers choosing not to disclose lost cases was very telling! As a result we feel it is hard to gain solid conclusions.

Some of the key points raised in the survey:

1. Just over half of the survey respondents hold 13 weeks of capital adequacy operating money whilst 14 hold just six weeks although some firms state they actually carry more capital than required. The FSA is looking to reassess the capital requirements of SIPP firms in the near future but has not yet set a date. It has also been suggested that capital adequacy should be based on the 'risk level' of the business.
2. Figures from the survey show that there was only marginal growth in the SIPP market over the last six months although it was hard to compare like for like as some companies didn't take part and there were some new entries. Attrition was shown as a big problem for some providers and trying to accurately assess 'true' new business to the industry was voiced as 'difficult' as over 80% of the business written was from transfers. It is possible that some transfers were from personal pension plans and defined contribution schemes, or even defined benefit schemes, not just from one SIPP provider to another. Thus we feel there could be far more 'true' cases than the survey indicates.
3. The number of lost cases is again hard to determine as a number of companies chose not to disclose this data. It is also unclear as to why cases are lost.
4. The survey clearly states that price alone cannot be the determining issue for clients with value being far more important especially for full SIPPs. However investors who only want a few assets and have their SIPPs largely administered online should pay less.
5. Of the SIPP products listed, 51 of the 88 providers permit investments in UCIS, with other providers stating that they do not offer these or not committing to a statement within the survey.



The survey finishes with stating that consolidation within the industry is now very likely. The results for the next survey in March 2013 could be very different.

Henry Stewart 'SIPP and Retirement Options' conference - October 2012



Martin Tilley, Director of Technical Services, recently took to the stage at the latest Henry Stewart conference to talk about 'Where now for SSAS?'

Small Self Administered Schemes (SSAS) have been in the press more of late - both in terms of their demise and their popularity. Dentons, along with a few other providers, has seen a resurgence in the SSAS market. A recent survey in Retirement Planner shows that the majority of IFAs think the future of SSAS will remain unchanged but over 35% think they will grow.

Much of the industry press has focussed on the release of capital from SSAS,

either by way of the loan back provision or by purchase of assets from the founder employer, such as intellectual property rights.

Whilst both achieve two principle goals, a bone fide investment for the pension scheme and cash to assist the development of the founder, each case should be viewed on its own merits. In particular, setting minimal interest rates on loan backs might question the legitimacy of the investment and certain assets when pledged as security can create penal tax charges on default.

Similarly, where intellectual property is to be used as loan security or purchased as an asset, a specialist valuation should be obtained. Intellectual property has a very limited secondary market and overvaluation could be seen as a means of release for tax relieved funds that could also result in tax charges.

Please contact us for further details or to discuss individual cases.

Contact us

For more information about any of the subject matters raised in this Newsletter, please contact us.

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This document is based on Denton's interpretation of the law and the HM Revenue and Customs practice as at March 2012. We believe this interpretation is correct, but cannot guarantee it.

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