Internet deal boosts opportunities for modest self-investment schemes

Grower cuts costs with a DIY pension

Going for growth: Andrew McConnell invests in a self-invested personal pension

By Neil Bromage

ANDREW McConnell decided it was time for action when he found his pension funds were not flourishing. In fact, he found them 'startlingly poor' and decided he could do better himself.

Andrew, 50, who has spent 15 years building up his North Wales business growing eucalyptus trees, wanted to make a 'relatively small' investment of £25,000 to top up his pension arrangements.

Liking the idea of greater control over his destiny, he turned to a self-invested personal pension (Sipp).

These schemes work like normal personal pensions, but there is no requirement to stick to a particular insurer's range of funds, which can often be hampered by poor performance or high charges.

Sipp investors get tax relief on their contributions. Though administered by an insurance company, an investor can compile a Sipp portfolio under the umbrella of a personal pension, investing direct in shares, investment funds, gilts and even commercial property. Investments may be changed according to how they perform.

Until recently, the growth of Sipps had been limited and they had failed to attract much attention due to high set-up and management costs.

Eileen Imrie, secretary of the Sipp Providers Group, which represents companies in the sector, says: 'Sipps have always been fine for someone with a fund of £50,000 or more in their pension.'

But the launch of Sippdeal.co.uk, Britain's first online Sipp, offers a scheme with drastically reduced set-up costs.

Andy Bell, managing director of Sippdeal, says: 'With the reduction in charges available through using the internet, Sipps are available at a modest cost for those who want to take control over investing a pension.'

He says the charging structure of Sippdeal makes a £10,000 or £20,000 Sipp fund viable. Unlike other providers, it makes no annual charge and there are no set-up or valuation fees.

This puts the first-year costs of a plan with Sippdeal, including stockbroking commissions, at about £170. This compares with £1,195 at trustee and administrator James Hay, owned by Abbey National, and £1,200 with Winterthur Life.

Cutting charges: Sippdeal's Andy Bell

These charges are based on 10 share deals in the first year and were published in a survey on Sipps in Money Management magazine.

'Many investments of between £10,000 and £20,000 are being moved to us, or established with us, and it is clear that people consider this a viable level for a Sipp,' says Bell.

'Many people have lost confidence in the big insurance companies and are sufficiently sophisticated to deal on their own account and construct pension portfolios of their own choice.'

Barclays, DLJ Direct and Charles Schwab are thinking of launching online Sipp rivals.

McCONNELL is a fan of Sippdeal. 'I had looked at Sipps as a vehicle for my retirement, but I found the costs prohibitive,' he says. 'Sippdeal seems to have cut through these costs, which have put off many people.

'The option to manage my own investments rather than leaving them in the hands of a fund manager was particularly attractive and Sippdeal's customer service has been excellent.'

John Sheffield of AIS Pensions in Wimbledon, south-west London, says investors should be wary of charges and consider other options such as a multi-fund personal pension, where an investor has access to many managers.

Skandia is the main player with a pension that allows investors to choose from 300 funds run by top investment houses such as Fidelity, Henderson and Jupiter.

Sheffield says: 'An umbrella fund enables investors to chop and change fund managers, according to how they perform. Charges are also usually lower than with many Sipps.'