



P R E S S R E L E A S E

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Taylor Young Investment Management Briefing Note: Self-Invested Personal Pensions

The rules governing personal pensions have undergone sweeping changes in recent years. The most significant changes in a generation came into effect on 'A-Day', 6 April 2006. Although 'A-Day' was meant to herald a new regime which would not be subject to too much change, further change is inevitable. The extent to which personal pension funds can be used to secure an income in retirement rather than as a vehicle to pass capital on to future generations is subject to prevailing legislative conditions. Funds providing Alternatively Secured Pensions, available from age 75, may be heavily taxed on the policyholder's death.

Either way, SIPPs offer valuable tax privileges. The revised contribution levels now permit individuals to invest heavily in pensions – contribution limits are larger under the new regime and tax relief at the higher rate is still available*. However, one can no longer seek to mitigate tax and provide for retirement merely by making maximum pension contributions. Most pensions are now subject to a lifetime allowance and pension funds over this value will be subject to tax. Tax-free cash, phased retirement and variable withdrawal of income from a SIPP all remain available (but are subject to certain rules).

Apart from their favourable tax treatment, SIPPs provide a wide investment choice. They generally appeal to those who like the idea of taking control and assuming responsibility for their pension arrangements. Historically low annuity rates have made it more important than ever to maintain flexibility and sustain investment performance over the longer term. The investment returns provided by many insurance companies have been poor in recent years with pensions investors often uncertain about what assets they own, what the underlying fee structure is, and the basis upon which their investment return is awarded.

SIPPs should generally have exposure to a number of asset classes. Equities, fixed interest securities, collective investments, commercial property and cash are all suitable and widely used SIPP investments. These investments usually provide a regular income, often with the prospect of accompanying capital appreciation, which should boost the value of the pension fund over time. Likewise, alternative investments such as hedge funds are also permitted investments.

Thematic investing provides maximised exposure to this broad range of asset classes and enables investors to respond to changing environments. Markets and economies change for all investors but, in addition, a SIPP portfolio needs to be managed in varying ways throughout life. Clearly, the 'build up' phase, when retirement is a long way off, may require a wealth creation strategy with more appetite for risk given the long-term nature of the investment. Approaching retirement, a portfolio may need to be realigned. The prospect of income withdrawal may entail a more defensive strategy. Whilst in income drawdown, stability of investment returns may be paramount. By investing thematically, a manager can concentrate on a narrower range of stocks (in a broader range of asset

TAYLOR YOUNG INVESTMENT MANAGEMENT LIMITED
TOWER BRIDGE COURT, 224-226 TOWER BRIDGE ROAD, LONDON, SE1 2UL.
TELEPHONE 020-7378 4500. FAX 020-7378 4501. EMAIL invest@tyim.co.uk
www.tayloryoung.com

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classes) than a conventional investment manager would do normally, thus potentially be more successful in outperforming a general benchmark index than a process that to some extent necessarily replicates the various index weights of the stocks within that index. Of course, given the fact that a thematic portfolio will necessarily be more concentrated in nature, it is possible that there will be more volatility of performance than against a fixed benchmark index, but, over time, the positives from the process should outweigh any short-term negatives that may be experienced.

It is for this reason that thematic investing is well-suited for a SIPP portfolio. The constant monitoring of the carefully selected stocks allows investment managers to tailor the volatility and risk levels of each to the relevant "life-phase" of the SIPP, thus maintaining the necessary flexibility and sustained investment performance over the longer term.

A range of Taylor Young's guides, including "Guide for Professional Advisers" and "SIPP Tax Summary" can be found at:

<http://www.tayloryoung.com/ty/resources/download/>

- ENDS -

* For more information, please see attached document, "SIPPs – Tax Summary".

For further comment please contact:

Ben Curson/Clare Milton/Sarah Caddy
Penrose Financial

020 7786 4870/4874/4819

Notes to Editors:

Taylor Young Investment Management Limited (Taylor Young) was founded in 1986 to provide highly personalised investment management to individuals. The firm had £515m under management as at the end of December 2006.

Taylor Young follows an independent, research-led, thematic investment approach, and offers defensive, balanced and growth strategies incorporating the traditional asset classes of cash, bonds and equities with alternative investments. Today, while continuing to focus on managing families' and individuals' personal, pension (SIPP and SSAS) and trust portfolios, Taylor Young also manages investments for charities and smaller institutions.

The PAM Awards Judging Panel nominated Taylor Young for three private asset management awards in 2007. They were for *Investment Performance – Growth*, *Investment Performance – Income* and *Image & Reputation – HNW*. In 2006, Taylor Young were nominated for two PAM awards, *Performance – Growth* and *Image & Reputation – Boutiques*. In 2005, High Nets Inbrief Awards short listed Taylor Young in their *Investment Manager of the Year* category.

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