

# Freedom and choice Yesterday and today

*People first, pensions second.*

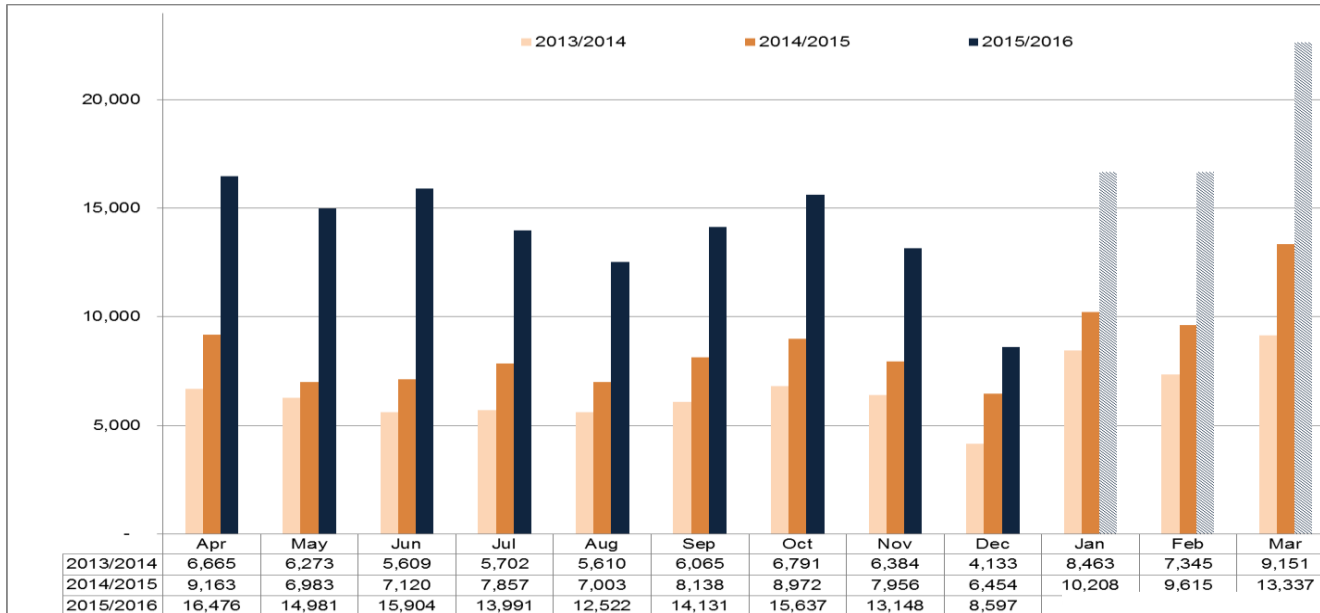


# Who we are

1. Free information and guidance to the public on pension matter

2. Help by resolving disputes between the member and the pension scheme

# TPAS experience



Volumes up **40%** last year...

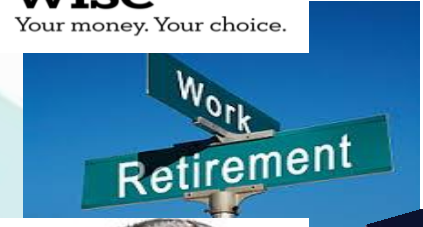
And **71%** this year

Great start but need to encourage more people to take guidance

# There's been a lot going on in pensions



Department for Work & Pensions  
... a single-tier pension:  
... the foundation for sav...



The PENSIONS Advisory Service

# Customer insight: top concerns

1. **Suitable products not available**
2. Provider or scheme restrictions
3. **Management of customers' expectations**
4. Unclear communication of process
5. **Problems with access to advice**

# People struggle with pensions!

- **...find them complex, difficult to understand.**
- People don't understand whether they have DB or DC pension.
- **People don't check how much pension they have saved**
- A lot of problems in tracing old pensions.
- **73% think state pension will allow comfortable retirement.**

# Customer insight

- Lead driver when people contact us
  - Continue working 18%
  - **Have plans for money** 19%
  - Need sum of money now 16%
  - **Flexibility** 20%
  
- What customers may *actually* do
  - **Guaranteed income** 15%
  - Taking money flexibly 36%
  - **Cash in** 28%

**Mismatch** between the "options" and the reality for many people

**Customers are not used to acting as a customer in this space** and are hampered from by lack of knowledge of what is possible

# DB to DC transfers — the year since April 2015

- **TWO QUESTIONS - More requests? More actual transfers?**
- **People are pleasantly surprised at size of their CETV – and also have DC pots.**
- But...have significant problems accessing financial advice.
- **People don't realise how long their pension pot needs to last.**
- The merits of transfers may well change over time.
- ***A statement 6 months before retirement is probably too late? Inertia rules.***



# Scams...

## Be wary of the wolf in sheep's clothing



Scammers will use top of the range marketing materials, flashy websites and even send copies of The Pensions Regulator's official scam booklet to persuade you to sign the forms and transfer your funds.

**While they may look the part, make sure that what you're being presented with is accurate and real.**

If you're not sure, stop the process and speak with The Pensions Advisory Service on 0300 123 1047.

The PENSIONS  
Advisory Service



[www.pension-scams.com](http://www.pension-scams.com)

The PENSIONS  
Advisory Service

# Provision of advice & guidance

- Financial Advice Market Review

- market to deliver **affordable** and **accessible** financial advice and guidance to everyone

- Public Financial Guidance Review

- restructure delivery of public financial guidance.
- Change in pension provision means that the need for guidance is greater than ever and growing
- Need to create a **social norm** so more people benefit from the guidance
- work closely with industry.

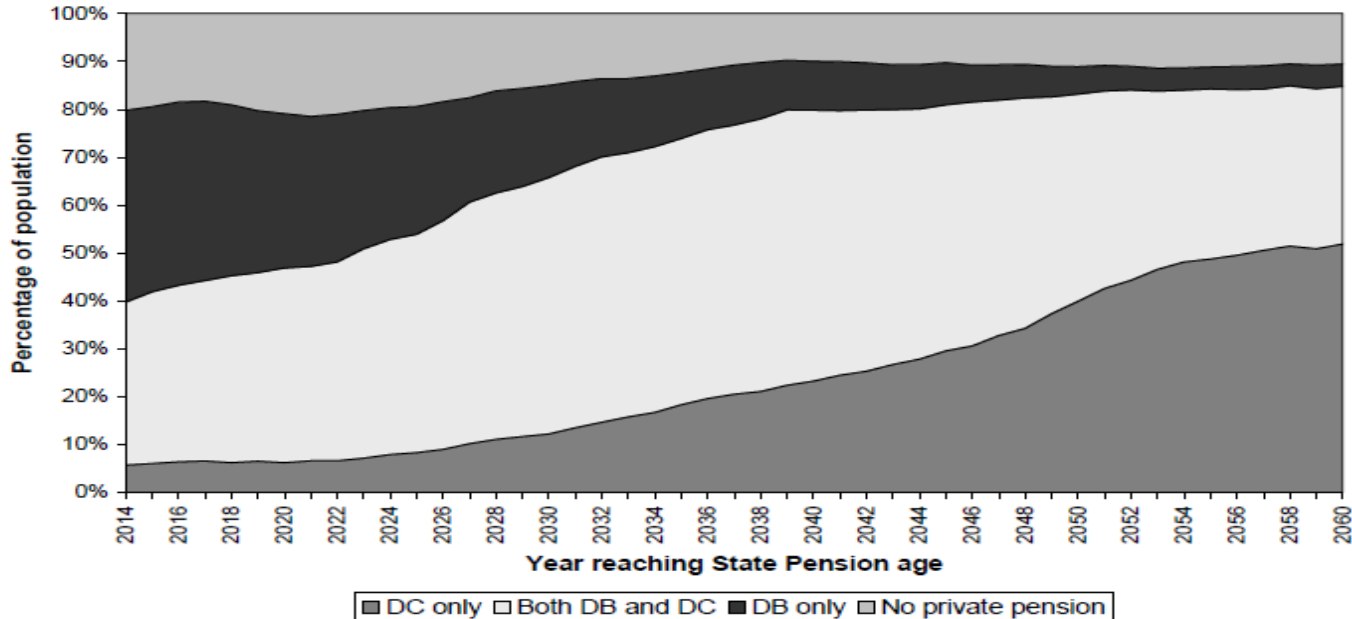


# What does member activity tell us?

	<b>Annuities bought</b>	<b>Annuities bought in-house</b>	<b>Annuities bought on open market</b>	<b>Drawdown sold</b>	<b>Full withdrawal</b>
<b>2013</b>	353,000	52%	48%	c18,000	-

# How important is DC at retirement, today?

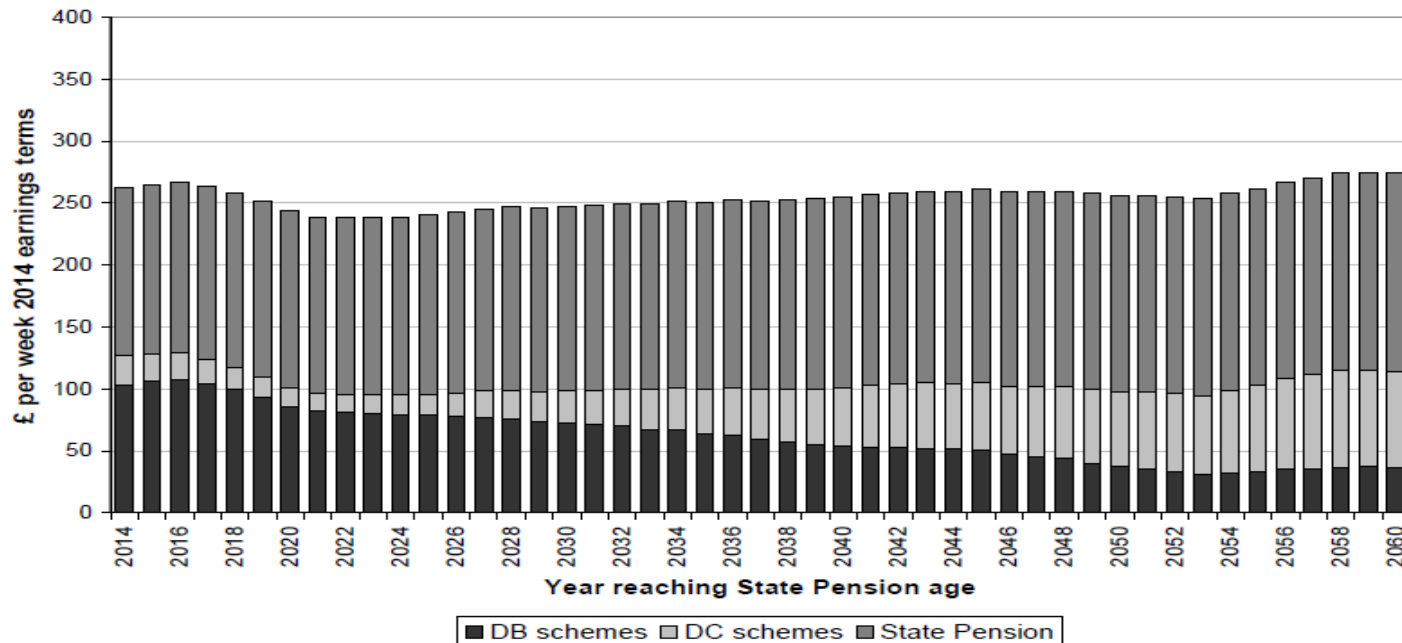
**Chart 3: Private pension provision by year reaching State Pension age, as a 5 year moving average**



Source: DWP Pensioner income projections March 2015

# When does DC become significant?

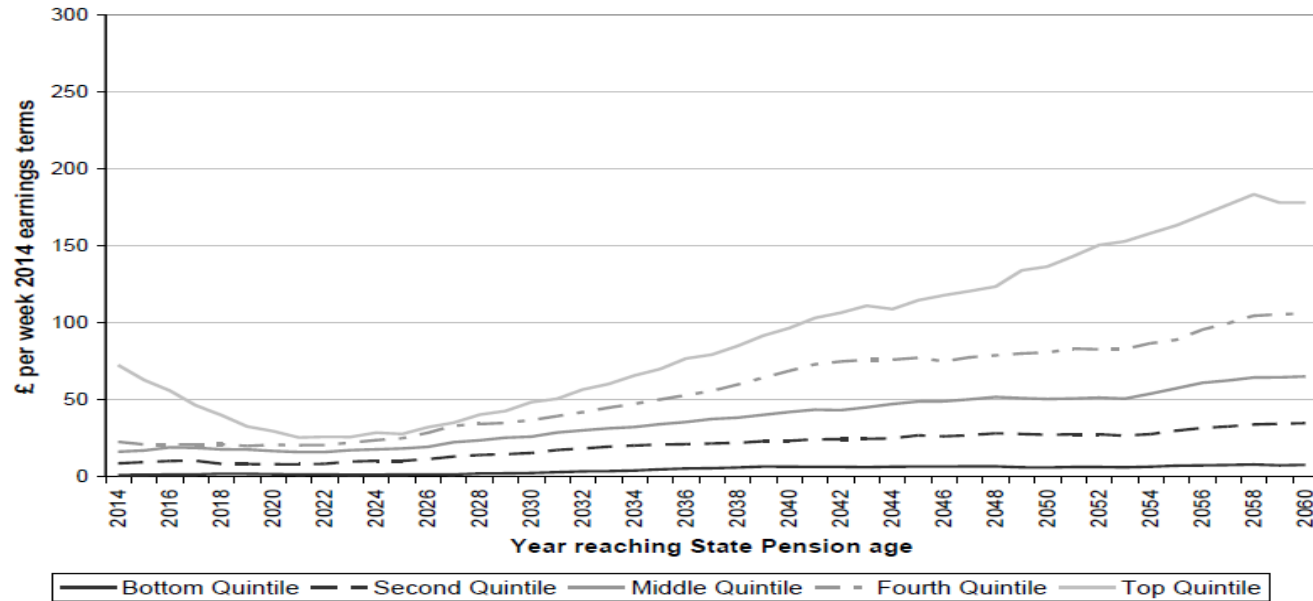
**Chart 1: Weekly mean amounts of pension, by pension type and year reach State Pension age, as a 5 year moving average**



Source: DWP Pensioner income projections March 2015

# DC – increasing significance

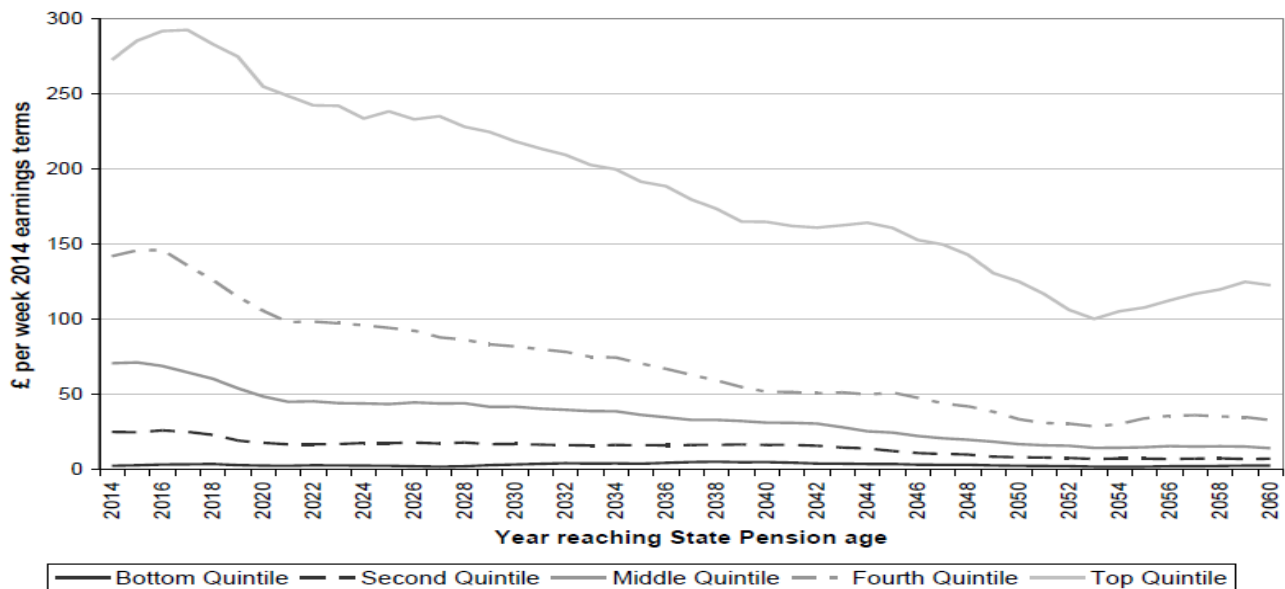
**Chart 9: Weekly mean amounts of DC as a 5 year moving average, by quintile and year reach State Pension age**



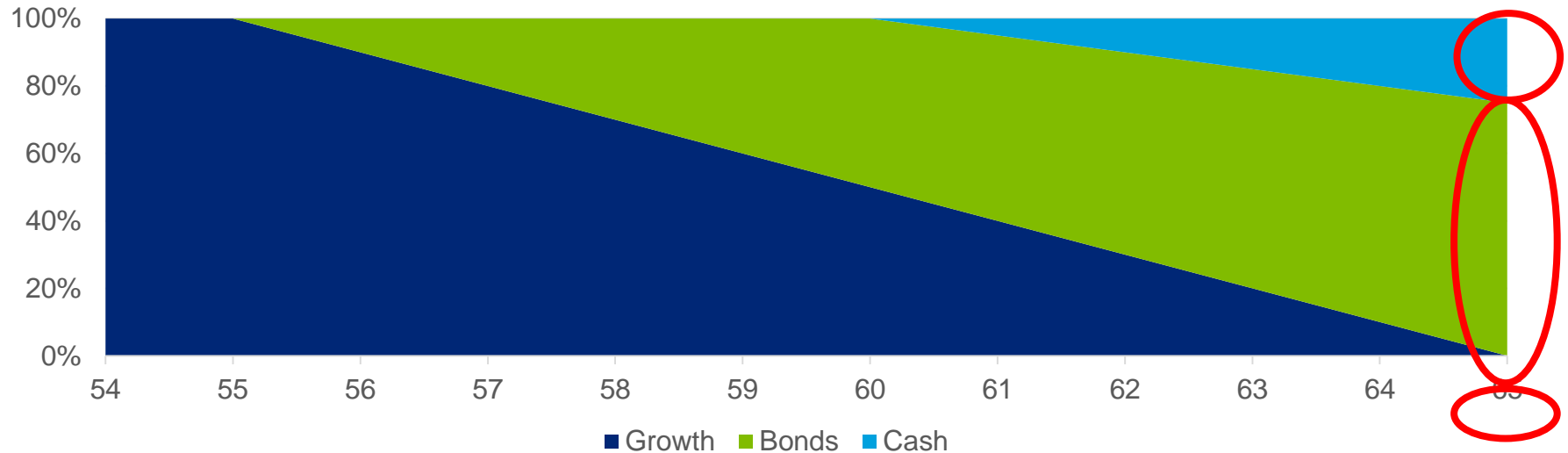
Source: DWP Pensioner income projections March 2015

# DB – declining significance – TV opportunity?

**Chart 10: Weekly mean amounts of DB as a 5 year moving average, by quintile and year reach State Pension age**



# Looking back to simpler times...



‘One size fits all’ worked when we had relative certainty over **when** and **how** people would take their DC fund



# Cashing out

The first three months

Around **60%** of all cash

lump sums paid out went to people **younger than 60**, and around

**80%** to **under 65s**

In **95%**

of cases where savers accessed a cash lump sum, they withdrew the entire fund.

# Future reasons to start 'retirement' Debt

Proportion of people who believe they will be paying a mortgage in retirement:

All	40 to 50	51 to 55	56 to 60	61 to 65
20%	26%	18%	15%	16%

Source – Partnership October 2014

# More reasons to start 'retirement' Savings options

## Personal Savings Allowance – from 6 April 2016

Basic rate taxpayer can receive £1,000 interest tax-free a year

**c£50,000** can be held tax efficiently outside pension

Higher rate taxpayer can receive £500 interest tax-free a year

**c£25,000** can be held tax efficiently outside pension

Assumes 2% interest on capital

# Freedom and choice

## Some predictions

The concept of 'cliff-edge' retirement doesn't apply to DC

Much 'drawdown' may be 'gap filling'

Understanding tax implications is going to become vital for members

We can expect to see a lot of cashing out for some time

Members will not accept the status quo

**We have to move to a member-centric pensions industry**