A REVIEW OF

AJ BELL INVESTCENTRE'S

RETIREMENT INVESTMENT ACCOUNT

THE LANG CAT

WELCOME

Hello and welcome to this short review of AJ Bell Investcentre's Retirement Investment Account (RIA) 'product'. Why the inverted commas? Well, this isn't a new product as such (although we'll call it that for convenience in this paper). As we'll see, it's more a repriced version of the pension wrapper regular users of AJ Bell have become used to, with the investment choice streamlined a little to remove the most complex options.

Here we'll look at the landscape this offering finds itself in and think about the regulatory drivers which might cause an adviser firm to consider it. We'll look at functionality and price too – not just in conjunction with the usual platform suspects, but with an extended cohort of providers which advisers tell us they use for more modestly sized pension-only business.

As ever, there's no substitute for your skill and judgement as an adviser in deciding the best solution for your clients – and we all know that the financial plan is a far greater determinant of a good outcome than picking one product over another. But you have very clear regulatory responsibilities in terms of selecting the right kit to use to execute those plans. So we might as well make a decent fist of it.

Enjoy the paper

Mark

RULES OF ENGAGEMENT

Well, this is the single most awkward kind of paper we could possibly put in front of you. AJ Bell has paid us to produce this review, and that may (and probably should) make you question its findings.

But both the lang cat and AJ Bell were adamant that this should be an independently produced piece of analysis. It's worth nothing to AJ Bell if it's slanted and easily dismissed. And it's worth less than nothing to us if it compromises our hard-won reputation for straight talking.

So we will be sticking to the facts. The lang cat holds what we think is the most comprehensive and accurate directory of platform functionality and pricing in the UK. As you'll see, it's that which drives the analysis of the RIA and the conclusions we draw.

The day we take a pound to say something's good that we don't think is, is the day it all comes unstuck for us. Believe that or don't – but it is the truth.

This paper was originally written in January 2020 with platform pricing updated in March 2021

EXECUTIVE SUMMARY

Both MiFID II (the second Markets in Financial Instruments Directive) and the Product Intervention and Product Governance Sourcebook (PROD) make it clearer in a regulatory sense than it's been for some time, that the solutions advisers and planners select for clients need to be 'right-sized'. It is difficult to make the case for placing clients with relatively simple needs in a complex product, especially if it is priced at a premium.

We see advisers responding through the increased use of simpler packaged products, especially from some life companies, and in an increase in the supply and use of packaged investment solutions such as model portfolios and multi-asset funds.

It's into this landscape that AJ Bell launched a platform pension offering, aimed at those clients who are likely to have more straightforward needs.

THE PRODUCT

The Retirement Investment Account (RIA) is basically the AJ Bell Investcentre SIPP with a different pricing shape and without the access to external discretionary fund managers and 'off-panel' investments (including commercial property).

All the major areas of functionality in terms of accumulation and drawdown are still there. AJ Bell has a strong drawdown offering for the Investcentre SIPP and this reads across to the RIA. Fans of three-letter acronyms can also still have an ISA and a GIA next to the RIA, but only the pension gets the new pricing shape.

THE PRICING

Our analysis shows that adding the RIA positions AJ Bell firmly at the front of the market in terms of pricing, before any bespoke deals other providers may offer. That's the case looking at both the pension in isolation (in accumulation and drawdown) and using a mixed portfolio including ISA and GIA.

And yes, we did think about including a straight to the money heatmap here. But we want you to consider all the figures in context. So no short cuts today. Sorry (not sorry). If you really do insist though, feel free to head to page 12 but take a black mark from us.

OUR CONCLUSIONS

AJ Bell has done something really interesting here – rather than repricing its core offering, it's created a new one with the same functionality that hits the pricing and investment options sweet spot for advisers considering suitability for clients with around £250,000 or less.

This removes that feeling with the existing Investcentre SIPP of AJ Bell's pension offering being aimed at affluent clients with more complex needs and should give planners and advisers a decent additional proposition to consider. We think particularly for clients in drawdown.

It's an aggressive move without being throat-cutting. It also feels timely in a regulatory sense – AJ Bell's platform now offers two pension options, each right-sized for different groups of clients.

Having said all of that, something cheap and unsuitable would still be unsuitable. But AJ Bell – our Platform of the Year in 2018 – is already doing a decent job at the platform table. Its pension proposition is competitive in features terms and we know many advisers value its technical and BDM support too. It's a radical change for what used to be SIPPcentre and SIPPdeal just a few years ago.

THE NEW PRODUCT LANDSCAPE – AND SOME THINGS TO THINK ABOUT

Everything is not as it was. Ever since the RDR (Retail Distribution Review), the financial planning profession and the provider industry that supplies it have been working on creating a viable, sustainable, profitable way of working which preserves suitability at its core. The last ten years or so have been some of the rockiest for the sector in living memory.

A few years ago it looked like things were beginning to settle down a little, but that didn't last long. The pension freedoms and new regulation in the guise of MiFID II and its UK nephew, (PROD) drove a coach and horses through everything. Providers and planners alike have had to scrabble to work out which way is up in this new environment.

Of course, that concept of suitability remains absolutely constant. But as the product landscape has shifted to try and accommodate the legislators, the regulators and the market itself, we've seen some interesting developments which we think are worth bringing to your attention here. How you feel about them may influence whether or not AJ Bell's RIA is of interest.

1 THE PLATFORM ARMS RACE

Platforms believe that advisers and planners don't really want to use multiple providers. Certainly, for many firms the platform relationship has become so fundamental that they will use one provider in all but the most clearly unsuitable situations. That's fine – but over time platforms have added more and more functionality to try and lock in usage as much as they can. Prices have also remained pretty constant, albeit on a slight downward trend.

This has all increased the risk that clients with perhaps very simple needs are being put on platforms with very high levels of sophisticated functionality – and could be paying more than they need to. Is a platform suitable if it offers far more than a client needs? Opinions vary, but the concept of a 'right-sized' type proposition is definitely one we'll hear more about over time.

2 THE RETURN OF PACKAGED

While many planners and advisers focus on platforms, it's easy to forget the sheer volume of business flooding into packaged products. Propositions from Royal London and Prudential have been massively successful over the last few years, with levels of new business that many smaller platforms would give their eye teeth for. These are typically used for less affluent clients and those with simpler needs, but do require firms to be comfortable with the in-house investment options on offer.

Firms using these products tell us that they're low cost, very easy to use (because they don't try to do everything for everyone), and actually good on an ongoing basis. Most are insured, and so offer a more traditional feel, where administrative issues can be dealt with behind the veil rather than resulting in very explicit and visible actions to put the client in the right position.

The question is – will platforms be able to hold off the resurgence of packaged products, or will there be a continuing drift to these lower cost, very simple options?

3 MODEL PORTFOLIOS IN DECLINE

Our research at the lang cat suggests that just under 60% of you run your own model portfolios for at least some of your clients, with 8% of you having discretionary permissions. Those of you who do so tend to flow about 70% of client monies into them. For those running models on an advisory basis, MiFID II has made the administrative burden considerably greater. Disclosures alone have grown arms and legs, and of course if you're not running portfolios on a discretionary basis then you need client permission before doing anything other than automated rebalancing.

As a result, we think we're seeing more and more firms move away to third-party portfolios or multi-asset funds. Platforms are trying to roll out functionality to help with admin, but equally more and more are offering pre-packed portfolios which aim to take the pain away. The question for firms is: does having your name on the portfolio and the ability to pick funds outweigh the inconvenience – and are you sure you're complying with MiFID II rules?

WHAT REGULATION REALLY SAYS ABOUT SEGMENTING

If you've been paying any kind of attention over the last eighteen months or so, you can't have helped but notice the Product Intervention and Product Governance Sourcebook – PROD for short – which was introduced at the start of 2018 as part of MiFID II.

Both PROD and the wider MiFID II have lots to say on a whole range of topics, but that's beyond our scope here. What's really important is what PROD has to say on the topic of segmentation.

Now, you'll doubtless have heard various well-meaning souls exhorting you to segment your clients 'in line with PROD'. We might even have been some of them, in unguarded moments. But would it blow your mind if we told you that PROD doesn't *actually* lay down the requirement to segment clients, let alone in any particular way?

Well, if so, prepare to have your synapses frazzled… Stay with us as we have a look at the source text[1]. We need to stop by the rules for manufacturers (providers in this instance) and distributors (you; sorry) for this to make sense.

MANUFACTURERS

3.2.1 *A manufacturer must: (1) ensure that the financial instruments it manufactures are designed to meet the needs of an identified target market of end clients within the relevant category of clients (see COBS 3 for client categories); (2) ensure that the strategy for distribution of the financial instruments is compatible with the identified target market; and (3) take reasonable steps to ensure that the financial instrument is distributed to the identified target market.*

3.2.8 *Manufacturers must identify the potential target market for each financial instrument at a sufficiently granular level and must: (1) specify the type or types of client for whose needs, characteristics and objectives the financial instrument is compatible; and (2) identify any group or groups of client for whose needs, characteristics and objectives the financial instrument is not compatible.*

3.2.16 *A manufacturer must make available to any distributor of that financial instrument: (1) all appropriate information on the financial instrument; (2) all appropriate information on the product approval process; (3) the identified target market of the financial instrument, including information about the target market assessment undertaken; (4) information about the appropriate channels for distribution of the financial instrument; and must ensure that the information is of an adequate standard to enable distributors to understand and recommend or sell the financial instrument properly.*

1. The full PROD rules are available at https://www.handbook.fca.org.uk/handbook/PROD/3.pdf

DISTRIBUTORS

3.3.1 *A distributor must: (1) understand the financial instruments it distributes to clients; (2) assess the compatibility of the financial instruments with the needs of the clients to whom it distributes investment services, taking into account the manufacturer's identified target market of end clients; and (3) ensure that financial instruments are distributed only when this is in the best interests of the client.*

3.3.3 *Distributors must obtain from MiFID manufacturers information to gain the necessary understanding and knowledge of the financial instruments they intend to distribute in order to ensure that the financial instruments will be distributed in accordance with the needs, characteristics and objectives of the target market.*

3.3.10 *Distributors must identify the target market and their distribution strategy using: (1) the information obtained from manufacturers; and (2) information they have on their own clients.*

What this all says is that the company making the stuff needs to tell advisers which clients it's suitable for and which it isn't. Advisers need to know their clients well enough to make sure they don't get 'suitable' and 'not suitable' mixed up.

What it *doesn't* say is that you need to segment by portfolio size, or lifestage, or hair colour or really anything. However, for most adviser firms a segmented client bank and service offering will naturally be the outcome of following the rules. In particular, the requirement for distributors to *"identify the target market and their distribution strategy using: (1) the information obtained from manufacturers; and (2) information they have on their own clients*[2]" will, in all likelihood, identify different groups of clients with similar needs.

So all isn't as it seems.

For a start, this is the first instance we have found of the regulator suggesting it's acceptable to consider suitability on a segment basis as well as an individual basis. That's good news. If you can identify target markets (or segments) which do have similar characteristics (let's say clients with secured income through a DB scheme who want drawdown from their SIPP as a non-essential top-up) then you can create approaches for that segment.

Your individual suitability then is a quick sense-check that there is nothing for that individual client which means they don't fit the segment, and that there are no mitigating factors (perhaps extreme ill-health, for example).

REGULATION THAT WORKS FOR YOU

The upshot of this is that – despite what the regulation haters will tell you – this is regulation which supports you as planners and advisers. As an advice firm you know best what your clients need when they seek your services, and this is the first step to successful PROD compliance. Document these needs and, if you have different groups of clients with different needs, congratulations – you've just created a segment. We can call it a 'target market', but it's the same thing.

2. PROD 3.3.10.

WHERE AJ BELL'S RIA SHINES IN

Price – as we'll see shortly – is one of two defining differences between the RIA and AJ Bell's Investcentre SIPP (a tighter set of investment options being the other). It's clear through the pricing shape of the RIA that AJ Bell is aiming to broaden its target market for pensions to include those who have more modest portfolios than its typical market to date.

So, all other things being equal, the RIA should extend AJ Bell's potential suitability reach to those who have in the region of £250,000 or less in their pension. The same goes for segments in drawdown (whether taking regular income or not) at roughly the same portfolio size.

There are risks in directly correlating smaller portfolio sizes to simpler investment requirements and larger portfolio sizes to more complex ones. But that can often be the case in practice and – while, as we'll see shortly, the RIA still offers a very broad range of investment options, including investment trusts and ETFs for example – what you don't want to do is have your clients pay a premium for the potential to support those investment requirements where there is highly unlikely to be any clear client need.

By adding the RIA to its platform we think AJ Bell has given advisers and planners more scope to navigate through these issues, both when segmenting client banks at the broad level and making those all-important individual client suitability judgements.

We've seen this type of thing with a few other providers who offer multiple flavours of the same underlying proposition; it seems a reasonable way of going about things given the expert nature of the advisers and planners who are selecting these propositions.

Segmentation and target market definition will undoubtedly continue to be important – although it's always worth checking what the regulations actually say versus what people think they say. In this environment, then, having propositions for different groups feels to us to be a sensible way forward.

THE RETIREMENT INVESTMENT ACCOUNT

Let's get detailed now about the RIA itself. From a functionality point of view the RIA is essentially the existing AJ Bell platform SIPP with a new pricing shape and some investment options removed (access to external discretionary fund managers and what AJ Bell describes as 'off-panel' investments, including commercial property). That means there's little point in showing a table of differences between the two in terms of functionality here, because there aren't any of note.

What we can do is give you a quick breakdown of what the RIA includes, and then we'll look at pricing in the next section.

ACCUMULATION

Structure	SIPP scheme.
Transfers in/out	Yes, via Origo Options.
Investment range	OEICs/UTs (open market range), ETFs, ITs, LSE/AIM listed shares, gilts, corporate bonds, VCTs, some offshore funds.
Cash account	Yes, one at wrapper level and one for investing through AJ Bell's Funds & Shares Service. Interest rate 0% on both. Platform charge applies to cash in Funds & Shares Service account.
Share class conversion	Yes, at point of transfer in AJ Bell will convert to cheapest available share class. Periodic checks also carried out.
Minimum contributions	None.
Model portfolios	Yes.
Back office links	IRESS AO and XPLAN, Intelliflo, True Potential, Plum, Moneyinfo (Sammedia) (all push via lightning strike).
Prefunding	Only on switching.
Rebalance/bulk rebalance	Yes/yes (auto available monthly, quarterly, half yearly, yearly).

DRAWDOWN

UFPLS	Yes
Flexi-access	Yes
Convert capped to FAD	Yes
Natural income	Yes, paid to Funds & Shares Service cash account.
Ad-hoc income payments	Yes
Date of regular payments	16th of each month.
Drawdown-specific reporting	Outstanding allowance report, cash balance projection, income sustainability, pension payments report.
Dripfeed drawdown	Yes
Vertical encashment (one fund at a time)	Yes

So there we have it. In terms of functionality this is a good, modern proposition. If you want to know about the product in more detail, please visit the lang cat's free platform directory at www.langcatfinancial.com. Or you could, of course, speak to AJ Bell, which we suspect is what they would prefer you to do.

PRICING

We're always careful to point out that price isn't the same thing as suitability. Something cheap and unsuitable is still unsuitable, and something expensive can be suitable as long as there aren't options which are clearly cheaper and just as suitable. So price is an element of suitability – and an important one – but you can't just pick the cheapest.

Even if you wanted to, that's quite a hard thing to do, particularly in the world of pensions. Generally, the simpler the product the simpler the charging structure. AJ Bell's existing SIPP is very fully featured and has a fee sheet to match (not a criticism, or at least much of one – it's a natural by-product of flexibility). But the RIA has been conceived with more straightforward audience needs in mind, and that's reflected in its charging structure.

We'll start by comparing the RIA and existing SIPP fee sheets (or a subset of them), and then we'll break out the legendary lang cat heatmaps for a few different scenarios.

THE FEE SHEETS, COMPARED

	RIA	SIPP
Core custody charge	0.25% up to £500k 0.20% above £500k No cap	0.20% to £1m, tiering down above that. Capped at £2m.
Setup charge	None	£144 incl VAT (waived if £25k or more invested in Fund & Shares Service)
Annual charge	None	£0 to £100k £216 £100k to £200k £264 £200k+ £312 (all incl VAT) Waived if SIPP, ISA or GIA assets exceed £200k in the Fund & Shares Service.
Dealing (in models)	Free	Free
Dealing (ad-hoc)	Free	£3.95
Drawdown	Free	£180 a year (incl VAT)
Regular UFPLS payment	Not available	£180 a year (incl VAT)
Cash in wrapper level cash account	Free	Free
Cash in Funds & Shares Service cash account	Subject to platform charge	Subject to platform charge
RIA to SIPP conversion/vice versa	RIA to SIPP: £90 incl VAT	SIPP to RIA: free

Most other ancillary charges (pension sharing orders, closure within 12 months, phone dealing and so on) are charged as the SIPP. Full details are of course available from AJ Bell itself.

But from this initial look, we can see that the RIA is a princely 0.05% more expensive a year than the SIPP purely on custody charges. But when we start to factor in fixed charges, particularly around drawdown, the picture starts to change.

If we're looking at, say, a £100k existing SIPP all invested in AJ Bell's Funds & Shares Service (its standard range of investment options), and in drawdown, the client will pay an additional £50 in custody charges (0.05% of £100k), but save £444 in fixed charges. If the adviser trades outside a model, the savings are greater.

If we convert that to a percentage, the total a £100k drawdown client would pay in the existing SIPP is 0.20% plus £444, which is £644 or 0.64%. In the RIA it's 0.25% with no additional charges, or a saving of just under £400 from the SIPP. Those fixed charges bite at lower portfolio sizes – which is where the RIA really comes into its own.

HERE COME THE HEATMAPS

Let's look at the wider market. We have three scenarios for you. As ever with heatmaps from the lang cat, our colouring is relative in nature – so even if everyone was really low cost, some would still be green and some would be amber and some would be red. We also don't mean that green is more suitable or anything like that. It's just arithmetic (but a lot of it). We also don't include special deals you may have in place, because we don't know who you are.

1. ACCUMULATION

First, we'll look at accumulation only. In this table we include key platform competitors as well as a few offerings from the main life companies.

CARE: You'll see that we've separated out Royal London and coloured it its favourite purple. This is to highlight that its pricing includes its in-house investment portfolios; it's properly bundled. We've tried, but Royal London likes it that way and won't split it out. So please do treat that line with caution – to get a true comparison you need to add on the cost of your favoured investment option to the platform charges.

You should also be mindful that we're including the Transact pricing changes that go live in April 2021, shortly after this paper update goes to press.

	£50k	£75k	£100k	£150k	£250k	£500k	£1m	£2.5m
Advance by Embark	0.50%	0.45%	0.42%	0.38%	0.35%	0.30%	0.20%	0.14%
Aegon Retirement Choices (ARC)	0.58%	0.55%	0.54%	0.51%	0.49%	0.24%	0.12%	0.05%
AJ Bell Investcentre - SIPP	0.63%	0.49%	0.46%	0.38%	0.20%	0.20%	0.20%	0.13%
AJ Bell – Retirement Investment Account	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.23%	0.21%
Ascentric	0.36%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.18%
Aviva Platform	0.38%	0.37%	0.36%	0.36%	0.36%	0.28%	0.22%	0.18%
FundsNetwork	0.34%	0.31%	0.30%	0.28%	0.27%	0.26%	0.25%	0.25%
LV=	0.39%	0.26%	0.20%	0.20%	0.20%	0.20%	0.14%	0.06%
Nucleus	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.26%	0.13%
Old Mutual Wealth	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.26%	0.13%
Parmenion	0.30%	0.30%	0.30%	0.30%	0.30%	0.25%	0.20%	0.15%
Prudential Retirement Account	0.45%	0.45%	0.40%	0.40%	0.35%	0.30%	0.25%	0.25%
Scottish Widows Retirement Account	0.30%	0.30%	0.30%	0.30%	0.25%	0.20%	0.10%	0.10%
Standard Life Wrap	0.40%	0.40%	0.40%	0.40%	0.40%	0.35%	0.15%	0.15%
Transact	0.66%	0.56%	0.35%	0.32%	0.30%	0.29%	0.24%	0.15%
Royal London Pension Portfolio	**0.50%**	**0.45%**	**0.45%**	**0.45%**	**0.40%**	**0.40%**	**0.35%**	**0.35%**
Market average	**0.42%**	**0.38%**	**0.36%**	**0.35%**	**0.32%**	**0.28%**	**0.22%**	**0.16%**

Our first scenario, then, shows what a difference avoiding those fixed charges for smaller portfolios makes between the AJ Bell SIPP and the RIA. The crossover is at around the £200k mark.

More widely, the 0.25% all-in cost for the RIA compares favourably right across the market. Even lower-cost providers such as Aviva charge more for SIPPs than they do for ISA/GIA. Indeed, the only competitors who are hitting that 0.25%

point at relevant portfolio sizes (let's say at £500k and below) are the life companies: LV=, Prudential, Scottish Widows and Royal London (making an allowance for the investment element). No other platform is down at 0.25%.

We have missed a few competitors out who have very low custody charges and third-party SIPP wrappers, but in general this is a representative position. So if a client is 100% invested in a pension in accumulation, the RIA is now right up there in terms of pricing aggression with the most keenly priced life company propositions, and is comfortably below most other platforms.

But how does it fare in drawdown? We're glad you asked...

2. DRAWDOWN[3]

Now things start to get interesting. We've assumed that the client is still fully invested in the pension wrapper. We include relevant fixed charges for each provider for their drawdown proposition, which we take as basic flexi-access.

Again, Royal London's figures include its investment proposition but we should also note that these figures include the initial drawdown charge of £208. In year 2, charges will revert to match the accumulation table.

	£50k	£75k	£100k	£150k	£250k	£500k	£1m	£2.5m
Advance by Embark	0.50%	0.45%	0.42%	0.38%	0.35%	0.30%	0.20%	0.14%
Aegon Retirement Choices (ARC)	0.73%	0.65%	0.61%	0.56%	0.52%	0.26%	0.13%	0.05%
AJ Bell Investcentre - SIPP	0.99%	0.73%	0.64%	0.50%	0.27%	0.24%	0.22%	0.14%
AJ Bell – Retirement Investment Account	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.23%	0.21%
Ascentric	0.36%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.18%
Aviva Platform	0.38%	0.37%	0.36%	0.36%	0.36%	0.28%	0.22%	0.18%
FundsNetwork	0.34%	0.31%	0.30%	0.28%	0.27%	0.26%	0.25%	0.25%
LV=	0.74%	0.49%	0.38%	0.32%	0.27%	0.24%	0.16%	0.06%
Nucleus	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.26%	0.13%
Old Mutual Wealth	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.26%	0.13%
Parmenion	0.30%	0.30%	0.30%	0.30%	0.30%	0.25%	0.20%	0.15%
Prudential Retirement Account	0.45%	0.45%	0.40%	0.40%	0.35%	0.30%	0.25%	0.25%
Scottish Widows Retirement Account	0.30%	0.30%	0.30%	0.30%	0.25%	0.20%	0.10%	0.10%
Standard Life Wrap	0.40%	0.40%	0.40%	0.40%	0.40%	0.35%	0.15%	0.15%
Transact	0.66%	0.56%	0.36%	0.33%	0.31%	0.30%	0.25%	0.15%
Royal London Pension Portfolio	**0.92%**	**0.73%**	**0.66%**	**0.59%**	**0.48%**	**0.44%**	**0.37%**	**0.36%**
Market average	**0.50%**	**0.44%**	**0.40%**	**0.37%**	**0.34%**	**0.29%**	**0.22%**	**0.16%**

Well, on the basis that AJ Bell hasn't priced the RIA in a random fashion, we can see exactly what it's aiming at here. That 0.25% all in is a killer at lower portfolio sizes – the nearest platform competitor is FundsNetwork over the £150k mark or so. Scottish Widows does start to come back in at £250k, but it's at that level that full SIPPs start to hold their own anyway. In fact, the RIA's flat 0.25% and total lack of ancillary charges for basic drawdown keeps it very sharp right up to north of £500k (although some of the providers we haven't included in this cut of the table would start to creep back in by that point). Royal London is competitive if you assume, let's say, a 0.20% OCF on top of the platform charge for the others (this would get you a decent passive multi-asset portfolio).

3. Decumulation isn't a word. Never was.

But if AJ Bell wanted to create a pricing point which allowed you to access a pretty fully featured platform-based pension which did all the basics for a leading rate, then they've done it. We expect this table in particular to be one which gives a number of advisers something to think about.

We can't expect clients just to have assets in a pension, though. So let's mix it up...

3. MIXED WRAPPER

We'll stick with a client in drawdown for our final scenario, which assumes 50% of holdings in the pension and the other 50% split equally across an ISA and GIA. This table doesn't include the LifeCos because they don't offer ISA/GIA facilities at this point in time.

	£50k	£75k	£100k	£150k	£250k	£500k	£1m	£2.5m
Advance by Embark	0.50%	0.45%	0.42%	0.38%	0.35%	0.30%	0.20%	0.14%
Aegon Retirement Choices (ARC)	0.73%	0.65%	0.61%	0.56%	0.52%	0.26%	0.13%	0.05%
AJ Bell Investcentre	0.99%	0.73%	0.60%	0.46%	0.27%	0.24%	0.22%	0.14%
AJ Bell – Retirement Investment Account	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.20%
Ascentric	0.36%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.18%
Aviva Platform	0.38%	0.37%	0.36%	0.36%	0.36%	0.28%	0.22%	0.18%
FundsNetwork	0.34%	0.31%	0.30%	0.28%	0.27%	0.26%	0.25%	0.25%
Nucleus	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.26%	0.13%
Old Mutual Wealth	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.26%	0.13%
Parmenion	0.30%	0.30%	0.30%	0.30%	0.30%	0.25%	0.20%	0.15%
Standard Life Wrap	0.38%	0.38%	0.38%	0.38%	0.38%	0.33%	0.15%	0.15%
Transact	0.68%	0.58%	0.36%	0.33%	0.31%	0.29%	0.24%	0.15%
Market average	0.47%	0.42%	0.38%	0.36%	0.33%	0.29%	0.22%	0.15%

The RIA pricing shape applies to that product only. The ISA/GIA element is subject to the normal Investcentre charges, but the total amounts are aggregated for calculating fixed charges. You can see that in the big differences between the two AJ Bell lines in the table.

Once again the story looks very good. The RIA is a clear leader at the lower end and keeps an advantage – albeit diminishing – right up to well above £250k. Once again, we have excluded some more specialist platforms from this table, but there's nothing missing that would change the picture radically at the core portfolio sizes we're talking about.

So with the RIA we now have a proposition which is a reasonably predictable 0.23% all in (but before any investment charges) irrespective of how you split it across wrappers. Going back to our earlier themes – that's both simple and aggressively priced. If you add on a popular passive multi-asset fund of, say, 0.22%, or even AJ Bell's own discretionary 'pactive' portfolios which are around 0.50% plus a model portfolio service charge of 0.15%, you can get out for somewhere between 0.45% and 0.90% before adding on the adviser charge.

As there is no additional charge for drawdown with the RIA, this 0.45% to 0.90% ballpark can be the same through accumulation and into drawdown too.

CONCLUSIONS

That brings us to the end of this short paper and we hope you've enjoyed it. As much as you can enjoy a product review, anyway.

To conclude, we'll first remind you that AJ Bell commissioned this report, but beyond giving us a sneak advance peek at the RIA at the original time of writing and checking we had our technical details right, it hasn't interfered.

That's important, because we think the RIA has the potential to do quite a lot of damage.

Its aggressive pricing (without being throat-cutting), especially in drawdown, should make it attractive for a wide range of clients with mainstream needs and portfolios of anywhere up to £250,000 or so; maybe more.

But it's not just about the pricing; as we've said, something cheap and unsuitable is still unsuitable. But AJ Bell – our Platform of the Year in 2018 – is already doing a decent job at the platform table. It's a radical change for what used to be SIPPcentre and SIPPdeal a few short years ago.

We haven't gone into functionality in depth, mainly because the RIA is the same as the existing SIPP in virtually every way. If we did, you'd find that the proposition is competitive in terms of features.

We hear mainly good things from advisers about their servicing experience too; Investcentre does have its own way of dealing with certain processes which can be a bit of a change from others, and there's always room to do better. A few advisers tell us they've not settled to it but most seem fine with what it has to offer. Advisers also value the support from AJ Bell's tech team including Rachel Vahey, late of Nucleus) and the BDM support which rates very highly.

With 11,000 registered adviser users and almost £50bn in assets (admittedly across the direct and advised platforms) AJ Bell is probably getting something right.

On top of the pricing, functionality and support, there's something of the zeitgeist about the RIA. With suitability for properly segmented target markets being such a focus, it makes sense for the platform to create a new version of its pension product which takes away the nasty red colour for those more modest portfolio sizes. That allows advisers and planners who want to keep things tidy by using a more limited set of providers to do so without creating poorer outcomes.

In the final analysis, whether or not you like AJ Bell's RIA will depend very much on how you feel about AJ Bell itself. But by removing the most complex investment options and offering different pricing for essentially the same functionality, to suit different potential client needs, we think there is a lot to like here.

Thanks for reading.

the lang cat

This review of AJ Bell Investcentre's Retirement Investment Account was brought to you by:

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A REVIEW OF AJ BELL INVESTCENTRE'S RETIREMENT INVESTMENT ACCOUNT

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