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WHAT EVER YOU WANT

The world of pensions and particularly SIPPs continues to evolve at a fast pace. In the TISA Retirement Policy Council the last 12 months have seen key issues of debate emerging, most of which will remain hot topics over the next 12 months also, especially with the FCA's ongoing thematic review. Currently topping the list is "do we return to investment lists?" followed by "where do we get the best deposit rates for cash accounts?"

For some considerable time now, interest rates seem to be stuck at record lows and with bond yields looking anaemic, it is little wonder investors are taking retirement planning decisions into their own hands and scouring the market for better returns, especially as more people move towards self-invested personal pensions. Consumers are being driven by a desire for more personal control which has led to more interest in them as a possible alternative to other pensions. The economic environment, along with more of a focus on pensions from a media and regulatory perspective, has led to more analysis of value for money for consumers.

The rules governing the framework of SIPPs haven't really changed since 'A-Day' in 2006, when initial plans for a very open regime allowed people to invest a range of assets in their pension including residential property, ISAs and cash equities plus the possibility of more esoteric assets such as antiques, racehorses etc. However, since that time these assets have been subject to scrutiny by the regulator and curtailed more by the introduction of heavy tax penalties than by flatly disallowing them.

The nature of investment assets selected over the years since 2006 has been influenced by the requirements for SIPP providers to carry out due diligence on any investment they are requested to invest in by an adviser or his customer. The SIPP provider effectively acts as the trustee of the scheme, and as such they have to ensure it is a bona fide investment, that the investment will not result in any negative liabilities and that they understand the terms of the investment such as whether there is sufficient liquidity and any lock-in periods that might affect the running of the SIPP.

Last year, there were some high profile cases where investments had gone wrong and there has been action taken against SIPP providers.

Originally there was a published 'Permitted List' of investment assets, which was subsequently removed. SIPP providers can impose their own list of permitted investments if they see fit, it is up to the member and their adviser to decide whether the asset is appropriate and is it a risk worth taking.

The current review will look to enhance further the regulation of investments. This could mean yet more changes within the SIPP industry just when the economic environment is drawing more people to invest in more non-mainstream assets, such as property. We could well find schemes are again back to only certain permitted investments on a list. The traditional assets allowed in SIPPs, depending on the provider, can include:

- Individual stocks and shares quoted on a recognised UK or overseas stock exchange
- Government securities
- Unit trusts
- Investment trusts
- Insurance company funds
- Traded endowment policies
- Deposit accounts with banks and building societies
- National savings products
- Commercial property

Certain investments can be subject to a hefty tax charge to discourage investors from placing them in their SIPP, some of which fall under the 'tangible movable property' definition. These can include:

- Residential property
- Art
- Antiques
- Classic and vintage cars
- Rare books

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