

Understanding Platform Charging

What Platforms Do

Investment platforms have been designed to help you and/or your financial adviser manage your savings and investments and implement your financial plan.

Platforms administer your savings and investments. They provide 'custody' for your cash and investments, and offer reports, information and online access to these.

Platforms provide 'tax wrappers' in which to hold your savings and investments – these are accounts such as ISAs or pensions which each have their own different rules about tax and access.

Platforms also manage the trading of your investments – the buying and selling of both funds and shares.

How platforms charge

Jargon in financial services can be confusing and make it hard to compare services or understand what you will pay. This document identifies the main components of platform charges and explains what these different charges might look like.

There are four main component parts of platform charging.

1. The annual platform charge

All platforms will charge at least an annual fee for use of their services. This can be a percentage of the amount of money you have on the platform or a fixed amount. It is usually expressed as a 'per annum' charge, but calculated and deducted more frequently than this, for example on a monthly or quarterly basis. Some of the common names for this charge include: service charge, platform charge, custody charge, platform management fee, annual management fee, or platform fee.

At AJ Bell, we call this our 'annual custody charge'. It is a percentage of the money you have invested on our platform, and we spread the cost throughout the year, deducting the relevant amount from your account every three months.

2. Charges for tax wrappers

Some platforms charge separately for different 'tax wrappers' such as pensions, ISAs or bonds. These charges can be calculated as a percentage of the amount that you hold in the wrapper or as a fixed amount. You may see these charges referred to as 'wrapper charges' or with reference to the specific tax wrapper, for example a 'pension wrapper charge'.

At AJ Bell, we call these our 'wrapper charges'. They mostly apply to our Self-Invested Personal Pension (SIPP) wrapper.

3. Charges for buying and selling investments

Some platforms charge separately for dealing, i.e. buying and selling funds and shares for you. Dealing charges can be calculated as a percentage of the amount that you buy or sell or as a fixed amount. Some of the common names for these charges include transaction fees, trading charges, and buying or selling commission.

At AJ Bell, we call these 'dealing charges'. They generally apply to all our tax wrappers – e.g. pensions, ISAs, or bonds – and there are various charges depending on the type of dealing we carry out for you and how you or your financial adviser send us your instructions.

4. Activity-based charges

Most platforms apply separate charges when they carry out specific actions for you, for example starting to pay you a regular income from your pension, accessing a third-party investment manager through your SIPP or transferring your investments to a different platform. People have different needs at different times and these charges help to ensure you only pay for the costs associated with your own activity.

At AJ Bell, we apply some activity-based charges, mainly on our SIPP accounts.

Types of Charge

Percentages or £s

Charges may be expressed either as percentages or in pounds and pence. For a £100,000 account, a charge of £200 a year or 0.2% per year are the same thing.

Tiered charges

Platform charges may change based on the value of an account or the size of a transaction. For example, an account containing £50,000 may be charged at a different rate to one containing £500,000. Different charges may also apply to different tiers within a single account. For example, a £500,000 account may be charged one rate for the first £100,000 and a different rate for the remaining £400,000.

Non-platform charges

There are some other charges that can be deducted through your platform account but which are not kept by us. These are as follows.

Charges paid to your financial adviser

In some cases, the charges you have agreed to pay your financial adviser may be paid from your platform account. This will only happen if you instruct us to do so. This is not a fee levied by us; we are facilitating the payment to your adviser.

Charges paid to an investment manager

Some platforms will allow you to access services from discretionary fund managers (DFMs). These DFMs will manage the investments in your account – sometimes they do this directly, but most often this is achieved through a 'Managed Portfolio Service' (MPS), where the DFM manages a headline model portfolio. Most DFMs charge an annual management charge (AMC) that will be deducted from your platform account.

Charges for investments

Some of the investments that you hold in your platform account may have charges of their own. For example, most funds apply charges. If there are charges for your investments, these will be deducted from the value of these investments in your platform account and paid to the investment manager. This is not a fee levied by your platform.



For more information on platform charges, and the specific charges that apply to your account, please speak to your financial adviser.