

Survey results 2019

overcoming the risks at-retirement.



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Jonathan Watts-Lay
Director, WEALTH at work

Pension scheme members nearing retirement face some unique challenges. For many, their pensions will represent the largest sum of money they will have ever had access to, indeed their most valuable asset - even more valuable than their home. The retirement income options open to each member can confuse and bewilder even the savviest person.

Defined contribution pension scheme members now face an array of risks such as - will their savings last the duration of retirement? How do they manage market volatility? What is a safe rate of withdrawal? What is the impact of inflation? And so on! As our survey shows, Trustees have concerns that their members' money will not last their entire life in retirement.

These risks also equally affect defined benefit (DB) members who are considering transferring their pension which provides a guaranteed income for life, for an alternative form of income which is unlikely to match that security. Indeed, the majority of Trustees in our survey have concerns on the risks their members face if they transfer out of DB schemes.

Another key finding of our research is that a significant majority of Trustees fear their members nearing retirement will face predatory attention from scammers. This comes as no surprise when we consider the scale of the problem.

Taxation is another minefield with most Trustees believing members are not equipped to deal with the taxation implications of accessing their pensions, which unfortunately could result in many paying tax when it could be avoided, and consequently losing out on valuable retirement income.

Our report suggests that all these risks could be mitigated by providing more support for members at-retirement which includes offering financial education, guidance and access to regulated advice, as well as helping members to implement their chosen retirement income option(s). An increasing number of Trustees are now turning to specialist retirement service providers to help their members navigate the maze of options at-retirement.

After all, providing support for pension scheme members is vital if they are to optimise their income and achieve good outcomes in later life.

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Chris Parrott
Chair, The PMI Trustee Group Forum

Freedom and choice in pensions has presented challenges and opportunities for both Trustees and pension's scheme members alike. Consequently, as this research shows, Trustees have many concerns for their pension scheme members who are at the point of accessing their retirement savings.

It's evident that members are at great risk of pension scams. Coupled with this there are concerns that members don't understand the risks around defined benefit pension transfers. We have seen examples of poor practice around this. For example, the FCA carried out a review into the quality of pension transfer advice given to members and found that of the cases it reviewed, less than half (48%) of the advice given was suitable, meaning that most of these pension transfers shouldn't have gone ahead.

A lack of understanding around tax issues at-retirement was also a concern Trustees have for their members. Individuals do not necessarily understand the impact of tax regulation on their retirement saving so many will need support around this.

Trustees are now increasingly considering putting in place formalised retirement processes to help their members understand all these issues and to prevent them from making costly mistakes at-retirement. As the report suggests, this could include financial education and guidance to help members understand all of the various options at-retirement, as well as what the risks of each of these may be. Offering members access to regulated advice and a means of implementing their retirement income option(s) is also a great way to help members access reputable providers - rather than leaving them in dark.

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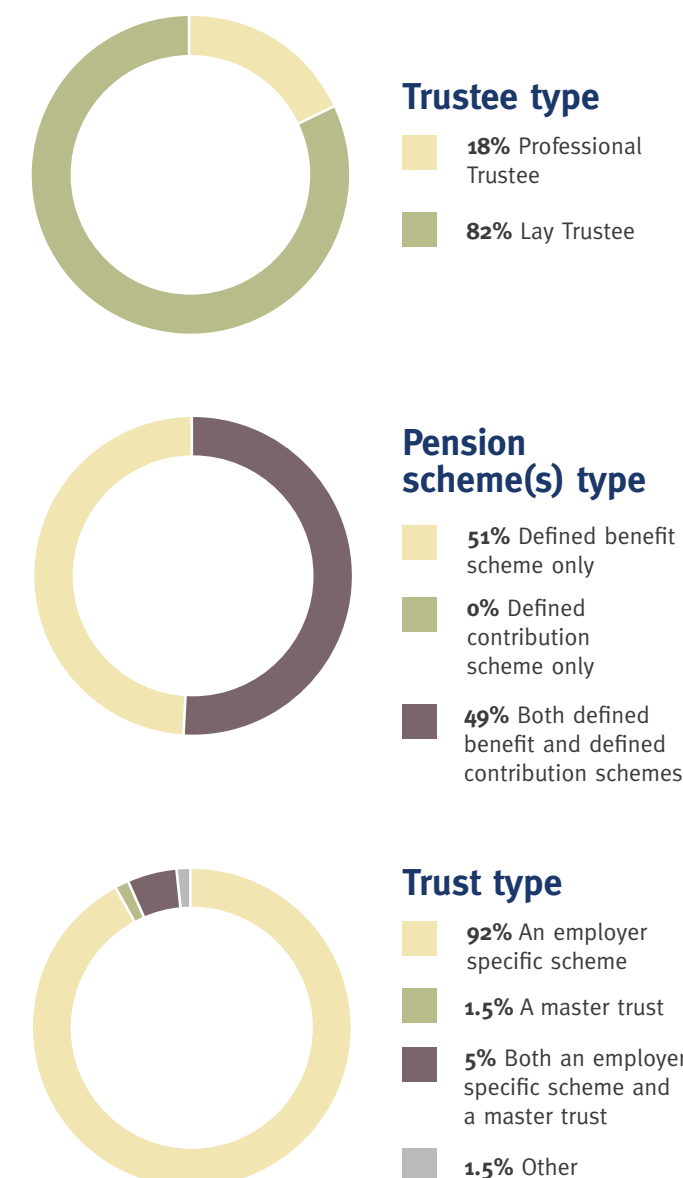
introduction.

About the survey

Freedom and choice in pensions revolutionised the world of retirement income and gave individuals greater control over their retirement plans - but with this comes increased risk and responsibility for all.

With this in mind, WEALTH at work conducted a survey with PMI to investigate what Trustees are doing to support pension scheme members as they make decisions to access their retirement savings.

The survey received 65 responses from a range of Trustees which were completed online and via paper over 4 months from December 2018 until March 2019. Figures have been rounded to the nearest whole number or to one decimal place where appropriate.



Key findings

85% of Trustees have concerns on the risks their members face if they transfer out of their defined benefit schemes.

88% of Trustees fear their members nearing retirement will face predatory attention from scammers.

81% of Trustees believe members are not equipped to deal with the taxation implications of accessing their pension.

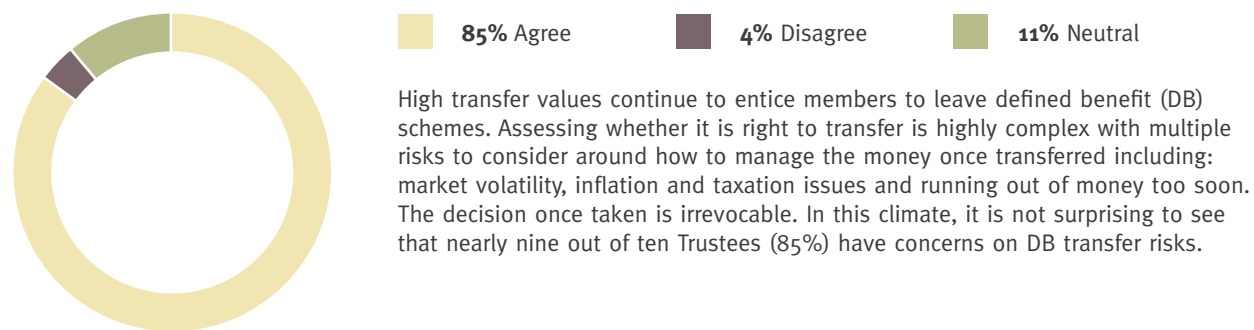
63% of Trustees worry about a lack of engagement from their members.

60% of Trustees are concerned that their members' money will not last the duration of their retirement.

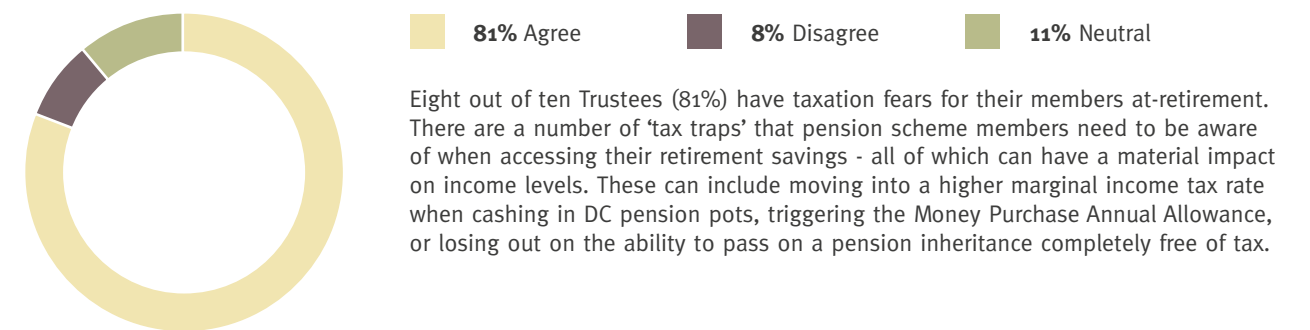
part 1: concerns and risks.

Trustees were asked to indicate if they agree, disagree or remain neutral on the following statements:

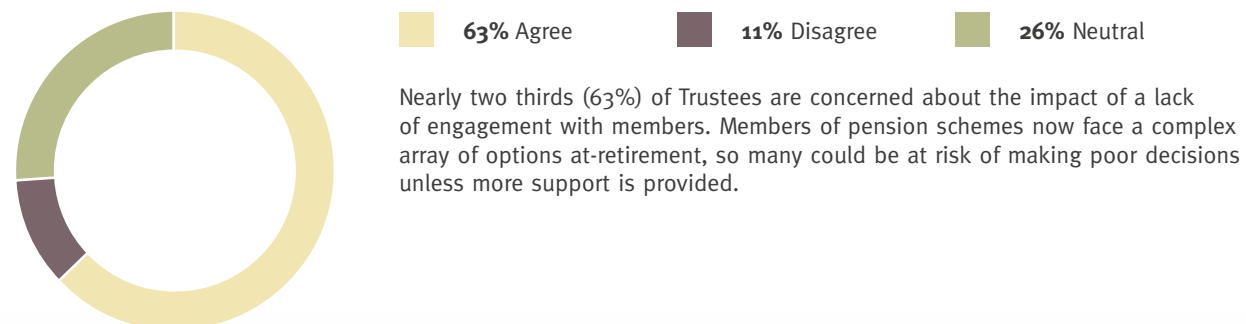
I am concerned about members not understanding the risks around transferring out of their defined benefit pension scheme



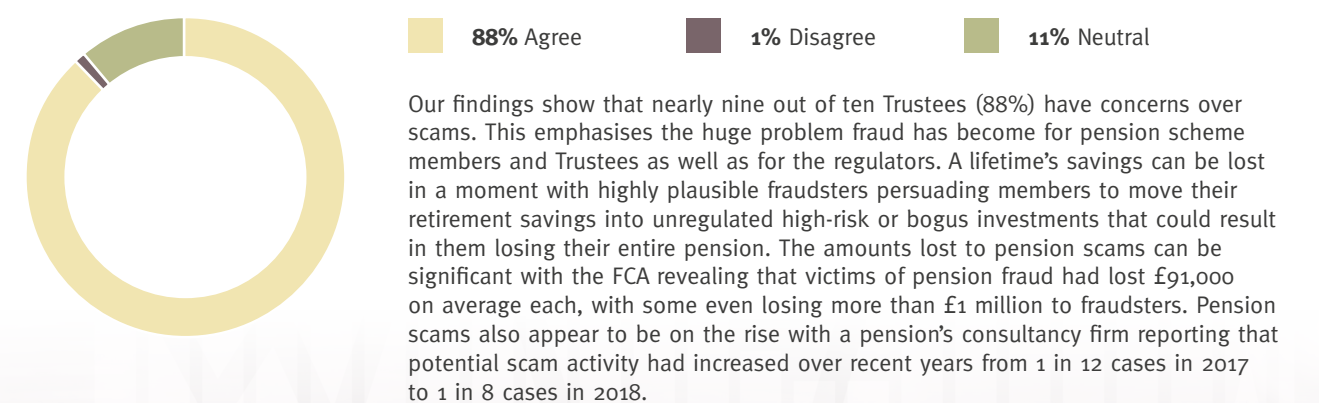
I am concerned about members not understanding the tax implications of accessing their pension



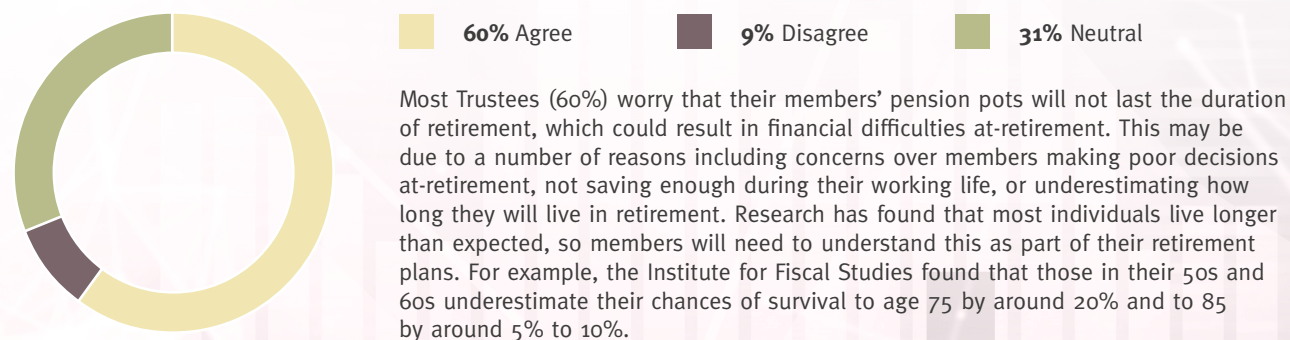
I am concerned about the impact of a lack of engagement with members



I am concerned about members being scammed out of their retirement savings

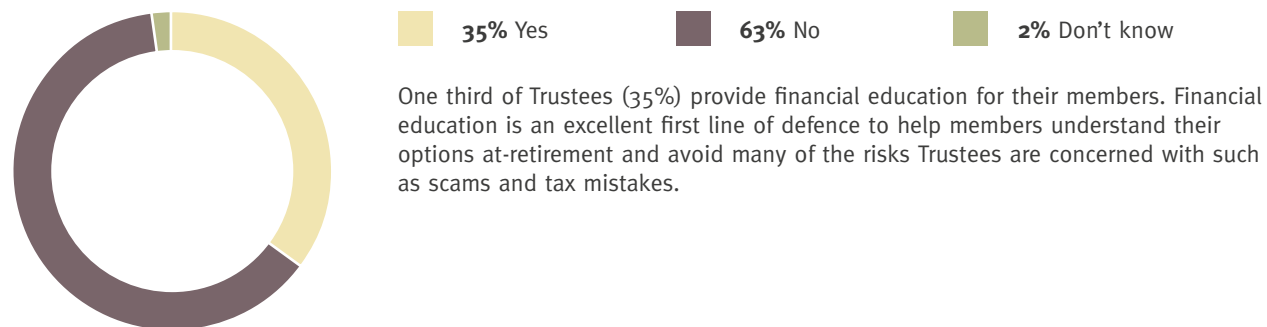


I am concerned that members will run out of money too soon in retirement

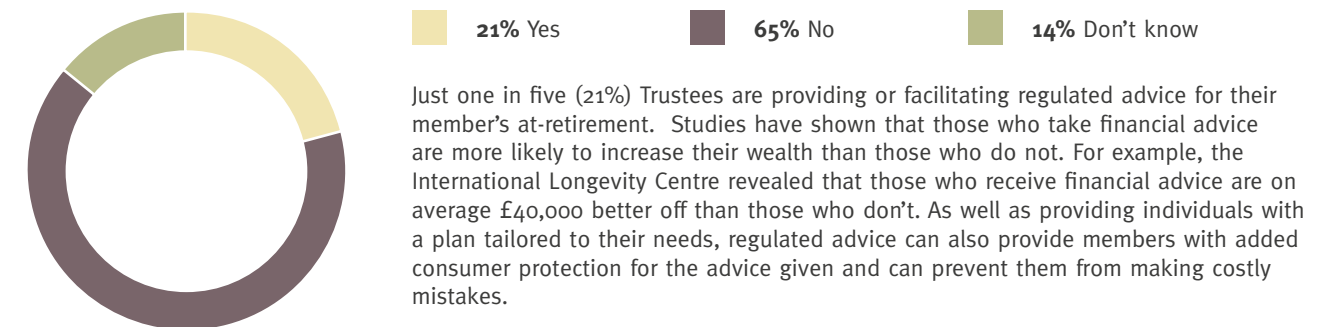


part 2: member support.

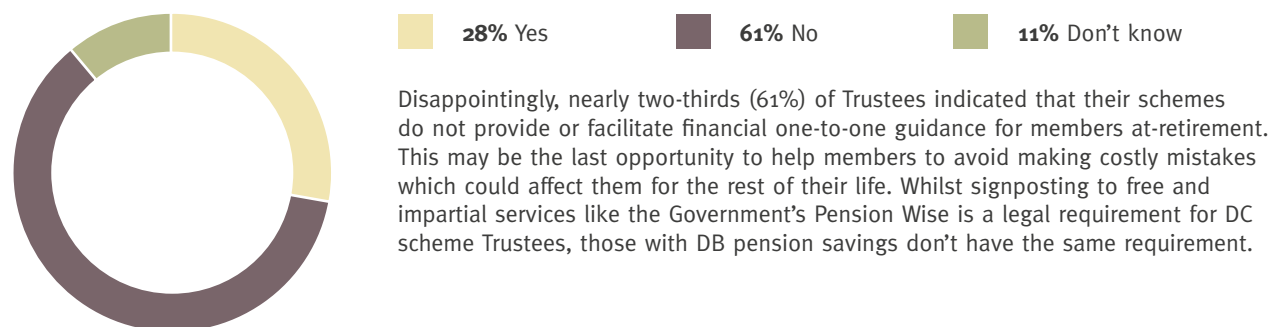
Do you provide or facilitate financial education for members at-retirement (e.g. seminars delivered to groups of members)?



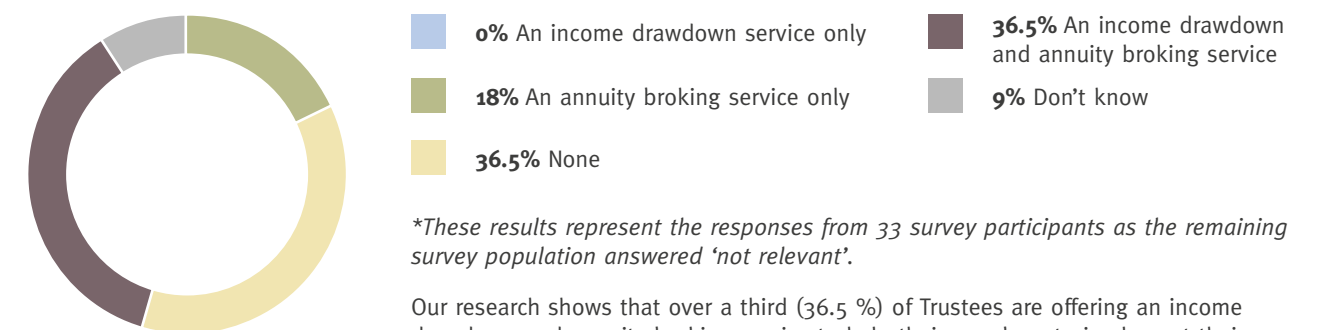
Do you provide or facilitate regulated advice for members at-retirement (e.g. when a personal recommendation is provided)?



Do you provide or facilitate financial guidance for members at-retirement (e.g. one-to-one support to discuss options but not to make personal recommendations)?



What external services, if any, do you offer members in a DC scheme access to, in order to help them implement their chosen retirement income option?*



*These results represent the responses from 33 survey participants as the remaining survey population answered 'not relevant'.

Our research shows that over a third (36.5 %) of Trustees are offering an income drawdown and annuity broking service to help their members to implement their chosen retirement income option; whilst an equal amount (36.5%) do not offer their members access to any form of external support services. Offering this is an efficient way for schemes to help their members access reputable providers who have undergone due diligence, rather than leaving them to go it alone. It is of concern that some schemes are offering 'annuity only' as this may influence the member into an annuity when it may not be the best choice for them.



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