

Self Invested Personal Pensions (SIPP's) a personal perspective

by Stuart Cowan

Although retirement may be still some way off, I am likely to achieve pensioner status sooner than many of my colleagues and I therefore find myself, like many others who are of the 'baby boomers' generation, considering how I will continue to fund my relatively modest lifestyle once the monthly pay cheques are no longer dropping into my bank account.

For those who are members of occupational defined benefit pension schemes there is usually very little to consider as a hardworking and productive career may be rewarded with a generous and possibly index linked income. However, an increasingly large number of people will be looking to use accumulated savings from a personal pension fund to generate additional income to augment their state pension.

There are two principal ways of using a pension fund, the first is to buy an annuity which is usually a fixed annual income for life and the second is to transfer the capital value of the fund into a Self Invested Personal Pension or similar structure. The latter provides the freedom to choose 'approved' investments to create a portfolio that will generate income and will offer the possibility of capital growth; something that may provide a modest 'hedge' against inflation over the longer term thus preserving the real value of the fund. In the case of an annuity the capital of the fund is used to purchase a secure income from an insurance company and is no longer available or accessible.

At this point I must make it clear that I am not a pension adviser, nor do I have experience of pension legislation. For guidance and advice you should approach a qualified and recognised expert as this remains a complicated area, despite recent changes in the statutory regulations which have served to make the

options and therefore choices available somewhat easier to understand.

I have sought advice about the formation of a SIPP and whether it is suitable to achieve my aspirations, and I strongly advise others to do so.

Once your SIPP has been created, approved, registered and funded you will need to give careful consideration to your investment



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objectives and strategy. If you are an experienced investor and feel confident to self select the investments for your fund that's fine. If however, the prospect of asset allocations, diversification, redemption yields, ETFs and scrip issues leaves you cold then there are a wide range of independent financial advisers, stockbrokers and investment managers who will guide you through the process and manage the fund in accordance with the mandate (rules) you wish to be followed. This can be undertaken on a discretionary or advisory basis.

With discretionary management your investment adviser will manage the fund on a 'day to day' basis whilst you are on the golf course, holiday or cruise without reference to you. Its 'hands free' so to speak. With advisory you remain involved and in control as any changes to the portfolio have to

be referred to you and approved in your capacity as a Trustee of the SIPP. It can be a little less flexible for the investment manager, but it retains your interest and involvement.

What will I be doing? Well with over forty years in the investment industry I intend to manage my own Self Invested Pension Scheme, as we already do for an increasing number of clients here at Ramsey Crookall & Co. You are welcome to come and talk to us.

"Stuart Cowan is an investment director with Ramsey Crookall & Co Ltd, Investment Managers and Stockbrokers in Athol Street Douglas. Stuart has over forty years experience in investments and this article was prompted by a forthcoming 'milestone birthday'. He can be reached at stuart.cowan@ramseycrookall.com if you wish to discuss investment options"

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