

# Decumulate, decumulate

Maybe not as frightening as coming face to face with the Daleks but the problem of how employees access their defined contribution (DC) pension schemes and 'decumulate' seems to be growing and exercising a lot of capable minds in the pensions world.

With income drawdown on the increase (now the most popular form of 'decumulation' post freedom and choice in pensions) and the old default of a lifetime annuity being inappropriate for many, pension schemes and employers are realising that a 'do nothing' approach is not going to cut it.

As pensions are now accessible from the age of 55, employers who 'do nothing' are at risk of losing control of workforce planning and a structured retirement journey, wasting some of that hard work they have put into ensuring a quality pension scheme and investment strategy in the accumulation phase.

Income in retirement can be reduced so easily by purchasing the 'wrong' annuity or drawdown product or perhaps even worse falling prey to a friendly scammer who will promise the earth from that 'guaranteed investment with an 8% return'. The Financial Conduct Authority (FCA) has highlighted the increase in scams and pointed to those most vulnerable; no surprise to see that it is those over 55 and especially 65 that are at risk, and that in many cases scheme members invest without taking regulated financial advice.

The debates and presentations on this topic have centred on the need for innovation to create a new 'default' to replace annuities, where a product can be accessed by a scheme member which solves all of their needs for the rest of retirement. I believe a default approach to decumulation is not the answer; it might make sense in the accumulation phase but once in active retirement, or for those age 55 and above and accessing savings flexibly, a one size fits all approach does not work.

## So what will work?

Well let's put product to one side for a moment and concentrate on service instead.

The new world of retirement is about understanding all savings (pension, ISA, shares etc.) and how they can best work to drive income in a tax efficient manner in retirement. Income needs will change as one progresses through retirement, so a service is needed which reflects this. Put another way, at age 25 we would not expect, or indeed accept, that a single product would be right for all our needs for the next 25 years, yet at-retirement this is the perceived wisdom. This clearly does not

reflect the realities of income needs e.g. in some years more money may be needed to replace the car or fix the roof, whereas in other years less income will be required. So is there an answer to this?

Yes.

Employers need to evolve with the times by adopting a service model; this would provide the support needed for individuals to access the right retirement income options throughout retirement, whether that is guaranteed income, flexible income, growth potential or a combination of all. Advantages include better tailored retirement income options for employees, and provision through the entire retirement journey.

Our retirement income options service does this right now – educating, guiding, advising, implementing and managing retirement planning for employees throughout their retirement; helping to ensure the right income as needs change throughout retirement.

Our service offers four key elements:

- **Cash drawdown** – a non-advised service allowing for tax efficient and phased withdrawals over a number of tax years. Aimed at smaller DC pots or employees who want to hold cash before making a longer term decision
- **Focused drawdown** – regulated advice on the options available from a workplace pension scheme and implementation of a managed drawdown, whole of market annuity or combination of both. Aimed at those with a single pension fund and straightforward circumstances
- **Holistic advice** – regulated advice taking into account all of an individual's assets e.g. multiple pensions, ISAs etc. and includes advice on pension consolidation and DB transfers; something that is vitally important when assessing retirement income options
- **Annuity broking** – whole of market regulated annuity advice which takes into account health and lifestyle factors

This service is available now to pension schemes, trustees and employers, so whatever retirement income plan is needed by employees and scheme members, they can access it through our fully integrated service. ■



Jonathan Watts-Lay  
Director  
WEALTH at work

With income drawdown on the increase and the old default of a lifetime annuity being inappropriate for many, pension schemes and employers are realising that a 'do nothing' approach is not going to cut it

