



Retirement adequacy: an open goal

Policy briefing

Key findings

In the new ‘freedom and choice’ pensions environment, the way that individuals interact with their savings has huge potential to impact their saving behaviour and, ultimately, whether they achieve an adequate retirement income.

The IFoA has advocated for successful communication to:

- be based on tangible goals for retirement
- allow savers to monitor their progress towards these goals
- be segmented and targeted
- help to build financial capability
- promote tools to engage savers with their retirement savings.

These methods are already being used to positive effect in parts of the UK pensions industry to help maximise engagement, and in some areas of UK financial services, as well as overseas.

There will be a role for the pensions industry and, in particular, the new Single Financial Guidance Body (SFGB) in communicating to customers in the new pensions landscape. We hope that some of the communication methods set out in this paper will be helpful to the SFGB in delivering its objectives. The creation of the SFGB should be seen as an opportunity for the government to set out a comprehensive communication strategy for pension saving, set in the context of recent reforms.

The development of the pensions dashboard is welcome, but additional steps will need to be taken to maximise its effectiveness. The dashboard should be supported by information and tools that help people maximise their understanding of their financial situation and plan accordingly. At least one version of the dashboard should be hosted in a neutral place online. The launch of the SFGB provides a perfect opportunity to create a centralised, non-commercial version of the dashboard which can also signpost individuals to appropriate further guidance.

Ageing
population

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Introduction

In 2016 the IFoA released a **policy briefing** advocating a bottom-up approach to assessing pension income adequacy. The paper argued that an approach focussing on communicating the more tangible rewards of saving, rather than a prescribed monetary input to savers, would encourage saving.

We proposed an approach to communication which:



is based on tangible goals for retirement



allows savers to monitor their progress towards these goals



is segmented and targeted



helps to build financial capability



promotes tools to engage savers with their retirement savings.

These suggestions could help individuals engage with their savings, understand the impact their level of saving might have on their quality of life in retirement, and ultimately encourage them to save an amount suitable for their goals. We are now testing the extent to which these recommended communication methods have been used in practice, and how they have helped lead to better outcomes for the individuals involved. We have looked for examples of customers being supported when moving from the accumulation phase of saving to decumulation, where they turn these savings into their retirement income.

While some of these approaches to communication do exist in the UK pensions environment, we have not found them to be plentiful, nor particularly advanced. But there are examples from elsewhere in financial services where these communication methods have been used to encourage positive behaviours, such as saving towards a more short-term goal or budgeting for day-to-day spending, which could be a useful step towards more engrained saving behaviours. We have also used examples from overseas to demonstrate how the UK could potentially learn lessons from other countries and apply these in a UK policy context.

The IFoA's recommendations rely heavily on the assumption that active engagement with one's pension savings throughout the accumulation phase is a positive behaviour that will lead to better outcomes in the decumulation phase. We recognise, however, that not all savers will have the time, inclination or capability to engage in any substantive way with their savings, and these people should not be overlooked when designing solutions. The creation of appropriate defaults will play an important role for those individuals who cannot or do not engage actively with decisions about their retirement. These are being developed to positive effect in the accumulation phase, with default investment pathways common and auto-enrolment showing very positive early signs. Extending this to the post-retirement phase will help to ensure individuals can gain the maximum value from their savings in retirement.

The creation of the SFGB should be seen as an opportunity for the government to set out a comprehensive communication strategy for pension saving.

The UK policy context

A number of policy initiatives have changed and redefined pensions over recent years, all of which have helped to shape the way pensions and retirement can best be communicated.

- **Automatic enrolment**

Automatic enrolment has successfully harnessed employee inertia to get record numbers of people saving into workplace DC pensions. This is a welcome development as we move into a DC-dominated world. However this means more people than ever are responsible for building up their pension pot, and shouldering inflation, investment and longevity risk. Individuals reaching retirement in the coming decades may have had an entirely passive relationship with their savings, possibly being auto-enrolled and saving at the minimum contribution levels into a default investment fund. Yet they will be moving to a situation where they are asked to make a number of complex and important choices about how to use their pension pot to fund their retirement. Appropriate communication and guidance will become increasingly important as we transition to this world.

- **Freedom and choice**

The freedom and choice agenda has placed a substantially increased responsibility on individuals to make active choices about their retirement, potentially exacerbating the shock passive customers may experience at being forced to become active ones. Previously, retirees were required to cover any potential longevity risk by purchasing an annuity. This new freedom leaves customers not only with a large and possibly overwhelming choice of products, but with no requirement to think about what they might do if their savings run out. Removing this safety net is likely to have considerable effects on retirees, especially in the short term where lessons have yet to be learned from previous cohorts of retirees. Early findings from the FCA's Retirement Outcomes Review interim reportⁱ suggests that not only are annuities much less popular in this environment (twice as many pots are moving into drawdown as annuities), but products that balance this increased flexibility (clearly popular among customers) with some level of guarantee are not being readily developed and customers are not actively seeking advice or guidance which may help to flag some of these risks to them.

- **Single Financial Guidance Body (SFGB)**

The government is in the process of creating a Single Financial Guidance Body (SFGB), amalgamating the work of PensionWise, the Pensions Advisory Service and the Money Advice Service. This change provides the opportunity to re-think the way that guidance around pension saving

and retirement planning is communicated, and it will be important for this body to use a range of carefully considered communication methods to do this in the most effective way possible for the widest range of consumers.

- **Pensions dashboard**

The pensions industry is also in the process of creating a pensions dashboard, which will enable individuals to view all of their pension pots online in one place. We will see later how other countries have managed to design the supporting infrastructure for pensions dashboards in order to make them a useful tool for ensuring that people save enough.

When thinking about how financial institutions, public bodies and the new SFGB could usefully communicate with savers, it is worth considering how these institutions currently approach customer information. Complex language, difficult concepts and the annual deluge of disclosure information can confuse and alienate savers, particularly those with limited financial literacy. A number of initiatives mentioned in this briefing have taken steps to combat this in different ways but the problem remains prominent, albeit one that is clearly rising up the agenda of the government, industry and regulators.

Problems with communication may also be underpinned by a lack of understanding from all sides about how a pension is defined and what it aims to achieve. In 2014, Willis Towers Watson's (WTW) DC strategy survey found that only 15 per cent of employers surveyed said that the main objective of providing a DC pensions to their employees was to help them save for an adequate retirement income.ⁱⁱ This could represent a significant problem, especially considering the key role employers play in individuals' engagement with their pension. IFoA research on retirement readiness suggests that in the UK (where the WTW survey was conducted), the USA and Australia, people see their employer as a key source of information when it comes to pensions planning.ⁱⁱⁱ The WTW report suggested that a majority of employers recognised their role in providing '*services to help their employees as they reach retirement*' but only 42 per cent believed their DC plans were actually helping people to retire, and just a quarter thought their current plan would ensure an adequate income for their employees. Some of the example case studies covered in this report provide examples of tools to help employers bridge this gap if they choose to.

Testing research and case studies against five communication features



Tangible and manageable goals

The policy narrative should change, so that its focus is on outcomes-based goals (the amount of retirement income needed to achieve a certain goal) rather than a specific level of input without any context as to what this would mean for the individual's lifestyle in retirement. This would require the individual to think about what kind of lifestyle they would like to have in retirement and would vary from person to person, depending on their individual circumstances. We segmented these lifestyle choices using a Bronze, Silver and Gold rating,

representing a modest, comfortable or flourishing post-retirement lifestyle.

While others have chosen different ways to talk about these retirement goals, there are a number of examples of organisations moving towards an outcomes-based narrative with their customers or scheme members, all asking individuals to picture their future selves when thinking about retirement.

Guided Outcomes

Hymans Robertson's Guided Outcomes (or 'GO') online pension scheme management system is used by a range of employers to encourage their employees to imagine that they retire today and asks 'Will the numbers add up?' GO aims to bring the principles of DB to DC by shifting the emphasis from contribution levels to a target replacement rate in retirement. It also aims to change the focus of the member by encouraging them to have this target level of income, at a target retirement date, in their mind when thinking about their pension. The aim is to foster a 'do it for me' approach to help individuals achieve their targets.

The GO dashboard provides a practical picture of what employees' retirement will (and could) look like, based on their current savings patterns, and their Member Portal helps them to visualise the retirement they want, and regularly

check their progress towards their goals. It's intended to encourage employees to examine and potentially correct saving behaviours early, and provide guidance to nudge them towards increasing savings rates in order to achieve an adequate retirement income that meets their future needs and aspirations.^{iv}

Hymans Robertson believe that there are some important communication features which can be used to encourage saving towards an adequate retirement income. But equally they recognise that some education efforts can be futile for certain groups of disengaged members, and have built mechanisms into the GO tool so that scheme sponsors can nudge their members into more appropriate positions with relatively little active engagement from the member.

Your GO assessment as at 27/06/2017 [View change history](#)

For the Demo Pension Plan, GO indicates that at 65 years old: ?

Your **potential** retirement income ?
£6,900 a year

Your **target** retirement income ?
£10,000 a year

Likelihood of reaching your target: ?
Unlikely

[Options available](#)

[Set your own savings approach](#)

[View GO approach](#)

Picture your future self

Aviva has put outcomes at the centre of its communications on pensions and retirement. Its 'Shape My Future' tool and the accompanying television marketing campaign encourage individuals to think about their retirement in practical terms. The advertising campaign depicts younger participants made up with prosthetics to look like their 'pensioner selves' and asks them to live 'a day in the life', based on the amount they are saving at present. They also ask young people to 'get to know your future self' in an attempt to encourage thinking about what their lives will actually be like when they retire.

Aviva explains this approach as trying to encourage individuals to think more clearly about the future consequences of their actions, in particular the millennials they refer to as the 'ostrich generation', in order to overcome present bias and the instant gratification associated with spending now as opposed to saving for tomorrow.^v

Denmark

Denmark's Forsikring og Pension (Insurance and Pensions) website, run by the Danish insurance trade association, tends towards an outcomes-based approach in much of its communication on pensions issues. Its New Year message to Danish consumers, for example, was '*New Year's Resolution: Get your dream life as a pensioner*' and directed readers towards their online tools to see how close they were to achieving this goal.^{vi}

The Pension Policy Institute's analysis of financial education around the world concluded that Denmark's communication with customers was streamlined to avoid bombarding customers with lots of jargon. The PPI found that 'there is an emphasis on both practical arrangements and adequacy of savings during the accumulation phase'. Danish savers receiving concise and relevant information about their pension products are more likely to engage actively with their savings and correct any problems that might have resulted in inadequate retirement outcomes.

Overview approaches taken by a selection of countries^{vii}

Country	Approach taken to communication	Outcome
Denmark	Provision of information such as statements that include less text and jargon following the recommendations of the Money and Pensions Panel	An evaluation round the provision of information by the Danish Insurance Association found that 74% and 66% of respondents were satisfied with the amount of information that they received about their personal pension and occupational pension respectively



Monitor progress towards goals

In order for an individual's retirement goals to be useful, they must have a way of knowing how likely they are to achieve these goals. The potential impact of failing to achieve their

goals should also be made clear and encourage individuals to adjust their behaviour to get back on track.

Guided Outcomes

In the GO scheme mentioned on page 3, members are encouraged to monitor their progress towards their goals on a regular basis, using their online member portal. Members see a range of simple and easy-to-understand visuals that help them to create a picture of their financial situation in relation to their aspirations. The portal uses a Red, Amber, Green coding system to show members how likely they are to achieve their target income in retirement.

As well as the member monitoring progress towards their individual goals, the scheme manager can also see an overview of their whole scheme's probability of success. This adds an additional layer of monitoring for those scheme members who are not saving enough for a healthy retirement income or are very unlikely to achieve their desired goal. The scheme manager can take a range of actions to help correct under-saving, by employing both blanket and personalised communications to their members if they detect these potential problems.

GO comparison

Select an approach below

Current Assessment

Demo Pension Plan

Potential retirement income from your plan ?	£6,900 a year Best estimates show you're on track for between £4,900 and £9,800 a year
Retirement age ?	Age 65 (9 years, 2026)
Contributions ?	
Employee:	£63 a month (3%)
Employer:	£126 a month (6%)
Cost of contribution: ?	£42 a month

Likelihood of reaching your target: ? **Unlikely**

Remain with current assessment

[Return to current assessment](#)

Go Approach

Demo Pension Plan

Potential retirement income from your plan ?	↑ £11,400 a year Best estimates show you're on track for between £8,100 and £16,100 a year
Retirement age ?	Age 65 (9 years, 2026)
Contributions ?	
Employee:	↑ £105 a month (5%)
Employer:	↑ £210 a month (10%)
Cost of contribution: ?	↑ £71 a month

GO Approach

Likelihood of reaching your target: ? **Likely**

Remain with current assessment

[Set your own savings approach](#)

One of GO's clients, Scottish Power, used GO analytics to identify that 80% of their employees were not saving enough to give them a basic retirement income. Scottish Power was able to use GO to issue personalised statements to its employees, using projections to show how far their current saving habits were likely to get them in terms of a retirement income. In the first month after Scottish Power sent these communications to its employees, around a third accessed the GO member portal, and more than 10 per cent started saving more per month. Others also updated their

target retirement age, demonstrating that they recognised that they would need to work for longer to save toward their goals. The GO software sent automatic alerts to Scottish Power's HR team where instructions needed to be implemented, allowing them to assist and encourage individuals to take action. The increased use of the GO portal has enabled the scheme managers to access regular information about the performance of the scheme in relation to the members' goals and nudge and intervene where necessary.

Banking

In the banking sector, a new generation of financial services firms is emerging, with a focus on technology-driven solutions and seamless customer interaction through apps and online forums. These innovative start-ups are creating competition for traditional banks, and forcing all market participants to up their game when it comes to technology and the customer experience.

FinTech start-up Monzo is one example of a bank that places meaningful communication and interaction at the heart of its products, using technology to improve the ease with which their customers can interact with their money.

Their current accounts encourage customers to set spending goals by allowing them to specify an amount of money to spend over a month-long period. Customers can set a target amount for their disposable income for the month and their cash card can be used to pay for everyday expenses. The card is linked to an app which sends the customer alerts at pre-determined intervals, and allows them to monitor in real time exactly what they are spending.

The app also has a savings functionality, allowing customers to set money aside from their day-to-day spending in 'pots' which help them to manage their short or medium-term savings goals. Multiple 'pots' can be set up and labelled based on what the user is saving for e.g. savings, holiday or house fund.

As well as separating spending from savings, the Monzo app tells the customer exactly how much they have spent, and allows them to monitor their progress towards their spending goal throughout the month. It shows all recent transactions, and groups them by type of spend, to show the customer what proportion of their monthly spend has been used for what purpose. The user can also set sub-goals within their overall monthly spend for certain types of expenditure e.g. transport, groceries or entertainment. The app interface creates visual charts to show clearly where money has been spent.

It also prompts the user to consider their spending on a regular basis, sending them a range of notifications to keep their spending habits and progress towards their goal in the front of their mind. The user can also chat with a member of the Monzo staff if they have any questions. Notifications such as 'Wondering how best to save money?' attempt to encourage the user not only to monitor their progress but to take action to improve any problems they have with their monthly spending habits.

With the Monzo products aimed primarily at the tech savvy generation of millennials, they, like Aviva, are targeting customers at a stage of their life where it is particularly useful to engrain behaviours that encourage good financial management and active engagement with money. Lessons learned from the impact of these features on spending and short-term savings could help to inform the long-term savings industry in terms of getting customers actively engaged.

£733

Total spent in June

Check your spending breakdown for last month and set budgeting targets for this month

[View Spending](#)

Remaining Budget **£267**

Bills	£255
Groceries	£125
Transport	£122
Shopping	£117
Eating out	£70
Entertainment	£44

June Total Spend £733



Segmented and targeted

The way the pensions industry communicates with individuals at different stages of their savings journey and into retirement is likely to have an important bearing on their decisions and their financial outcomes. Communication should be as individualised as possible, based on factors such as age, wealth, financial capability and capacity to take on risk, in order for it to resonate as well as possible.

The PPI report 'Consumer engagement: the role of policy through the life-course' considers the question of balance between engaging savers when they are young in order to get them on track to securing a good size of pension pot and greater chance of an adequate retirement income, and trying

to get savers to visualise their future self, something that is clearly harder for younger generations who are much further away from retirement. It will be important to keep this balance in mind when communicating to different generations in an outcome-focussed way and care should be taken to consider what a useful goal is for individuals at different stages of their lives. For example, becoming a homeowner might make someone picture their retirement differently to someone still renting; having children might change priorities in terms of someone's goals for how they spend their time in retirement, and whether they wish to leave an inheritance.

Keeping it real

Pension master trust NEST identified a need for more clear and consistent communication and so developed their 'Golden rules for communication' – a set of principles for good, effective communication with its customers. Rule one in the NEST guide is 'Keep it real', i.e. communicate with individuals in a way that is as practical as possible, and use real-life examples to help people relate to their savings in a more meaningful way. This resonates with our recommendation that a bottom-up, goals-based approach to communication could be effective in engaging customers with their savings by framing them in terms of a tangible outcome in their retirement.

However, another of NEST's golden rules is 'Out with the old'. This suggests that asking customers to picture their retirement in order to plan for it may not be suitable for all customers. NEST suggest that people are more likely to engage 'as they are now', and that thinking about the details of their retirement is unhelpful as many people feel it is too far away to be relevant and would prefer not to think about their retired selves.

"The challenge is to motivate [people] to think about the future without concerns about growing old getting in the way"^{viii}

As outlined earlier, we have discouraged a one-size-fits-all approach to communication, and the disparity between these two communication rules helps to support this. Tiered communication based on individuals' financial capability will help to ensure that they receive enough information to inform and educate them about their financial situation, but not so much that they become overwhelmed. But it is also important that, in order to 'keep it real', any communication considers other aspects of the customer's situation, such as their age, which is a good indicator of not only their proximity to retirement, but also their potential retirement priorities. A Bronze, Silver, Gold rating system could complement this segmentation, to link the communication closely to the type of retirement an individual might expect or aspire to, rooting all communication in practical and realistic terms.

Tiered communication based on individuals' financial capability will help to ensure that they receive enough information to inform and educate them about their financial situation, but not so much that they become overwhelmed.



Build financial capability

Changes in retirement saving policy in recent years have further highlighted the need to improve the nation's financial capability, with customers facing a range of new options and decisions about how they save, invest and turn their pension into an income. FCA consumer testing has highlighted that customers find it difficult to understand their pension and the associated terminology, and that this is compounding mistrust in the pensions industry and potentially leading to sub-optimal outcomes for consumers.ⁱ

It is important that any communications on pensions and retirement recognise this lack of understanding and trust, and work to build financial capability so that individuals are as equipped as possible to make decisions about their future. The Money Advice Service (MAS), whose work will soon be incorporated into the SFGB, is in the process of producing an overarching financial capability strategy for the UK. It is looking at practical examples of 'what works' across a range of areas and has identified retirement planning as one of its key themes. Use of language, understanding of advice and guidance, rules of thumb, and accessibility of information are all identified as priorities for its retirement planning strategy.

Pensions awareness days

In the Netherlands, the annual 'Pensioendriedaagse' (translated to Pensions Three Days), are three pensions awareness days occurring in October. The initiative is intended to encourage people to become more actively involved in their pension saving. It is linked to the Dutch 'Wijzer in geldzaken' (or Wiser Money Matters), a Ministry of Finance initiative that offers a number of layers of public financial education and promotes "responsible financial behaviour" in the Netherlands.^{ix} The pensions awareness days offer employers the chance to have meaningful conversations with their employees about their pension saving, using the Wiser Money Matters website which includes a number of interactive tools and videos.

The PPI's analysis of financial education in the Netherlands notes the following as points of interest on the pensions awareness days:

- The Pensioendriedaagse can act as a trigger for people to consider their pension arrangements
- Information is provided to individuals in a layered way, meaning that relatively straightforward information is provided in the first instance and, should they wish, individuals can access more complex and detailed information
- Individuals are encouraged to consider changes in their circumstances and the ways in which these affect their pension position
- Pension providers of workplace pensions play a large role in the provision of information to members.^x

The UK pensions communication company Pensions Geeks has attempted to replicate this initiative in the UK, promoting an annual Pensions Awareness Day. The day is surrounded by a week-long bus tour around the UK, with volunteers speaking to the public about their pensions. The initiative is complemented by an intensive social media strategy, which attempts specifically to engage younger generations (the Pensions Geeks website hosts videos with tips on how to engage millennials and Generation X).

The original roadshow in 2015 sought to engage the public about the changes to the pension system under the freedom and choice agenda, and fairly advanced topics such as investment, drawdown and annuities. However, in the first year the organisers discovered that the questions they were receiving were at a much more basic level. The current bus tour helps to answer questions around the purpose of a pension, State Pension age, and contribution levels. The scheme is now backed by the government and Pension Wise who provide face-to-face guidance to members of the public who use the bus, providing them with appropriate literature and directing them to further online resources.

Mid-life MOT

In the complex new freedom and choice environment, consumers' approach to their retirement will inevitably need to change. We know that retirement is increasingly becoming a phased transition rather than the cliff-edge it once was, and the way retirement options are communicated will need to adapt to reflect this. As such, communication should be assisting customers to take a phased approach to their retirement planning, so that they can build up their knowledge and experience in a manageable way.

One option put forward by the Cridland review of State Pension is the mid-life MOT. The review argued 'there is often no natural trigger point which encourages people to

[take stock of their lifestyle and financial situation], which may mean people consider their needs too late'.^{xi} Just as those in mid-life now expect to attend a routine health check to encourage them to pay attention to their physical wellbeing, the mid-life MOT would act as a trigger for individuals to take stock. The process would take a holistic approach to individuals' work, financial and other lifestyle choices and signpost them to further sources of guidance. It is encouraging that the Pensions Minister has indicated his intention to make this proposal a reality, as an MOT could provide a valuable touchpoint for individuals to encourage them to engage with their savings.



Tools

Finally, our 2016 report suggested that alongside the pensions dashboard, the government, regulators and industry should work together to implement and maintain tools to enable

individuals to consider their pension wealth (shown in the dashboard), alongside other assets and debts, to help them gain a better picture of their overall financial situation.

Shape my future

In addition to their advertising campaign mentioned earlier, Aviva's online tool Shape My Future creates a retirement breakdown based on a number of financial inputs and practical choices about what type of life a person expects or hopes for in retirement, framing retirement in practical rather than monetary terms. An individual's projected weekly income is based on a combination of factors such as age, salary and current pension saving habits. Weekly costs are broken down into home, food, travel, family and

hobbies, and the calculator asks how much they plan to spend on each of these. It gives examples to illustrate what the numbers could mean in practical terms before working out a total weekly income/cost to help a person understand whether they might reasonably achieve this. In all of these examples, the expected tangible outcome is the focus of the user's attention throughout.^{xii}



Family

£14 £40 £45 £71 £180

£14 per week

Spend time with your loved ones at home or at the park, and catch up with friends down the pub once in a while. Your Christmas budget will be less than £200 and you won't be able to save much of your income for a rainy day.



Home

£79 £223 **£260** £310 £577

£260 per week

Surf the web fast with fibre optic broadband while keeping up with bills on your centrally located one-bedroom property. Stay connected with a contract mobile phone.

This is also an area where the IFoA has taken active steps to assist individuals in improving their understanding of their financial situation, in an impartial way. Consumer testing commissioned by the IFoA suggests that knowledge about pension choices is generally low, and that consumers are unsure where to get the information they need, particularly fearing scams. As a result, independent information from a credible source, when presented in an engaging way, is highly valued by consumers and can help to build financial capability and engagement with their finances.

The IFoA has developed a tool 'The Game of Retirement' to help consumers learn more about their retirement options and ultimately engage more fully with their pension. The aim of the game is to provide education on the range of options available to consumers by demonstrating the impact their decisions

could have on how long their money will last, the income their savings could generate, and the potential tax implications.

The importance of having an independent messenger provide financial information, which came through in our consumer testing, has encouraged us to seek a trusted intermediary to host the tool.

MAS have argued as part of its work on financial capability that *'The ease with which people can access their information is important to address when improving financial capability.'*^{xiii} It identifies the pensions dashboard as a key tool for improving access to information and thus boosting financial capability. Dashboard capabilities are being developed in the UK, with the first stage of the project expected to be delivered in 2019.

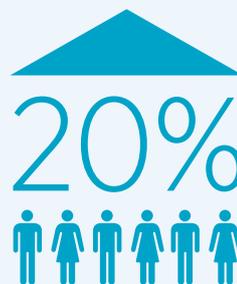
Pensions Dashboard – overseas examples

Similar pensions dashboards exist in the Netherlands, Denmark and Sweden.

 According to analysis by Royal London, the main objective of the Dutch website is “to generate engagement with pension saving through increasing individuals’ awareness of their pension rights.”^{xiv} This dashboard also incorporates a ‘real life’ approach in its communications with individuals and is able “to simulate the impact of certain ‘life events’”, for example retiring at a different age than expected.

 Similarly, Denmark’s PensionsInfo website provides individuals with an overview of their financial situation, including pensions information alongside any life or protection insurance. A downloadable PDF presents this information in a way that is simple and easy to understand. A basic tool enables the user to estimate their retirement income, setting their retirement age at different levels, and the provider is working on developing additional tools to sit alongside the dashboard.

 In Sweden, the MyPension site allows individuals to see their State, occupational and private pensions in one place. After an overhaul in 2016, it has been described as becoming a one-stop shop for individuals to understand their financial position.^{xv} Visitor numbers to the dashboard are growing and it is particularly popular with younger Swedes.



Over 20% of new users to the site in the first half of 2017 were aged 30-40, and there was a 20% increase in the number of 20-30 year olds signing up to the service compared to 2016.^{xvi}

A 2016 survey found that users of the MyPension service had a more confident outlook on their retirement after using the dashboard to create a pension forecast.^{xvii}

The examples of pensions dashboards around the world provide the UK with some potential lessons about how to make the basic aim of the dashboard work efficiently – i.e. providing people with helpful information in a format they can understand relatively easily. However, this is merely a first step.

The infrastructure that sits around the dashboard technology will be hugely important to how successful the project will be in practice. Consumers need some way to make practical sense of the data the dashboard can display to them, and ways of understanding what the information means for their

retirement. Providing personalised data which give individuals a real idea of the monetary amount in their pot is a first step towards achieving this. But the dashboard technology could also provide numerous opportunities to help people actively engage with their pensions by prompting them to consider what the numbers they see on the screen mean in practice, and take steps to address any potential problems or maximise good outcomes. If the basic dashboard is accompanied by a range of interactive tools, linked to people’s real-world circumstances, this would maximise its potential effectiveness.

Where the dashboard is hosted is likely to have a significant effect on how far it is able to reach these objectives. IFOA research suggests that when it comes to online tools, independence and trust are key to getting customers engaged.^{xvii} Low confidence, combined with fear of scams and scandals, has made consumers sceptical. The use of trusted, independent parties helps to make customers more comfortable providing personal data and engaging with the figures this produces.

The ability and willingness for customers to shop around for retirement income products was one of the key justifications for the freedom and choice agenda and the FCA's Retirement Outcomes Review Interim Report suggests that this unwillingness to shop around before making decisions has persisted into the new pensions environment.ⁱ If the dashboard is going to help meet this policy objective, it should provide customers with a way to compare product types to help them achieve their aspirations for retirement, whatever those may be. Provider-run dashboards would understandably be used as a sales tool for individual providers, and may only serve to compound this problem. As such, there should be a dashboard hosted in a neutral space, and the overhaul of public financial guidance services seems to provide fertile ground to make this a reality. The SFGB would also be perfectly placed to house a range of tools to help individuals understand the information the dashboard provides for them.

Consumers need some way to make practical sense of the data the dashboard can display to them, and ways of understanding what the information means for their retirement.

Conclusion and recommendations

In 2016 we argued that a bottom-up approach to assessing retirement income adequacy could help encourage engagement, and through our research we have found that this approach is being successfully applied across the UK pensions industry and in other parts of the world.

There is evidence to suggest that these methods can and do work in practice, and that communicating to individuals in ways that they can apply to their life and personal circumstances can encourage them to engage in a more meaningful way with their savings.

As we argued in our previous paper, a collective communication strategy drawing on the findings from recent government and regulatory reviews of financial guidance will be key to helping individuals understand their situation and plan effectively for their retirement. There will be a role for pension providers, employers and the new SFGB to play in delivering this guidance in order for it to be as successful as possible.

This paper highlights that the importance of the employer in communication around pensions will continue in a DC world. Although employers have removed some of their responsibilities associated with DB schemes, we know that employees still look to their employer as a key source of information when thinking about their pension.^{xix} There is therefore a key role for the employer in establishing and maintaining engagement with their employees around their pensions.

We are supportive of the government's plans to create an SFGB and of its stated aim of 'making sure that good quality, impartial financial guidance and debt advice is available to everyone'.^{xx} From the outset the SFGB should outline a comprehensive communication strategy for pension saving, set in the context of recent reforms and feeding into the UK's

broader financial capability strategy. As such, it is encouraging that the body will continue to deliver the MAS financial capability strategy for all areas of financial management, and the creation of the SFGB provides an ideal opportunity to ensure that the aims of the financial capability strategy are incorporated into a coordinated national policy approach which is clearly set out from the get-go. We suggest that employing some of the communication methods set out in this paper might help the SFGB to successfully deliver on its objectives by assisting customers in setting goals, managing their progress towards these goals, targeting communication based on an individual's life stage, building financial capability and providing a range of interactive tools.

Equally, the government's re-commitment to overseeing the development of the pensions dashboard is welcome, but the dashboard alone is unlikely to maximise engagement. The infrastructure that sits around the dashboard will be key to its success, as customers will need some way to make sense of the numbers generated by the dashboard and link these to their retirement goals. If the dashboard is hosted only by product providers, it is unlikely to achieve one of the main policy objectives of the freedom and choice agenda, as it may not encourage customers to shop around for annuity or drawdown products. At least one version of the dashboard should be hosted in a neutral place online, and the creation of the SFGB provides an excellent opportunity to host the dashboard in an impartial, non-commercial setting where it could be surrounded by information and tools to help people maximise their understanding of their financial situation and plan accordingly.

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The move from a DB dominated world to one where DC schemes are recognised as the new normal, and the shift of risk and responsibility from employer to individual that this entails, is still a relatively recent one. Equally, the freedom and choice agenda is still in its early stages, with only a couple of years of evidence about how consumers are reacting to these changes. As with many areas of discussion around the changing pensions landscape, more time will be needed before we get a clearer understanding of how the reforms are affecting customers' outcomes in retirement over the long

term, and communication techniques will need to adapt to this. But what is clear is that people will need to take a more active role in both the accumulation and decumulation phases of their retirement saving, making choices about how much they save in order to achieve an adequate size of pension pot, and actively choosing the right product or mix of products when they reach retirement. Therefore the majority of customers will benefit from being more engaged with their pension saving and being able to see what this saving might mean in practice for them.



**Tangible
manageable goals**



**Monitoring
progress**



**Segmented and
targeted**



**Build financial
capability**



Tools

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