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Ipsos MORI

How can we help individuals make better retirement choices?

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Agenda

Objectives

Our journey so far:

- Our 1st retirement game
- Ipsos MORI Consumer Research
- Our 2nd retirement game (*including live demo*)

Next steps

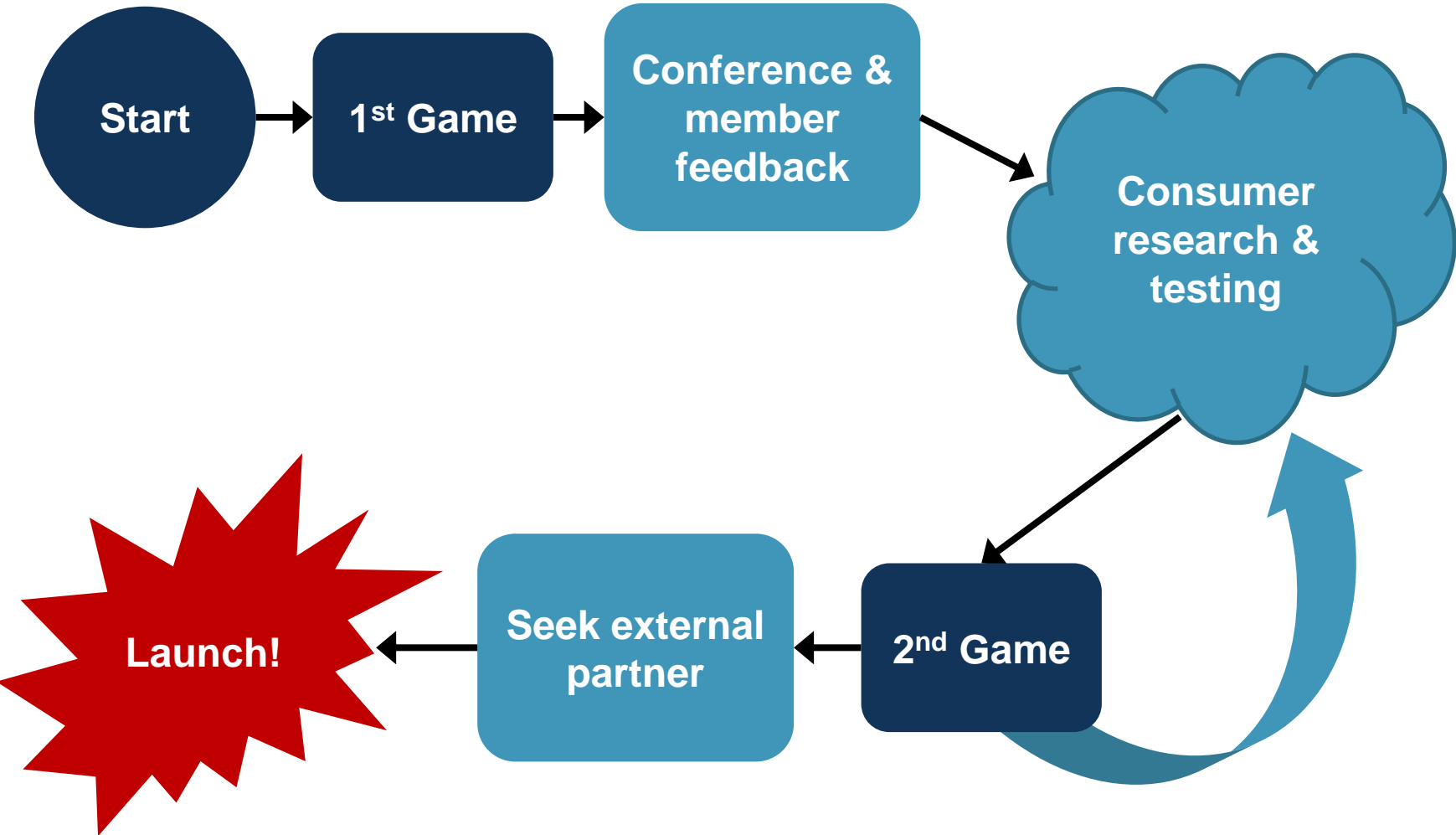
Q & A

Objectives

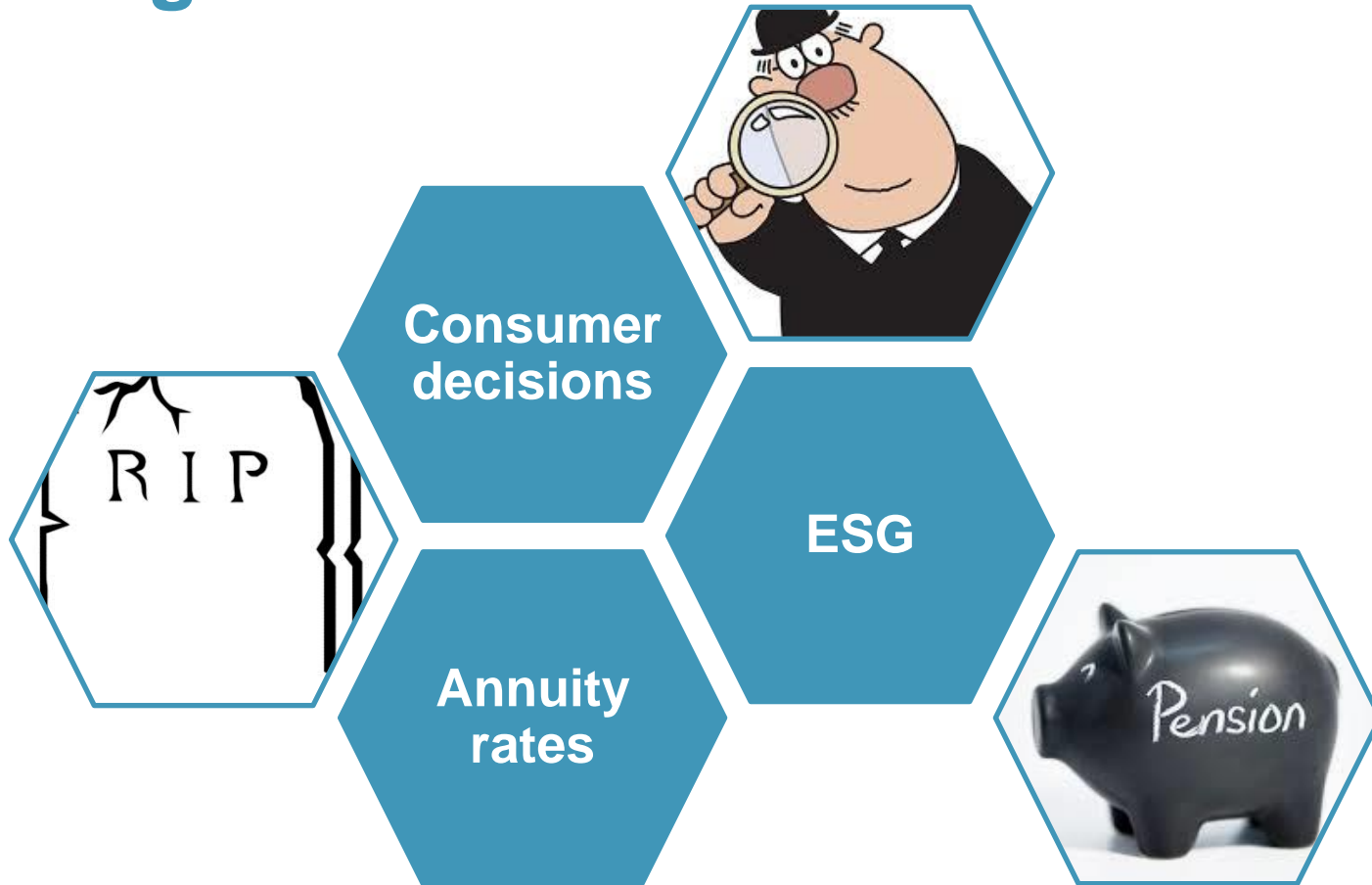
Working Party aims:

- Develop a tool to support consumers to help enable them to make better retirement decisions
- Do consumer research to test and learn to improve proposed solution
- Launch 'free to use' tool aimed at non-advised UK market

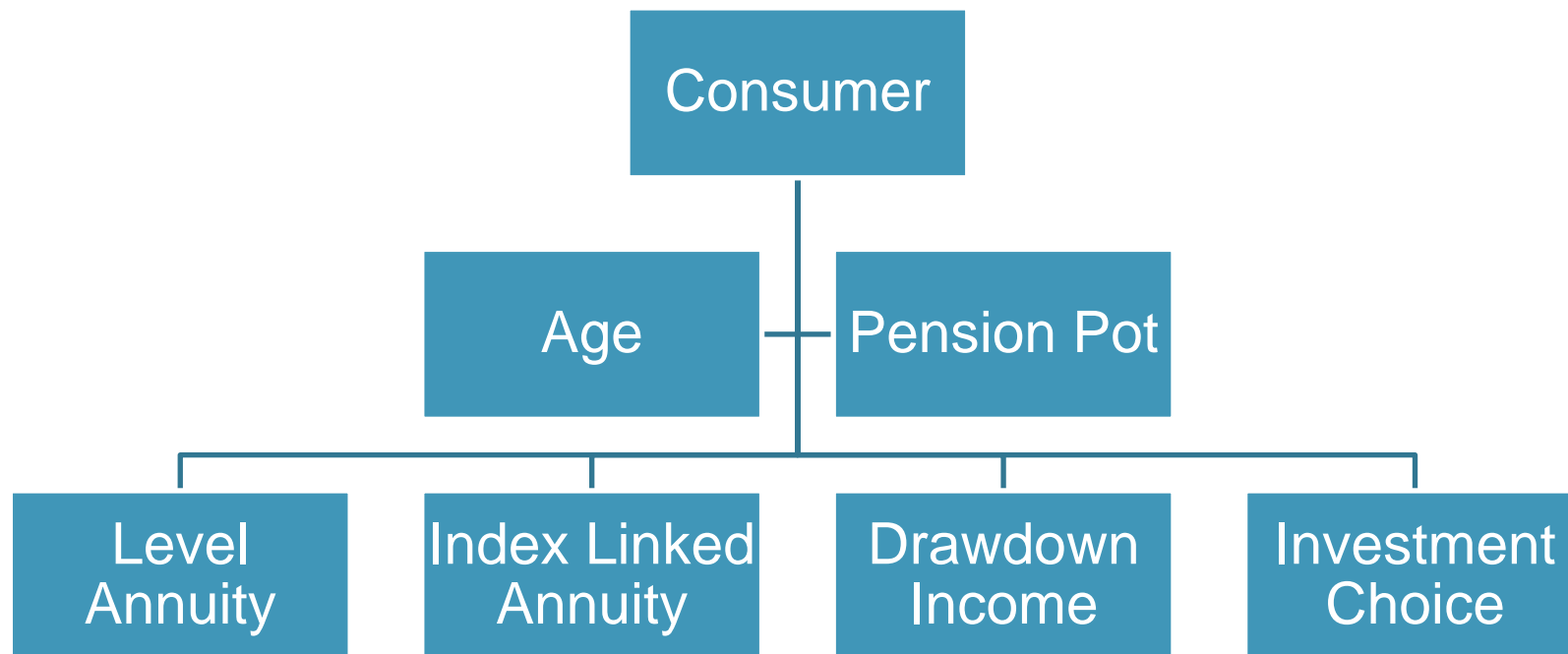
Our 'Retirement' Journey



Our 1st game



Consumer inputs in 1st game



- We asked for decisions every 10 years (simplification)

Use of 1st game

Presented first game at IFoA Pensions Conference 2015

- Played game live with audience with 6 teams
- Gave teams 1 of 3 sets of prompts / additional information
- **Challenged teams to act as ‘adviser’ to Jo, aged 60 with £100k DC pension and no dependents**
- Results of each team’s decision fed back before next set of decisions
- 4 turns played
- Teams didn’t know when Jo would live to...

1st game intro screen

About me	My game	My results
My name is	Jo	<p>Deciding how to use your pension savings is tricky. You will need to consider your own circumstances carefully.</p> <p>In the meantime, try this game to see what can happen depending on the choices you make!</p> <p>Play as many times as you like - each time will be different.</p>
I am currently:	60	
I have a pension fund of:	£100,000	
<input type="button" value="I'm ready to play"/>		

1st game example decisions

About me

My game - Turn 1 choices

My results

You are currently 60 have pension savings of £100000

You have four choices to make:

1 - How much to use to buy a level annuity

10%

Converting 10% of your fund (£10000) will buy a guaranteed level income of £519 per annum.

2 - How much to use to buy an index linked annuity

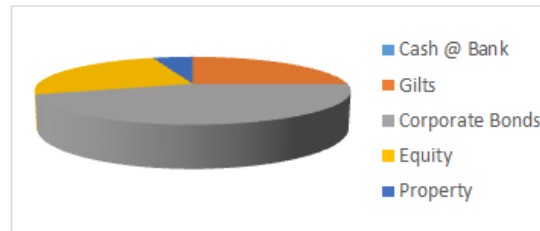
10%

Converting 10% of your fund (£10000) will buy a guaranteed index linked income of £278 per annum.

For the remaining fund of £80000

3 - Invest it in a fund which is:

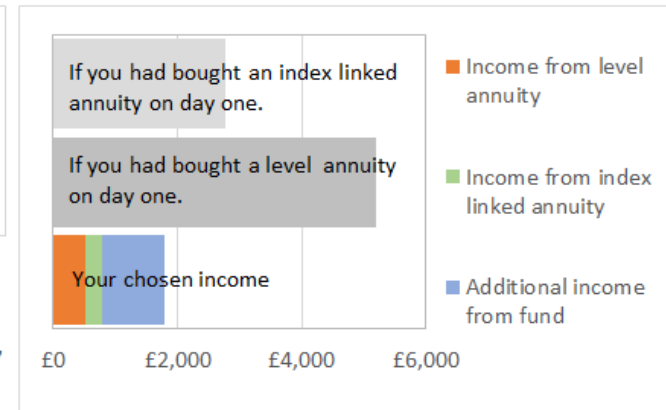
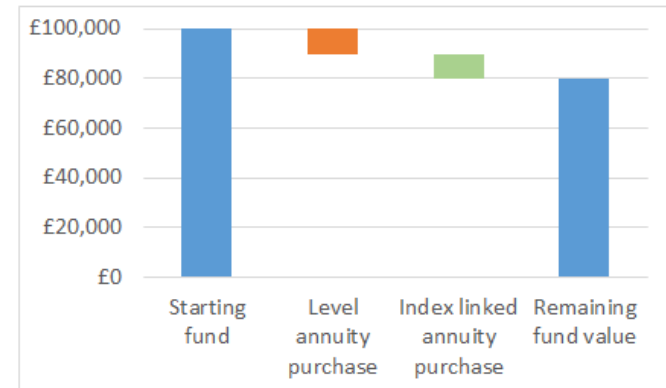
Balanced



4 - Take an additional income for the next 10 years of:

£1,000.00

Your total income for the next 10 years, subject to inflation, will be £1797 per annum.



Roll on the next 10 years

1st game example intermediate results

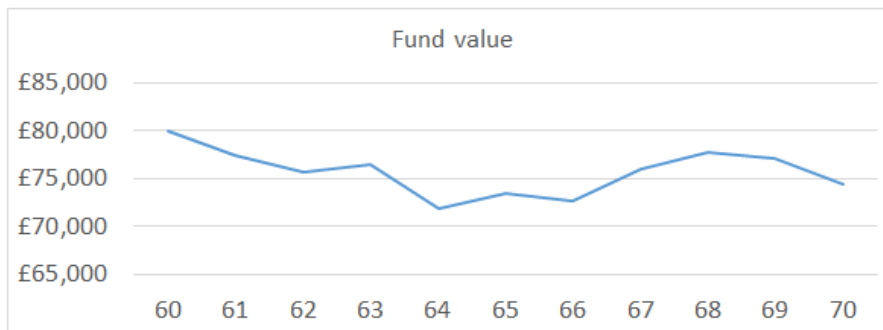
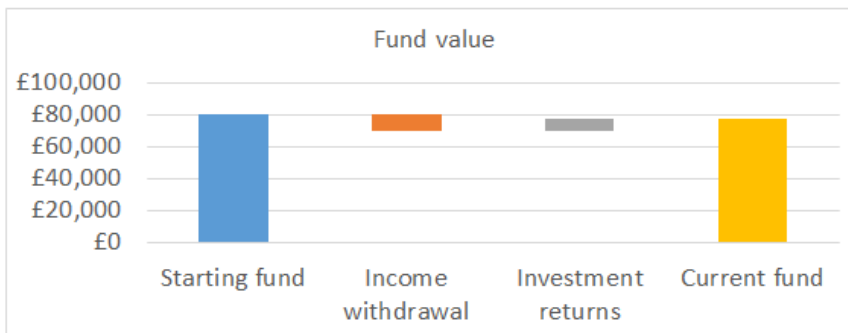
About me

My game - Turn 1 results

My results

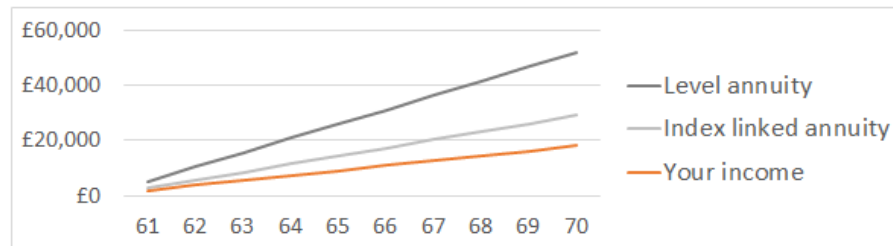
So what's happened over the last 10 years?

- You are now 70
- You still have a guaranteed level annuity of £519 and a guaranteed index linked annuity of £309
- You had a pension fund of £80000, but you have taken an income of £1000 per annum and investment markets have moved
- So you now have a fund of £74452



So how does that compare with if you bought an annuity on day one?

- You have taken a total income of £18113
- If you had purchased a level annuity with your fund you would have taken a total income of £51918
- If you had purchased a index linked annuity with your fund you would have taken a total income of £29135



I'm ready for my choices

1st game example end results: income

About me

My game

My results

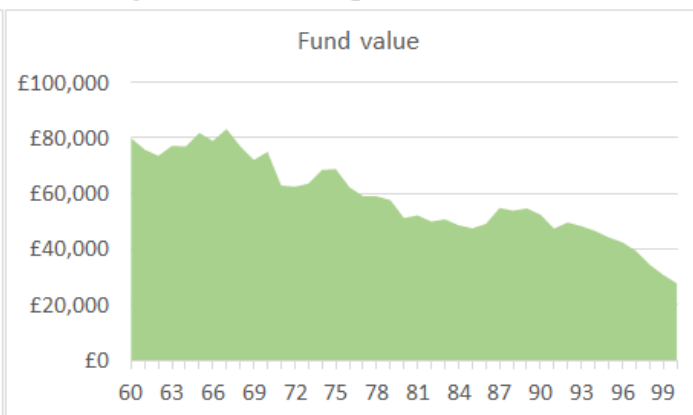
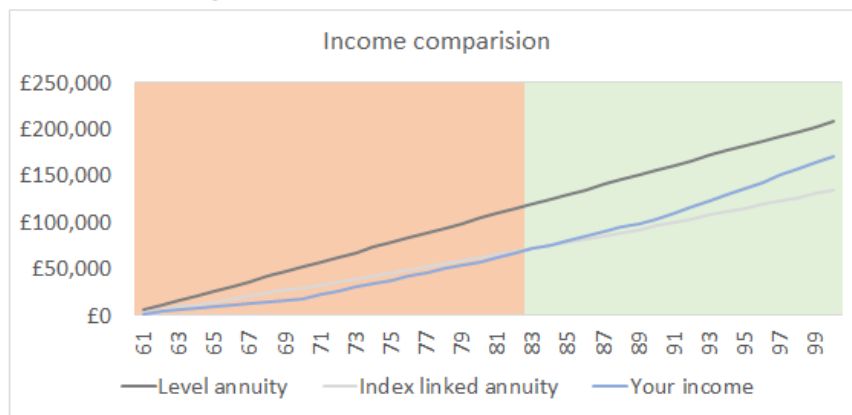
So did I win?

- Over 40 years you took less than a level annuity by £37598.
- Over 40 years you took more than an index linked annuity by £35091.
- You had fund remaining of £27708

However at different times during the last 40 years this hasn't always been the case.

The charts below show your income over the 40 years compared to purchasing an annuity on day 1 along side your fund value

- Times were you had taken more income than both a level and index linked annuity are shaded in dark green.
- Times were you had taken more than either a level and index linked annuity are shaded in light green.
- Times were you had taken less than both a level and index linked annuity are shaded in light red.



What if investments behaved differently?

So when I die determines if I win?

1st game end results: death benefits

About me

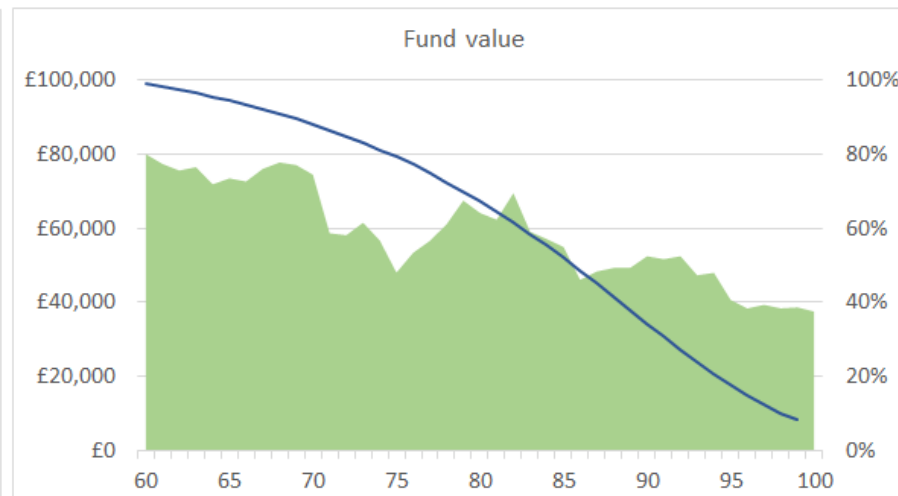
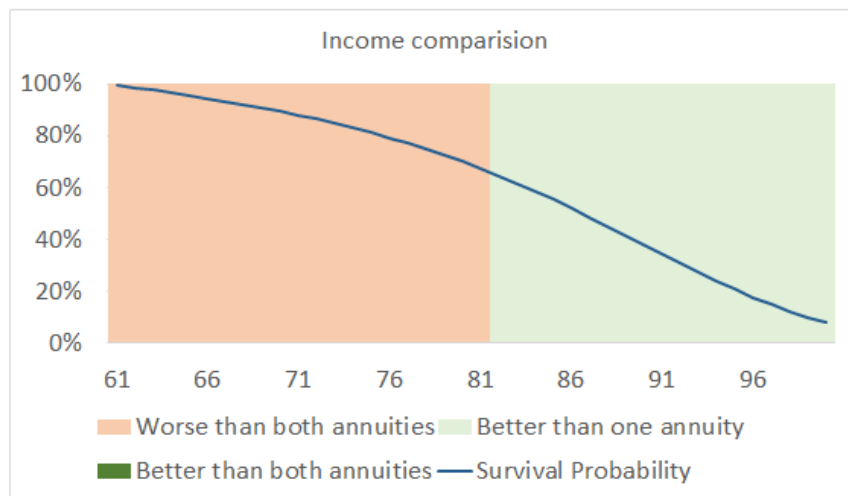
My game

My results

Unfortunately the age you survive to could affect how valuable the guaranteed income from an annuity would be.

- It is hard to say what age you might live to
- You need to think how you might use your pension to provide an income if you lived longer than expected.
- You need to think if you need provide part of your pension to any spouse or dependents when you die.

To help with this we've included the probabilities living to each age on the chart below.



Play again, remember everything will be different.

Conference & member feedback

- **Very positive conference feedback**
 - Requested to present at every regional CHIPs event
- **Need to test with consumers**
- **Majority of views suggested further simplification required**
- **Trade off between benefits of simplification v. desire for detail**

Initial next steps

- Sought funding from IFoA to conduct consumer research
- Procurement
- Ipsos MORI start consumer research



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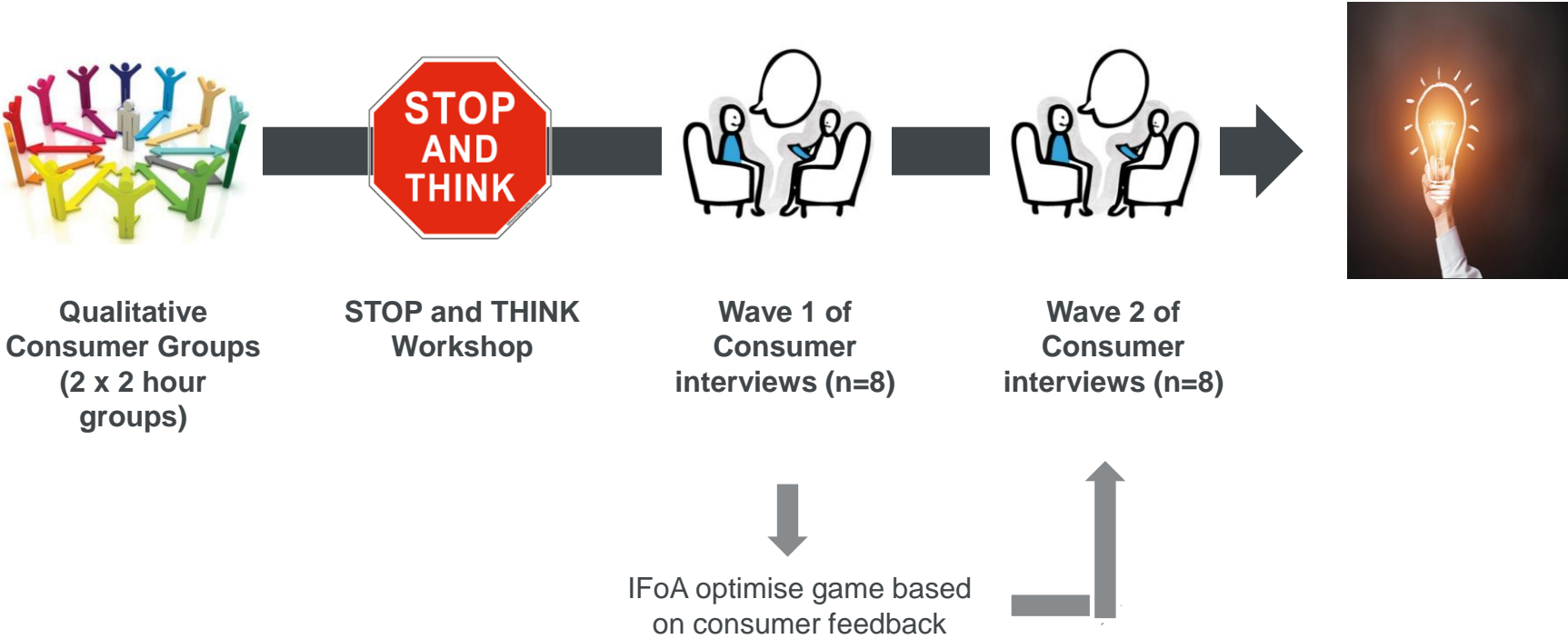
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Customer Research

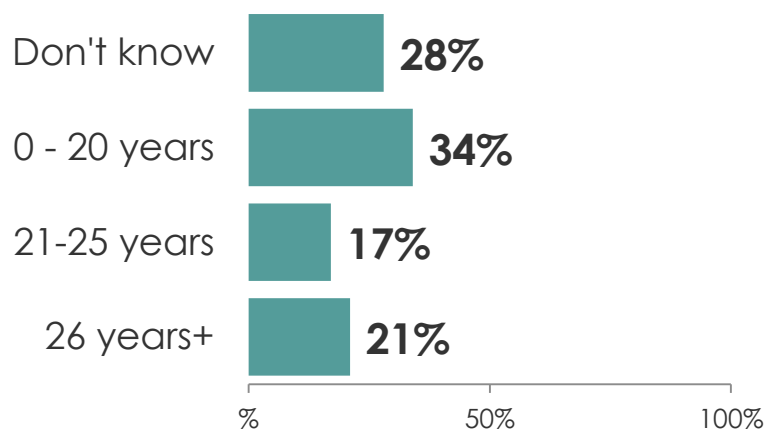
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 Thought leadership
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 Support

Overview of research



Consumer findings

1. **Consumers want to be able to retire without worrying....most assume they will need to make concessions to do so**
2. **Most underestimate how long they will live post retirement**



Fewer than one in five (17%) identified this as the duration for which they expected to need an income.

3. **Consumer have good awareness of how state pension works and how much income they will receive – but primarily seen as subsistence only**

Source: Ipsos and Price Bailey LLP research report, Workplace pensions – the members' perspective, February 2016

Consumer findings

- 4. Pensions are minefield and complicated**
 - only 9% claim ‘very confident’ have knowledge needed
 - confusion and lack of willingness to ‘admit getting older’ means consumers naturally reluctant to consider before retirement
- 5. Consumers tend to rely on press & social circles** – limited awareness on where to seek information
- 6. Have a large fear of being ‘ripped off’** – fuelled by press
- 7. Consumers deeply mistrustful of banks and advisory services** – fear of not being independent
- 8. Desire for a simple way to understand pensions in ‘plain English’**

Consumers highlighted 3 key challenges



Trust

- Consumers are deeply mistrustful
- Independent bodies such as Government or Which? preferred

➤ **Positioning of the game is key**



Engagement

- Consumers expect not to understand pensions, so engagement is limited
- Many view retirement / getting older as negative, opting to ignore it until they are forced to engage with it

➤ **Real challenge as IFoA is faced with engaging an audience who are very mistrustful & quick to lose interest**



Communication

- Consumers feel bewildered by the amount of options & 'jargon' surrounding pensions - simplified language & an easy to follow 'journey' is key

➤ **Imperative game's language doesn't alienate consumers**

Starting point

About me

My game - Turn 1 choices

My results

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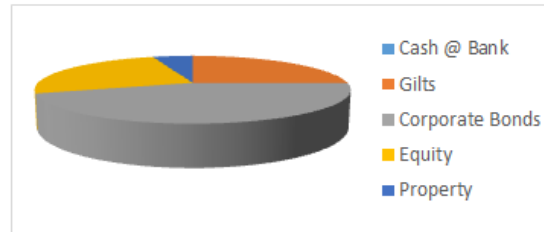
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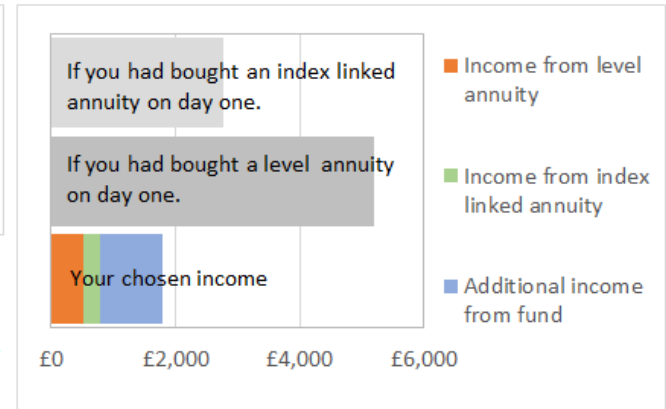
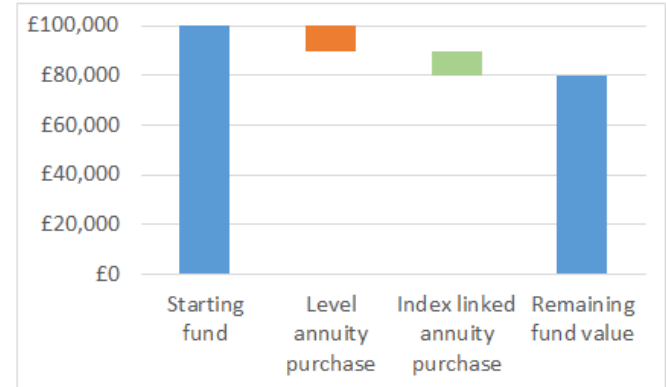
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4 - Take an additional income for the next 10 years of:

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Roll on the next 10 years

First iteration

What to do with my pension pot?

Firstly, how much do you want to use to purchase a **guaranteed income for life**? ⁱ

If you took **all** of your **£100K** pension pot as a **guaranteed income for life** you would receive:

£4,000 per year

However, you don't have to do this. Instead, you can **choose to invest/spend** some, or all of your pension pot



Ipsos Marketing



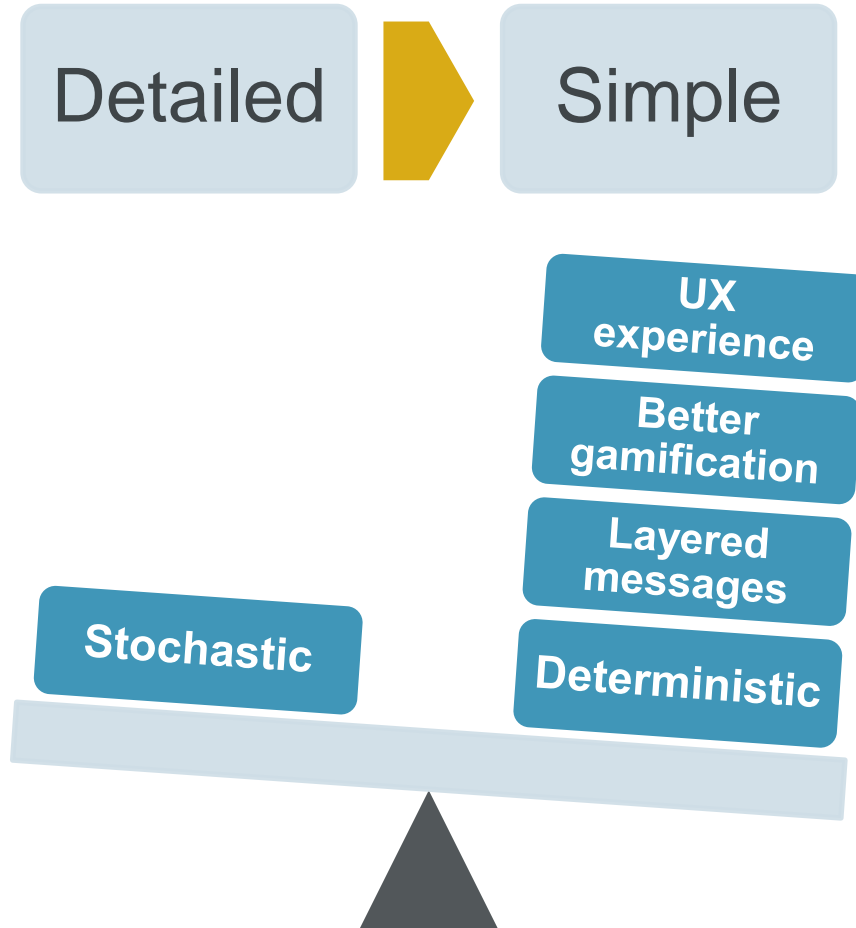


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Our 2nd Retirement Game

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ponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support

Key Changes



➤ And consumers played with game directly

Live demo...

Game for Retirement

Welcome to the game of your life!

Deciding how to use your pension savings is tricky.

Try this game to see what can happen depending on the choices you make.

Play as many times as you like - the future is uncertain.



[Click to Play](#)

[Click to read important notes](#)



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Customer feedback on 2nd game

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The game feels unique

- Most don't feel like they've seen anything like this, so it meets a need / gap in the market

'I wish this was around a year ago when people were being made redundant from the council, and had to make decisions about their pension pots'

'It crystallises everything and puts it all in one place.'

'In the right place and the right time I would use it, certainly if I was going to invest some money'

*'None of us know everything, there might be something there we've missed, so **this is helpful**'*

*'You can either **tell somebody something**, or you can **create a story / path so that they reason deduce it for themselves**, I think what this has done relatively well, is take them down a road, is let people make there own choices – which is **self education**'*

It addresses some key educational needs

- It addresses many issues around tax, running out of money, how long you might live which are not well understood

*'It's strange because **people don't understand (tax implications)** I was talking to someone at a dinner party, someone who runs a business who didn't have a clue – they called me the next day and said, what was all that about? I was dumbfounded, this is a serious business'*

*'Some people think you should get your money out of your pension as soon as possible, and **they don't know that its income (and subject to tax)**'*

*'The way that the figures are presented work, it presents a **stark reality**'*

'It suddenly hits you in the face, I might not be here at 85'

*'That's the important bit, when you run out, **you don't want to end up penniless at 80**, then need to investigate equity release, things like that'*

Consuming the information in game format works

- The game format is appealing, and most feel like they would like to play it - potentially multiple times

*'I think **it's useful for myself**, as I've learned something, even though it's a Beta version, I would definitely sit down and go through this, I might not like the result, **but I would, and take action off the back of it**'*

*'I like the format with the **sliders**'*

*'(As a game) **it draws you in, it makes you think**, it's a game so it's a good way of looking at what might be'*

*'I'd play the game **3 times**, of course, it's so important'*

*'The whole thing is **very marketable** –you're not ducking between that screen, that screen and that screen, **I can follow it, I like it's simplicity**'*

Who 'hosts' the game will be important

- Ideally from 'the government', their provider, or an independent service like 'Which?'

*'I am a huge fan of the **Dot Gov**, fantastic source of information, **impartial**, used to dealing with it with passports. if it was on there I would consider it **credible and reliable**'*

*'It's has to be somewhere **independent & impartial**. It **can't seem like a sales pitch**'*

*'**Which?** is a must, if Which gives it the go ahead, you're half way there'*

*'If it came from my **pension provider**, populated that would be **ideal**'*

*'If I think about my pension once a year, it's a lot, so **they need to get me when I'm thinking about it**'*

In their own words

Show consumer video



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Some alternative market tools

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Some 'independent' tools



**Money
Advice
Service**



**Pension
Wise**



Which?

MAS

How much could you get?

Using your pension pot to buy a flexible drawdown income, we'll show you how long this income can potentially last for.

What is your current pot size?

£100,000 ▾

Let's assume you take the maximum tax-free cash lump sum allowance of 25% of your pension pot (that's what most people do).

Pension pot size	£100,000
25% tax free lump sum	£25,000
Remainder after lump sum	£75,000

You then use the remaining £75,000 to provide a flexible drawdown income.

Select a drawdown monthly income

£500 ▾

With an investment growth at	This may provide an income for	If you require income for 30 years this means
5%	13 years, 8 months	You will be without an income for 16 years, 4 months
2%	11 years, 5 months	You will be without an income for 18 years, 7 months

- ✓ How income drawdown works
- ✓ What have you got?
- ✓ How much will you need?
- ✓ Security & flexibility
- ✓ Tax
- ✓ Health & longevity
- ✓ Inheritance
- ✓ Inflation & risk
- ✓ Investment Strategy
- Income Estimator**
- Shopping around
- Managing your scheme
- Your next steps

Pension wise

Estimate how much you could get

How much is in your pot?

£

What age do you want to take your money?

[Calculate](#)

Based on what you've told us, if you use your £100,000 pension pot to take an adjustable income, you could get:

£25,000 tax free

and

a monthly income of £495 until you're 81

or try a different monthly income:

£



Get an adjustable income

[Overview](#)

[Estimate how much you could get](#)

[Tax](#)

[How adjustable income works](#)

[Continue to pay in](#)

[Financial advice](#)

[Scams](#)

[Next steps](#)

Which?

Your results

You can expect to run out of money after **year 21** of your retirement.

That's assuming that once you retire, your cash investment grows at an average of **0.50%** a year, fixed interest at **4.75%** a year and equities at **7.25%** a year.

If markets perform differently during this time, the outcome could be very different. The interest rate you can get on your cash will depend on what is offered by your pension provider.

Select a different growth assumption to see how the outcome could change. You can also change any of your answers above and your results will be recalculated instantly.

Growth assumptions:

Pessimistic

Middling

Optimistic

How it breaks down year-by-year

Year	Pension pot	Year	Pension pot
1	£73,947.29	21	£1,532.18
2	£72,739.31	22	£0.00
3	£71,365.87	23	£0.00
4	£69,816.26	24	£0.00
5	£68,079.11	25	£0.00
6	£66,142.45	26	£0.00
7	£63,993.64	27	£0.00
8	£61,619.29	28	£0.00
9	£59,005.32	29	£0.00
10	£56,135.30	30	£0.00
11	£52,984.58	31	£0.00
12	£49,535.23	32	£0.00
13	£45,768.27	33	£0.00
14	£41,663.68	34	£0.00



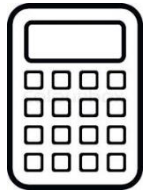
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Next Steps

Launch Plan

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Potential future game developments



- Investment options
- Other pension & savings
- Life expectancy



- Example customer personas
- More in depth customer support materials



- Analyse customer use data
- Social media use

Next Steps

Done

Meet potential partners to launch game

IFoA engagement

In Progress

Liaise with partner to agree:

- Further development
- Launch plan
- Access to user data
- Data security
- IP
- Maintenance
- Advice risk

IFoA formal approval

Share research



Questions



Comments

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