Edition 06
June 2018

Pensions Aspects

WWW.PENSIONS-PMI.ORG.UK

Pegs and holes

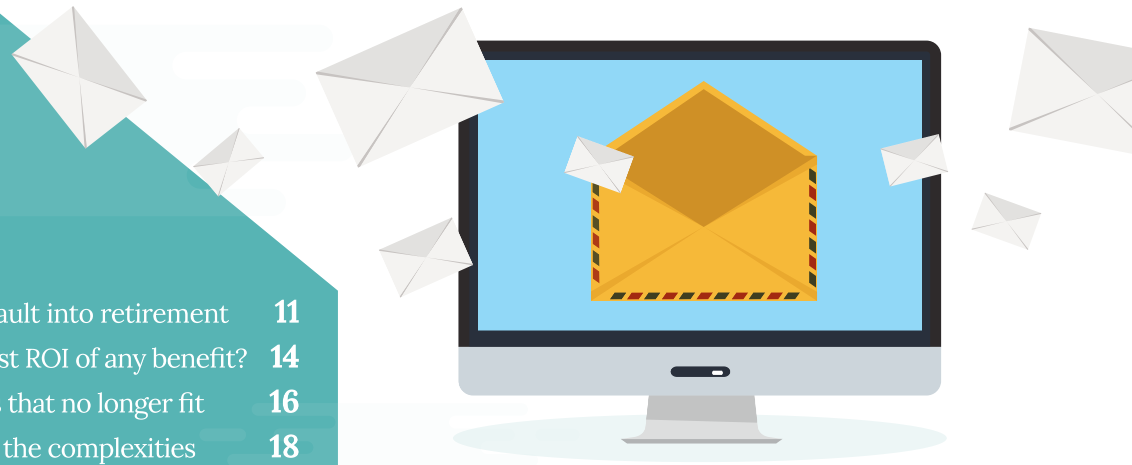
Are the traditional categories right for today's modern membership?

WHAT CAN WE LEARN FROM THE SCAMMERS?

PENSIONS DASHBOARD: ILLUSTRATING THE COMPLEXITIES

5 FINANCIAL RULES TO RETIRE SOONER

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE



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A Brief History of Pensions Communications

A generation ago, pensions communication was a relatively simple business. Until 1988, employers could make membership of their occupational scheme a condition of employment, so there was little need to promote the benefits of membership. The scheme itself was likely to be a final salary arrangement. Members had no need to consider investment strategies, decumulation options or retirement dates. The point of retirement would be rigidly defined and would reflect the (then legal) mandatory retirement age.

All major decisions would be determined by the scheme's rules, and the nature of a Defined Benefit (DB) pension promise left many members to assume that all they needed do was wait for their retirement age for a pension to be provided. Perhaps the only major choice would be whether to exercise a commutation option.

However, a supposedly simpler age still generated problems as a consequence of inadequate communication. Until 1977, married women had the option of paying National Insurance contributions at a reduced rate on the understanding that they would not accrue the State pension in their own right but would be able to claim a State pension based on 60% of their husband's contribution history once both had reached State Pension Age. The full implications of exercising this option were not adequately understood, and in recent years a generation of women have reached retirement age with inadequate pension provision without being aware of the consequences of a decision made decades previously. Better communication would have avoided this.

> **Today's workplace pension schemes are heavily dependent on effective communications as members need to be able to make informed decisions throughout their period of membership.**

Although automatic enrolment now sees employees joining schemes by default, membership has, for the last thirty years, been voluntary, and new members must be provided with information which will allow them to decide if membership is in their best interests. Within the private sector the scheme will almost certainly be a Defined Contribution (DC) arrangement. Although the significant majority of members will remain invested in the scheme's default fund throughout their membership, some will wish to consider alternatives, and these too must be adequately described in order to permit an informed choice. Finally, from their mid-fifties, members will consider decumulation options, and today decumulation need not necessarily be at the point of retirement. This is surely the most important aspect of modern pensions communications.

Members need to understand the different options available to them.

They need to understand the consequences of decumulation, such as the effect of the Money Purchase Annual Allowance, and they need to be aware of the risks posed by pensions scams.

The Government understood all too well that the groundbreaking reforms of Freedom and Choice required a major communications initiative to ensure that they could operate in a satisfactory manner. The launch of Pension Wise, and its forthcoming incorporation into a single financial guidance body, shows that effective pensions communication is vital if members are to achieve satisfactory retirement outcomes.

In an era where employees are likely to accrue retirement benefits with a range of different employers, keeping track of past pensions is increasingly difficult. The pensions dashboard is a bold solution that will use modern technology to allow members to trace a lifetime's pension accrual and to make informed decisions about how best to use what they have saved.

Workplace pension provision has never been more complex than it is today.

Effective communication is vital if the current system is to serve members in an effective manner. Finding effective solutions presents a major challenge for today's pensions professionals. It is a challenge which is addressed at some length in this month's Pensions Aspects, and we hope you enjoy the ideas that we present here.

Tim Middleton, PMI Technical Consultant

Qualifications

Award in Pension Trusteeship (APT)

Details of our APT qualification, including the examination dates, are on our website. Trustees who have completed the Pensions Regulator's e-learning programme, other training, and reading provided by their schemes, should feel ready to go on to sit the examination.

Diploma in International Employee Benefits 2018

The next public sitting for International 1: Core Unit 1B Foundation in International Employee Benefits will be in October. The closing date for the October examination entries is Friday 27th July. The first day of a two day lecture course will take place on Tuesday 26th June. For further details contact our Qualifications Team, or visit our website. We are grateful to the International Employee Benefits Association for producing the revised materials, and continuing to develop the qualification.

The study manuals may also be purchased by people who do not intend to sit the examinations, but would find the content useful for reference purposes. Full details can be found on our website.

October 2018 examinations

The timetable for the October 2018 Advanced Diploma examinations can be found on our website, where the application form is also located. All candidates entering the examinations must be registered as members.

The closing date for receipt of October examination entries will be Friday 27th July. You are reminded that the October examinations will be set on the syllabuses detailed on our website and the current 2018 study materials should be used in preparation.

Revision Courses

The following revision sessions will be held at Tower 42, in London:

- **DC Gov – Wednesday 8th August**
- **RPC – Thursday 9th August**

Booking forms are available on our website.

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Discuss this month's articles using #PMINews

DIPLOMA EXAMINATIONS Examinations 2018

The October examinations will take place on Monday 8th October and Tuesday 9th October. The precise timetable can be found on our website. Online learning for all 2018 Advanced Diploma units have full study packages containing a study manual, a series of distance learning assignments and a mock exam, all delivered online. These are based on the 2018 syllabuses. The examination package also includes entry into the examination.

We encourage all Students to undertake the distance learning assignments. Entry forms can be downloaded from our website. The closing date for receipt of entries will be Friday 28th July. You are reminded that the October examinations will be set on the syllabuses detailed on our website, and the current study materials should be used in preparation.

Examination results

At the time of writing, scripts for the latest examinations were being marked by the examiners. This includes the short answer questions for the core units, as well as scripts for the specialist units.

At the beginning of May the examining teams met, and since then each script has been independently double-marked. Examination results will be posted (first class) on Monday 18th June. You are reminded that if you are to receive your examination results promptly, we must be informed of any recent change of address.

If you are going on holiday and would like your results sent to another address, contact the Qualifications Team. From 9am on Tuesday 19th June, examination candidates may contact us to find out whether their name is on the pass list. The pass list will also be available on our website.

A detailed report on the examinations will be published by the Board of Examiners, and will be available on our website in the Summer.

Multiple choice examinations

Multiple choice examinations include:

- **Award in Pension Trusteeship (APT)**
- **Certificate in DC Governance (DC Gov)**
- **Retirement Provision Certificate (RPC)**

The next exam sitting will be held on Wednesday 12th September. Please note that the closing date for entry is Friday 13th July. No late entries will be accepted.

DIARY DATES

Wednesday 12th September 2018
PMI ANNUAL LECTURE

SAVE THE DATE

We are pleased to announce that the 2018 Annual Lecture will be held on the 12th September at:

JP Morgan, 60 Victoria Embankment, London, EC4Y 0JP

This event will count as one hour of CPD.

This event is free for PMI members to attend.

To register, please email the Events team

Monday 17th September 2018
PMI WORKSHOP, SECRETARY TO TRUSTEE

Following the previous cancellation of this event, the PMI is happy to confirm that this has now been rescheduled for the 17th September at Taylor Wessing.

This event will provide the opportunity to share experiences and gain insight into how others carry out the role of the Secretary to the Trustee effectively. Come along to learn more about managing conflicts, trustee effectiveness, preparing and monitoring an effective risk register, and working effectively with the Chair of Trustees.

Topics include:

+ The role of Secretary to the Trustees: effective meeting preparation/best practice at and post meeting
+ Preparing and monitoring an effective Risk Register
+ Working effectively with the Chair of Trustees
+ Effective Minute Writing
+ Regular annual activities
+ Trustee Effectiveness
+ Effective Complaint Handling
+ Managing Conflicts of Interest
+ Development of Meeting Management

Members £255.00 **Non-members £355.00**
All prices displayed exclude VAT.

Wednesday 19th September 2018
INTRODUCTION TO UK PENSIONS, LONDON

Wednesday 31st October 2018
INTRODUCTION TO UK PENSIONS, LEEDS

This introductory workshop is designed for those with little or no previous pensions knowledge. Our panel will go through the essentials of the pensions industry, touching on core areas that those starting out in the industry need to know, as well as answer any questions that you may have.

For further details, please contact Events.

Wednesday 7th November
PMI ADMIN SUMMIT:
THE FUTURE OF PENSIONS ADMINISTRATION

The Future of Pension Administration is a must attend event for in-house pension schemes, pension trustees, and finance directors who want to keep up to date with the latest best practices and trends, meet industry influencers, advance their careers, and find solutions to some of industry's most challenging concerns. The conference will also provide a greater networking opportunity for trustees, administrators and pensions scheme managers.

Early bird price of £250 for members and £300 for non-members (until 31st August 2018).

Register your interest in any of our listed events by emailing events@pensions-pmi.org.uk

Full details of all our events can be found on our website, along with all our booking forms.

Membership update

Membership Renewal

Your 2018 - 2019 membership becomes due on 1st September 2018 and renewal notices will be sent out shortly. Please see membership fees below.

PMI Membership Fees

Membership Category	Fees 2018/19
Student	£136
Certificate	£170
Diploma	£220
Associate	£310
Fellow	£395
Affiliate	£75
Retired/Non-Working	£75

Trustee Group	
Individual Membership	£135
Board Scheme Membership	£80

Diploma Membership

Diploma membership is open to those who have completed one of our qualifications at the Diploma level. For more information please see the PMI's website. We are pleased to announce that **Mary Flower** has been elected to Diploma Membership and can now use the designatory initials "DipPMI".

Continuing Professional Development (CPD)

Your completed 2017 CPD report was due on 31st January 2018. If you have not completed your report, please do so now and submit it to the membership department.

Fellows and Associates are reminded that meeting the PMI CPD requirement is compulsory (except where retired/non-working). Member are required to record at least 25 hours.

Please log on to the website and update your CPD record.

Members with outstanding CPD for the years 2015 through to 2017 have been sent lapsed letters and can no longer use the designatory initials APMI and FPMI.

PMI Membership Upgrade Waiver

The Board has decided to allow all future qualifiers after each exam to upgrade their membership without the appropriate election fee. The invitation to upgrade letter will be posted, together with your results, indicating a three-month window in which to upgrade your membership.

Members wishing to upgrade after the end of the waiver period will be required to undertake the usual process and pay the upgrade fee plus the annual subscription at the appropriate rate. For further details contact the membership department at membership@pensions-pmi.org.uk or on 020 7392 7410

APPT Renewal

The fee to renew your APPT membership will be £200, effective 1st July 2018, when your membership becomes due. Please ensure that your 2017 CPD reports have been submitted to the PMI membership department in preparation for your renewal.

Associate Membership

Associate membership is open to those who have completed the Advanced Diploma in Retirement Provision qualification. For more information please see the PMI's website. We are pleased to announce that **Simon Reynolds** has been elected to Associate Membership and can now use the designatory initials "APMI".

Certificate Membership

Certificate membership is open to those who have completed one of our qualifications at the Certificate Level. For more information please see the PMI's website. We are pleased to announce that the following people have been elected to Certificate Membership and can now use the designatory initials "CertPMI":

Richard Care
Hayley Hart
Kerry Leatherbarrow
Maryam Omrani
Thomas Powell

Membership Record

Please ensure that your personal details are correctly updated on the PMI database to ensure that there is no interruption to your membership service. If you require a reminder of your username/password to log in and check your details, please contact the membership department at membership@pensions-pmi.org.uk or on 020 7392 7410.

PMI Fellowship Network Sessions

PMI Fellow members met in May 2018 in Harrogate and London to discuss Guaranteed Minimum Pension (GMP)

- The interaction/dependency with de-risking exercises which often drive timescales
- What does good governance for a rectification exercise look like, what should be in the plan, how can reputational risk be managed etc.?
- Do we believe that conversion and equalisation will really simplify as administrators capabilities are built to deal with GMPs?

Fellows can view summary notes (including previous notes), by visiting https://www.linkedin.com/groups/PMI-Fellowship-Network-8298408/about

Discussions well underway at the recent PMI Fellowship Network Session.

PMI FELLOWSHIP NETWORK

PMI Trustee Schemes

The PMI extends a warm welcome to the following new PMI Trustee Group Schemes who joined recently:

// American Express UK Pension Plan
// British Coal Staff Superannuation Scheme
// Church & Co Ltd Staff Pension Scheme
// Costain Pension Scheme
// Diageo Pensions Scheme
// Mineworkers Pension Scheme
// Network Rail Pension Schemes
// Otter Controls Retirement Benefit Scheme
// Telefonica (O2)
// UNISON

Tuesday 26th June

EDINBURGH

PMI Scottish Regional Group

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The PMI Scottish regional group is holding its half-day pensions seminar on the morning of the 26th June in Edinburgh.

Anne Harper, Head of Qualifications & Professional Standards, will be doing an update on PMI activities.

Start/End time: 9.00am-12.30pm

Contact for Registration: ScottishPMI@Barnett-Waddingham.co.uk

Cost: £25 per person (including a buffet breakfast and lunch)

Venue: Hymans Robertson, Exchange Place One, 1 Semple Street, Edinburgh, EH3 8BL

Topics for the seminar will include:

- Scottish Rate of Income Tax
- DB White paper and IORP II
- Brexit
- 21st century trusteeship
- Cyber risk and wider information security (including review of introduction of GDPR on 25 May).

The PMI Scotland AGM will follow the seminar.

Tuesday 5 June 2018

CMS, Cannon Place, 78 Cannon Street, London EC4N 6AF

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

TRUSTEE SUMMER SEMINAR

Unchartered waters: what next for pension fund trustees?

Event Schedule

9:00 REGISTRATION AND COFFEE

9:25 Chair's introduction
Roger Cooper, Pi Pension Trustees and PMI Trustee Group member

9:30 Role of the Professional Trustee
- Working with the board
- Providing expertise
- Expected standards

MODERATOR
Michaela Rizzo, Consultant, Redington
PANELISTS
David Weeks, Co-Chair, AMNT
Amanda Latham, Policy Lead, the Pensions Regulator

10:15 Trustee soft skills
- Role of the Chair
- Negotiating with the sponsor
- Managing advisers

Hannah Lewis, Behave London

10:45 Employers in distress: Learnings from Toys "R" Us
- Initial Trustee actions
- The Trustee role and the CVA process
- Post CVA and Scheme contingency planning

Tom Lukic, Director, Dalriada

11:20 COFFEE

11:35 Current issues with valuations
- Are traditional assumptions still suitable?
- How much scope for change is there?

Sam Mullock, Actuary, First Actuarial

12:15 Risk Transfer
- The context around derisking pension schemes
- How an insurance company adds value
- Pension scheme run-off plans
- Case studies

Costas Yiasoumi, Pension Risk Transfer, L&G

12:45 PMI Trustee Group
- Benefits of membership
- TPR expectations

Lorraine Harper, Co-Chair, PMI Trustee Group

12:55 LUNCH

13:45 ESG and Ethical: what do you need to know?
- Identify differences
- Importance in context of current developments

Simon Howard, CEO, UKSIF

14:25 White Paper printed on Green Paper?
- New powers for the Pensions Regulator
- Defining appropriate prudence
- DB Chair's Statement
- DB Consolidation

Lynda Whitney, Partner, Aon

14:55 How does Fiduciary Management work?
- Why might it be suitable?
- What are the benefits?

Matt Simms, Director, P-Solve

15:25 What should trustees be asking about costs and risks?
- Questions for investment managers
- Importance of transparency
- Managing advisers

Judith Donnelly, Squire Patton Boggs

15:55 Chair's summation
Roger Cooper, Pi Pension Trustees and PMI Trustee Group member

FEES

Trustee Group Members	**FREE**
Members	**£250.00 + VAT**
Non-Members	**£350.00 + VAT**

CONTACT DETAILS
t: 020 7392 7427
e: events@pensions-pmi.org.uk

The PMI reserves the right to change the agenda at short notice

We need engagement

not a default into retirement

In the last few weeks we have seen the FCA's review on non-advised drawdown and the DWP Select Committee's 3rd report on the pension freedoms outlining a 'simple' package of reforms to create better informed and more engaged pension savers.

By Jonathan Watts-Lay, Director, WEALTH at work,
a specialist provider of financial education and guidance in the workplace supported by regulated advice for individuals.

The FCA's review was light on surprises, reiterating that whilst there is a huge amount of information available to members contemplating their retirement savings options, there is a concern that members are putting themselves at risk of financial harm. Given drawdown sales are now double those of annuities and more than 1 in 3 drawdown purchases are non-advised, this is no surprise.

The Select Committee reported that although the pension changes have given individuals choice over their retirement savings, many 'switch off' when faced with the 'bewildering complexity'. They also raised concerns over the 'large numbers of people buying drawdown products—which carry investment risk and can run out—without fully understanding the consequences'.

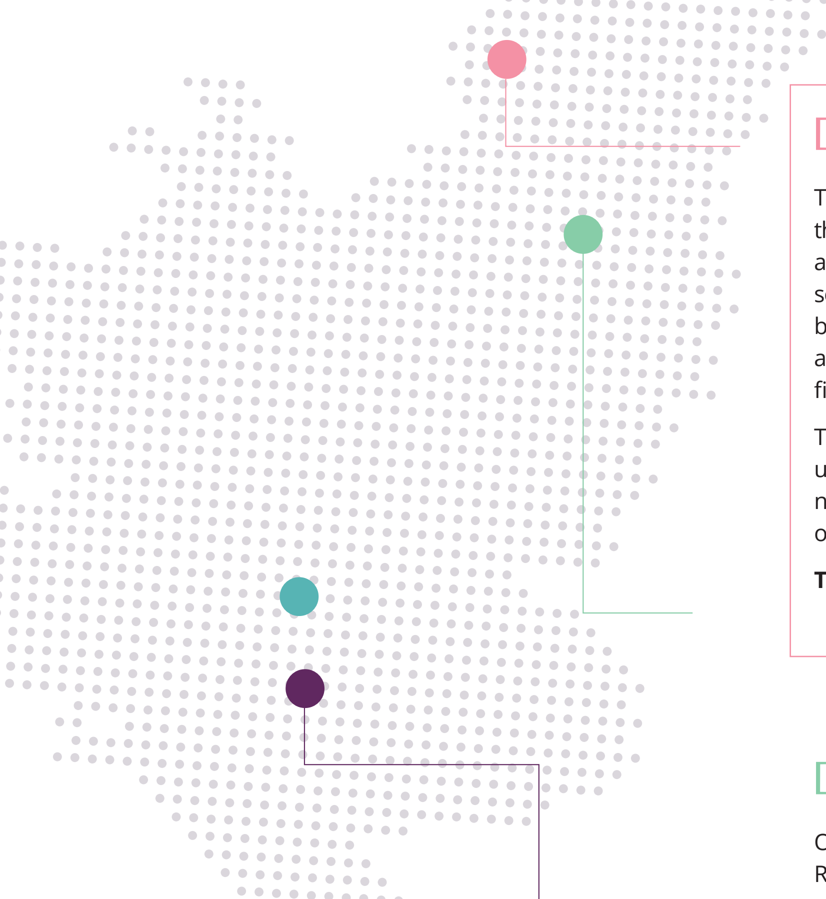
Although both bodies appear to understand that there is no one solution to these issues, it seems they believe that given auto-enrolments success, the way forward is to create default drawdown investment pathways that lead to a product to prevent people from holding money in inappropriate or expensive 'investment' funds – and so to prevent them running out of money too soon. However, I find the idea of defaulting members into something without a positive choice being made worrying. Firstly, as a financial education provider, we seek to change the behaviour of members through providing engaging and thought provoking information. Although supporters of default pathways see it as a method of increasing engagement, I believe that defaults will have the opposite effect. If auto-enrolment investment choices and non-advised drawdown choices are an indicator of likely behaviour, then doing nothing will surely be the result? This doesn't seem a step in the right direction. For example, if a member doesn't respond to the 'wake-up' pack and is defaulted, there may be a number of consequences such as triggering the Money Purchase Annual Allowance or affecting means tested benefits. In addition, as many people will have more than one pension pot (not forgetting other assets that individuals may also hold), if they all default based on individual pots rather than the collective value, the likely outcome for many will be sub-optimal and actually reduce income. Partly because many will end up paying more tax than is necessary and also because the failure to calibrate the changing income needs in retirement with the various defaults that individuals may have.

Secondly, I believe there are issues around the constant refrain of 'product, product, product', expecting the answer to complexity simply being 'product' innovation for those accessing retirement savings, rather than thinking about a broader service model which allows individuals to understand options before they commit. The PLSA in supporting the Committee's recommendations says the hard bit is 'specifying exactly how these products should work, what standards they should meet, and the means by which individuals should access a default or signposted product'.

But in reality income drawdown isn't a product at all. It's a strategy for withdrawing retirement savings from a tax wrapper, ideally with other lifetime savings and financial options in mind. And so, I believe that this is not a 'product' issue but an engagement issue, where the answer is providing a service proposition before any product is sold or indeed defaulted. If we can agree that the real problem is around engagement, then surely defaulting to an automated decumulation product is the last answer needed. The solution is to get members taking advantage of support services that already exist, in particular professional financial guidance and regulated advice. Although Pension Wise take up is low, the user satisfaction is high and a more confident, knowledgeable member is the result. Members who access financial education programmes and workplace financial guidance services are equally satisfied. Our experience is that they too emerge more confident, knowledgeable and more able to make informed decisions; it has been no surprise to see significant numbers of members changing their retirement plans, increasing pension contributions and seeking out regulated advice as a result.

So before more defaults are created, let's have more effort to make financial education and guidance the norm!

News from the regions



[North west news]

The PMI North West have their AGM on 12th June, bringing an end to the 2017/18 year. Thanks to all our speakers, committee members and to Eversheds Sutherland for hosting our regular monthly seminars. Our last speaker in April was Tish Tanifan, speaking on behalf of the Society of Later Life Advisers, or SOLLA. Advisers that are SOLLA members are specialists in advising older people on financial matters and the talk was informative and well attended.

The committee are looking for new committee members to join us and of course speakers for forthcoming events. Please contact nathan.robinson@uss.co.uk for further details in respect of either of these.

The next talk in 2018/19 year is on 5th September.

[Southern region]

We come away from another successful half day seminar on 16 May, where our guest speakers spoke with some authority on the following topics:

- Margaret Snowden OBE - Pension Scams - Where do we go from here?;
- Stan Russell - Testing the mettle of the defined benefit advice process and
- Gabrielle Holgate - Legal update - from highlights to lowlights,

and now look forward to our final event of the year on Tuesday 26 June at the offices of Willis Towers Watson, Reigate at 6pm. The subject will be 'Medically underwritten buy-ins' and will be lead by two guest speakers from Just. The evening will be preceded by our AGM.

For further information on the evening and the AGM please contact either
Mark Matthews - mark.matthews@willistowerswatson.com, or Clair Hood - clair.hood@howdens.com

[Eastern regional news]

Our next event is our AGM at 5.45pm on 13th June 2018 at Mills & Reeve's Botanic House offices in Cambridge which will be followed, at about 6pm, by a panel debate on "DB to DC transfers under the spotlight: more challenges than opportunities?"

The panel will be chaired by Lesley Carline, Vice President of the PMI. Our panel speakers are:

- Clare Grice: lawyer, partner and head of the pensions team at Mills & Reeve
- Andrew Cohen: a local IFA and Chartered Financial Planner at Andrew Cohen Associates Ltd
- Naomi L'Estrange: an Independent Trustee, formerly Director of Legal at the PPF and now a Trustee Director at 2020 Trustees.

We are expecting a lively and thought-provoking discussion amongst our panel along with audience participation, and we look forward to seeing you there. Full details have been emailed to members but please help spread the word.

If you wish to be added to our distribution list, please contact Susan Eldridge at susan.eldridge@aviva.com.

PMI LONDON GROUP AT THE FLIGHT CLUB SPONSORED BY SMART PENSIONS

Date: **12th June**

Time: **6.30pm**

Venue: **Flight Club, 2A Worship Street, Shoreditch, London EC2A 2AH**

Step up to the oche and test your darts skills at Flight Club, the social darts venue in Shoreditch. Generously supported by Smart Pensions we have reserved space for 30-35 people on two darts boards, so get in quick to guarantee you have a spot for you and your colleagues. At the start of the evening you enter your name, take a cheeky selfie, and the system guides you through a fun game of darts with the London Group members. Let the competitive spirit run free!

Food and drink will be provided on the evening and with tickets at only £10 each, this is a great value evening. You can purchase tickets for yourself and your colleagues via the eventbrite invitation issued to all members . You can also see full details on our LinkedIn page at PMI London Group or contact Damon Lacey on damon@museadvisory.com. Members and non-members are welcome

The venue is a short walk from Liverpool Street, Moorgate and Old Street tube stations.

PMI LONDON GROUP AGM

Followed by Networking 9 to 5: What a way to make a living!

Date: **5th July 2018**

Time: **6.00pm**

Venue: **RSM UK, 25 Farringdon Street, London, EC4A 4AB**

Many thanks to RSM for hosting our AGM in July . This year our traditional post-AGM talk will address a subject that will be of interest to all members, from students to experienced pension professionals.

Most of us in the pensions industry have to network to a greater or lesser degree to make connections, build relationships or drive business. We go to meetings, conferences and speeches, and spend a lot of time online, all of which are networking opportunities, yet even the most accomplished in networking can improve; whether it's about how to communicate with people from very different backgrounds to our own, or effective use of social media. Whether you are fresh to the industry, inexperienced or unsure when speaking to new people, or a seasoned pro, PMI London Group's summer business meeting is here to help the inexperienced and provide fresh insights to the experienced.

After the talk, there will be a brief light-hearted collective networking session, with drinks and nibbles, to help you put the theory into practice and get the very best from your future networking opportunities to put you in 'schmooze control'!

And finally... congratulations to our two committee members Laura MacPhee and Emma Watkins for their nominations in the Women In Pensions Awards 2018.

Does financial advice give the best ROI of any benefit?

Philip Blows, Account Manager, Wealth Wizards

It has often been the case that when looking at a workforce and who within it needs a financial adviser, Reward Managers go straight to the top. Executives with issues around annual or lifetime allowances and other complex tax problems often receive the most support as it is felt that those with less money will simply cash out pension pots or not benefit significantly from getting financial advice.

New research produced by ILC-U has, for the first time, quantified the true value of financial advice, and not just for those who are making a lot of money but for those who are at the other end of the spectrum.

So, what do the numbers tell us? The 'affluent but advised' accumulated on average £12,363 (or 17%) more in liquid financial assets than the affluent and non-advised group, and £30,882 (or 16%) more in pension wealth (total £43,245). This staggering improvement in wealth is consistent with the view that those with more money and complex financial circumstances will benefit from the services of a financial adviser. The real surprise comes when looking at the numbers for the 'just getting by but advised.' In this case they accumulated on average £14,036 (or 39%) more in liquid financial assets than the just getting by but non-advised group, and £25,859 (or 21%) more in pension wealth (total £39,895). What is interesting about the report is that, having spoken to numerous employers on this issue, it goes against conventional wisdom as many employers feel the only benefit they can give to less affluent staff is in helping them manage their debt or short term budgeting. This report shows, for the first time, that even those earning less will benefit from receiving financial advice and goes one controversial step further to show that less affluent people benefit more on a percentage basis from financial advice than those with more money.

The real question is why does financial advice improve people's finances, regardless of their situation, so dramatically?

The key difference between traditional models that focus on education and information services vs those of a financial adviser, are all around the call to action. With an education service the end user is the person who must take the new skills they have learned and then go and implement a financial change. This can often involve several steps and there is very little hand-holding along the way even when dealing with complex products like pensions. With an advisory service the individual is given a personalised recommendation and if they are happy it is implemented on their behalf. In other words, it is simply done for them and in our environment of instant gratification and hectic lifestyles this will always be the preferred option.

So,what do you do if you are an employer looking to act upon these findings? Firstly, it is appreciated that very few workforces can afford a human financial adviser for each one of your employees. Secondly, a human adviser may not be willing to provide the sort of services that those who are less affluent will require, as they would not be classified as commercially viable, so you may even struggle to find someone willing to do the job.

It is into this gap that digital advisers have stepped and, more specifically, those that focus not just on long-term savings such as pensions, but can also help with a myriad of issues such as debt and short-term money management. Digital advice can be delivered at a fraction of the cost and given the huge financial returns it offers employees it can be viewed as one of the best return on investment benefits on offer.

If you would like to find out more about how to offer digital advice to your workforce get in touch with Wealth Wizards today.

Pegs and holes

Are the traditional categories right for today's modern membership?

Continue reading on pages 16 - 17..

By Jenny Monger, Business Design Manager at Trafalgar House

Putting members into categories that no longer fit

The human brain is hardwired into categorising things. The skill developed as a sophisticated survival strategy, allowing us to rapidly identify things that are dangerous, dull or delicious. With split-second processing our brains identify, label and catalogue objects, animals and sounds. For quick-draw recall. It's an impressive system and one which has served humans well, but it can also be an unhelpful inconvenience when dealing with less instinctive priorities. Widespread usage of socio-demographic categories like 'snowflake generation' or 'millennials' illustrate our mental addiction to automatic .

In pensions administration, we usually categorise members by the stage they are at in their retirement journey i.e. active, deferred, pensioner, dependant. Once members are categorised, we use these classifications to define their needs and the type of service they should receive.

As defined benefit (DB) scheme closures rise and more creative liability management strategies are introduced, a different type of member is now commonplace: the 'active-deferred'. Little consistency exists on how we refer to this type of member: active-deferred, employed-deferred, affected-members and deferred-salary-linked, are among the terms most commonly used.

But fundamentally, these are all terms used to describe members that are no longer actively building up benefits but retain a relationship with the sponsoring employer. In many cases, their retained pension will increase by the greater of ongoing salary increases or deferred revaluation rates.

Adding to the complexity is the interplay between historic DB accrual and ongoing defined contribution (DC) entitlements. Schemes rarely have a clean break between past DB accrual and future DC entitlements, with employed-deferred members being particularly affected by the complex interaction of past and future service provision.

So, what are the needs of this type of member and are they being met by 'traditional' categorisation?

An employed-deferred member is entitled to have a clear understanding of who will communicate their pension benefits and how, be it the DB administrator, the employer, or the administrator of their new defined contribution sponsored arrangement. As part of this communication:

- They need to be kept informed frequently and consistently about all their pension benefits; their DB pension should not be the poor uncommunicative relative
- They need to appreciate and value all their pension arrangements as part of their total reward package
- Like any DB deferred member, the deferred pension entitlement will continue to change, and members need a clear idea of what that might mean in the future. For employed-deferred members with a salary link, this requires additional understanding
- If they leave employment, or as they near retirement, members need to know where they should go for support and understand what happens next
- They need to know and understand any links between the DB and DC arrangements
- They need to know who should be kept informed about changes in personal data, such as marital status and address

Trustees and employers should make sure their administration service is meeting these needs. They must consider:

• Whether these members should receive regular proactive information about their deferred pension and how it increases. This could be delivered through an annual benefit statement, but more effectively via an online portal. Online access is not something the industry traditionally looks to provide for deferred members, but here there are less likely to be data issues that would prevent this.

• Data quality analysis is traditionally looked at by member status. For members with a salary-link, data checks should include both active service data and deferred pension details. Only the presence of clean data for both will enable automation and reduce risk. For members without a salary-link, consideration should still be given to prioritising cleanse to enable automated self-serve solutions. Reporting on data quality should separately identify these member types.

• Where members retain a salary-link, the administrator will need to blend the elements of active and deferred calculations. The forecasting basis for members with salary-linked benefits needs to be transparent and understandable. Employers need to provide regular up-to-date and accurate salary feeds to facilitate these calculations.

• When a salary-linked member leaves and becomes a 'true' deferred member, deferred pensions will need updating to reflect the crystallised position at the date of leaving employment, and the base year for future deferred revaluation (depending upon the results of the better of calculation).

The data checks, calculations and communications used for deferred member service will also need to cater for deferred members that were previously salary-linked members.

• To help members appreciate the value of their pension benefits, transfer value estimates should be accessible through online calculators or provided on annual benefit statements. For salary-linked members, actuarial advice should be sought on whether any special assumptions need to be built into the transfer value calculation basis.

Members that have a salary-link do not have any right to transfer benefits out of the scheme, until they opt out or leave employment. Therefore, different information needs to be provided in response to transfer value requests from these members; they should not be given cash equivalent transfer information or transfer application details.

• The role of the employer needs to be defined: are they collating and providing personal data changes through an interface? What is the process when the employer-deferred member leaves employment, approaches retirement, or dies?

Employed-deferred members do not fit squarely into either the active or deferred box; they are a hybrid of both. They are a special type of member with their own particular needs and trustees should ensure that the contracts and processes of their administration provider reflect the unique needs of this group.

Another common area of misunderstanding and confusion is how disclosure regulations impact deferred members that retain a salary link. Without the ability to neatly slot this type of hybrid member into one of the established categories, trustees and administrators are often left confused about what information needs to be delivered to them and when.

Having a clearly defined policy that goes beyond the basic disclosure requirements will provide clarity on service requirements to your administrator, as well as giving your members a better all-round experience.

Categorisation is an entirely natural behaviour and, in many cases, provides a useful tool to shortcut descriptions, needs and requirements. Sometimes though, evolutionary changes outgrow our binary definitions and we are left clumsily trying to shoehorn a new group of people into an outdated set of classifications. It is time we evolved our vocabulary and service to meet the needs of a whole new membership group.

Pensions dashboard:

Illustrating the various requirement complexities

A pensions dashboard service could be a really wonderful thing for the citizens of the UK. But making it happen will be incredibly tricky. Over two articles, Richard Smith reviews some of the high level content and technical requirements for a pensions dashboard service.

By Richard Smith

Part 1 – Content requirements

One way of illustrating the complexities which a pensions dashboard may have to deal with is to look at some real world example careers. In this article, I've used my own and my dad's lives as case studies.

Why my dad didn't need a pensions dashboard

For my dad, planning for retirement was pretty simple – see his "life timeline" overleaf. Alongside his state pension, his only pension is a defined benefit (DB) calculated based on his continuous service since he joined the General Post Office (GPO) in the 1940s.

He had to decide whether to take early retirement at age 58, but other than that, he didn't really need to actively engage with, or make decisions about, his retirement provision at all.

Crucially, he had confidence during his working life about his retirement provision because it was all being provided by, and communicated by, just one DB scheme. This is the classic 1-to-1 relationship between working life and retirement that used to be so common.

Why I really need a dashboard

How things have changed in just one generation? It's immediately obvious from my timeline overleaf that the provision for my retirement is vastly more complex than my dad's was. But what exactly makes it more complex?

> **The most obvious difference is the quantity of retirement income sources.**

Dad's 1-to-1 relationship is 6-to-1 for me. And unless I consolidate things a bit, I'm on course to receive at least nine streams of income in retirement, including my state pension and spouse's pensions.

So, purely from the perspective of quantity, keeping on top of things is now much harder than it used to be. However, there are five further "dimensions" of content complexity that a dashboard needs to address:

1. Lack of empathy
2. Broad variety
3. Monetary values
4. Multi-option confusion, 5. Criticality of completeness.

Each of these dimensions is explored briefly below.

1. Lack of empathy:

All of my schemes & providers deal with me as if the pension provision I have with them is all I've got. There's absolutely no empathy in any of their communications that they're each only a part of my overall retirement picture.

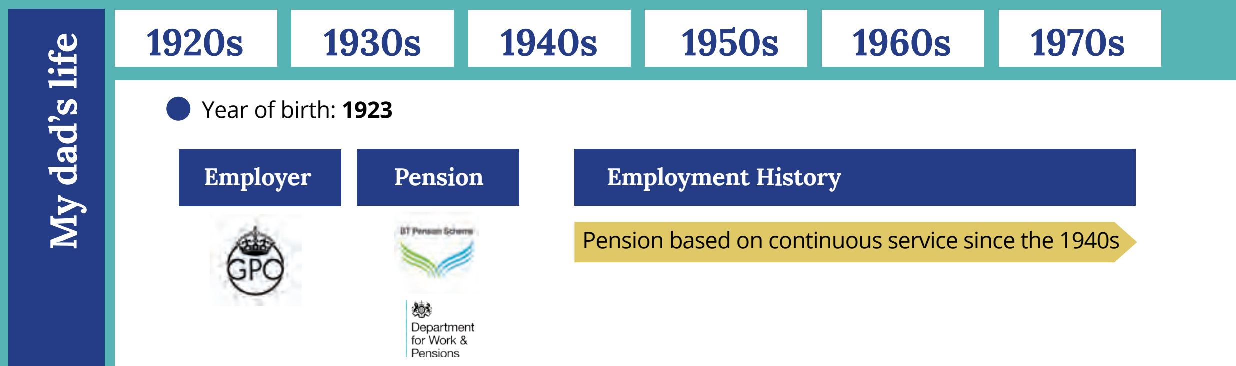
Frankly, the whole model of "scheme communications" is now increasingly irrelevant: it worked for my dad, who was in one scheme only – but that's old school: that world has gone.

2. Broad variety:

To date, I've amassed these pension types:

- Pension Protection Fund
- Defined Benefit (DB)
- Trust Based Defined Contribution (DC)
- Group Personal Pension
- Mastertrust
- State and
- Public Sector.

> **Options for taking retirement income, and also benefits on death, vary enormously between these different types.**



3. Monetary values:

What value(s) should be displayed for each of the different sources?

An annual retirement income figure is preferred, but, for DB, at what date, and how, should that be calculated? For DC, should a simple "rule of thumb" drawdown income be shown? And how can tax free cash options be shown simply?

4. Multi-option confusion:

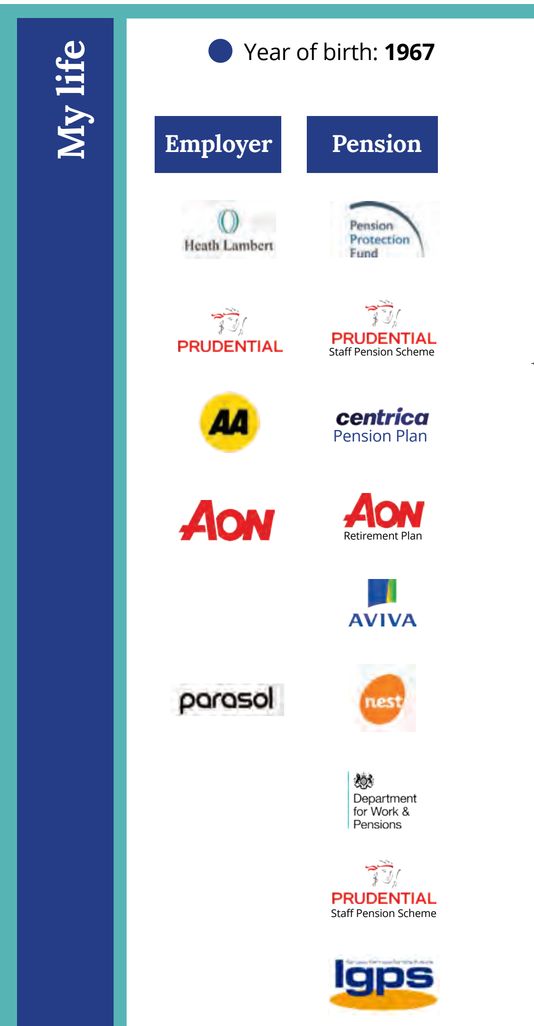
Getting to grips with just one set of pensions options and paperwork can put you to sleep. But I've got at least six discrete sets to contend with. This creates exponential torpidity and leads to the inertia generally pervading retirement planning being multiplied many times over.

5. Criticality of completeness:

It's only when I can see my entire pension provision, with a total estimated retirement income figure (preferably compared against an income target), that I can begin to meaningfully understand if I'm doing OK, or, if I need to consider changes to grow my retirement income (such as contributing more, changing investments or retiring later).

Conclusion: From my timeline shown here, I believe that I'm doing OK and **am** on target for a "comfortable" income, at least by the time I'm 67. Without exception, everyone I've shown this timeline to has said: "I need to do that for my pensions", so I'm guessing that these themes will resonate as fairly typical?

Next time: Part 2 – In the September 2018 edition of Pensions Aspects, I'll consider the key technical requirements for a pensions dashboard service.



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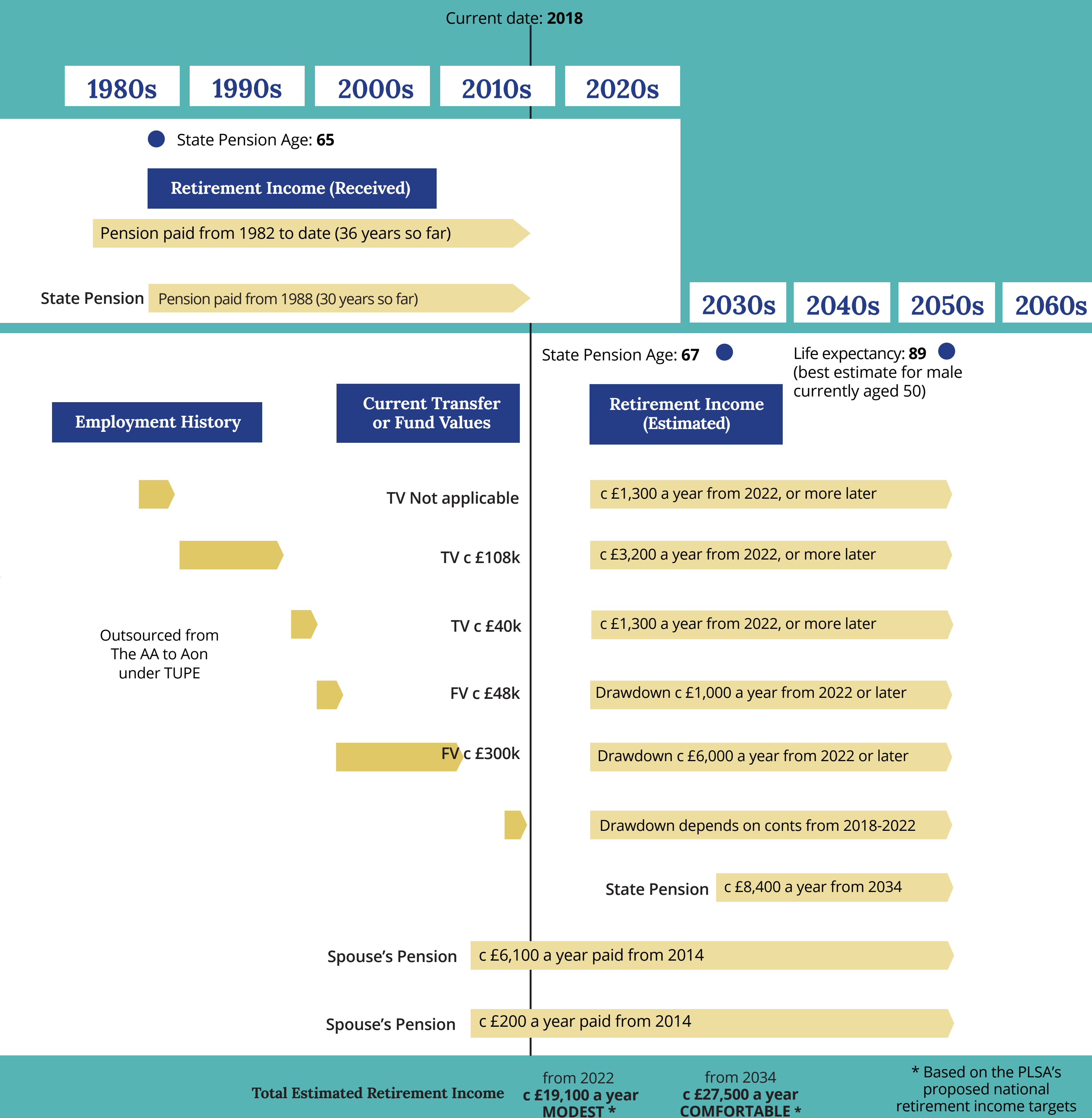
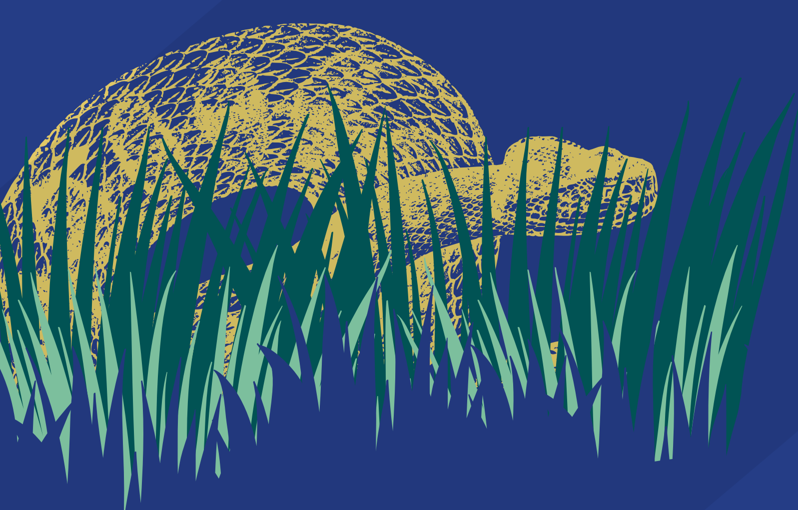

Current date: 2018
1980s
1990s
2000s
2010s
2020s
State Pension Age: 65
Retirement Income (Received)
Pension paid from 1982 to date (36 years so far)
State Pension
Pension paid from 1988 (30 years so far)
2030s
2040s
2050s
2060s
State Pension Age: 67
Life expectancy: 89
(best estimate for male currently aged 50)
Employment History
Current Transfer or Fund Values
Retirement Income (Estimated)
TV Not applicable
c £1,300 a year from 2022, or more later
TV c £108k
c £3,200 a year from 2022, or more later
Outsourced from The AA to Aon under TUPE
TV c £40k
c £1,300 a year from 2022, or more later
FV c £48k
Drawdown c £1,000 a year from 2022 or later
FV c £300k
Drawdown c £6,000 a year from 2022 or later
Drawdown depends on conts from 2018-2022
State Pension
c £8,400 a year from 2034
Spouse's Pension
c £6,100 a year paid from 2014
Spouse's Pension
c £200 a year paid from 2014
Total Estimated Retirement Income
from 2022
c £19,100 a year
MODEST *
from 2034
c £27,500 a year
COMFORTABLE *
* Based on the PLSA's proposed national retirement income targets

What can we learn from the scammers?

Vince Franklin,
Co-Founder &
Creative Partner,
Quietroom

The grass may look greener, but there are snakes in it. Pension Freedoms are encouraging lots of people in DB schemes to consider their options before accepting the income for life they originally signed up for. And as several big schemes face difficult times and terrible headlines, many members who are nowhere near retiring, are looking over the hedge to the apparently greener pastures of DC.

These members are often enticed by 'advisers' who promise them a wealthier retirement than their DB scheme ever could. Some of these advisers give good advice, others don't. And a third group are robbing people of their future. Trustees, the Government, Regulators, and the media are all pointing fingers at each other while painting a gruesome picture of this third group: the scammers. But if these people can get members to trust them, even hand over their old age to them, perhaps we can learn something from them about how we look after our members.



Scammers don't have swag bags or stripy jumpers.

We need to stop thinking of scammers as Del Boy figures, operating from dimly-lit offices over chip shops. They're more like Richard Branson. Not only are they plausible and articulate, but, like Branson, they make members feel that they're on their side, battling against big corporations that only have their own interests at heart. When Virgin Atlantic went into competition with BA, Branson told us that the established airlines had been making too much money from their near monopolies for far too long; charging us for poor service and a dull experience. He wanted to make life better for us. I don't know whether he was right or not, but we bought it. Pension scammers do the same. They persuade members that, unlike the big faceless institution that's running their pension scheme for their own benefit, they're able to use their entrepreneurial skills and inside knowledge to offer something tailored to the individual member that will free them from the machine. And, just like Virgin Atlantic, scammers deliver a great customer experience. They pro-actively phone members, they meet them face-to-face, they get answers to questions almost instantly, they even invite people to chicken dinners! It's true; steelworkers were invited to a chicken dinner and a presentation about transferring out. Meanwhile, we think members should be grateful. We have admin backlogs – "because we're getting so many transfer requests right now," which tells the member they're not the only person thinking of transferring out. Our help desks are unavailable because of the number of questions we're getting. And we're strictly neutral: "We can give you information, but we can't advise you what's best." Well, hey, if you can't, there's a scammer down the road who can.

3 ways to keep members away from the scammers

Be braver when it comes to helping people

I come across two broad types of Trustee: those who want to get as close to giving advice as they can, and those who don't want to be on the same continent as advice. Whilst no trustee wants to cross the line, perhaps it's time we had a good hard look at ourselves and moved at least a little out of our comfort zone. Is it enough to give people a bland warning, tell them they need an adviser, and point them to someone else's website? We rarely even mention that most advisers aren't authorised to help them. We don't usually provide a list of advisers who are. Few schemes offer to pay for advice. We don't even say that the FCA can help members if they just give them a call: "here's their number and here are a few things you might want to talk to an adviser about when you meet them." If we started helping people think about transferring out, rather than warning them against it, we'd avoid looking like we're acting in our own interest, a criticism often thrown at us by scammers.

Stop looking like we're trying to hold on to people's money

A few years ago, I worked with a large financial company (name withheld to protect the innocent). They were concerned because, following poor returns, loads of people were taking their money out of an investment bond. And they were doing it at a time that meant penalties and charges were high. Waiting just a few months was likely to result in a better outcome for everyone. If you rang the company and told them you wanted your money, you were put through to the 'Retention Team'. In other words, a group of people whose job is to stop you doing the thing you want to do, with your own money.

By changing the team's name and objective from 'retain money' to 'help people take out their money in the best way for them', the whole relationship changed. When the company clearly wanted to give people their money, they were happy to chat about the best way of getting it out. As a result, once people understood their options, many decided to leave it where it was.

The company retained millions of pounds of investment they expected to lose. And investors avoided hundreds of pounds in early exit charges. Everyone won.

So, perhaps we should present transferring out as a genuine option. Maybe we should help people find advice and think it through. This way we keep the relationship with our member, rather than handing it over to the scammers.

When we try to scare people about transferring out, we're playing into the scammers' hands.

They'll tell members that we're scaring them because we want to keep hold of their money. They'll make us the member's enemy.

Think like a newsroom

I've monitored some scammers' marketing for a while now and they move really quickly. Their newsletters, websites and social media platforms respond instantly to news and are updated hourly, even every minute. Meanwhile, we spend weeks preparing a newsletter. I spent three months last year getting a Trustee to sign off the script for a two-minute animation. Concurrently, the scammers set up websites using the scheme's colours, imagery and font, and invited people to a meeting to discuss their personal finances.

We need to think like a newsroom: making our websites and social media platforms the go-to place for the latest information, not a repository for forms and last year's report and accounts. Moving quickly means taking some risk but, as we tell our members, investing in the future isn't about avoiding all risk, it's about finding the right balance between risk and potential reward. Well, that's as true of communicating as it is of investing. To make things move quickly, whilst also spreading the risk of speed, try shortening the sign-off chains; does the whole board of trustees need to sign off every email?

Build relationships; don't just tell people stuff

All of this is about building stronger relationships with our members, because relationships trump truth. People trust rubbish data from someone they like more than they trust good data from someone they don't know. I asked some members of a scheme earlier this year who their Trustee was and what they did. They thought they worked for the scheme's investment firm. If members don't know the people running their scheme, what those people have to say to members matters very little. Scammers talk to people all the time. They put their face on the top of documents and their names on the bottom. They don't send letters out from 'the Board'.

It's time to build relationships with members so that when they're thinking through tricky decisions, we're the first people they think of.

Automatic enrolment

and what new employers need to do

The Pensions Regulator

As a result of automatic enrolment, around 9.6 million people are now saving into a workplace pension and more than 1.2 million employers have successfully met their statutory duties. We've moved from a situation where workplace saving was falling to one where staff now expect a pension. Around 80% of staff are now saving into a workplace pension. Automatic enrolment is now business as usual for employers who are set up to pay pensions contributions every month and to put new staff straight into a scheme.

Instant duties

This month will see the last remaining employers with a staging date reach their deadline for completing their declaration of compliance. Start-up businesses do not have a staging date but will have workplace pensions duties as soon as they take on their first member of staff.

There is an online step-by-step guide for the 16,000 new businesses setting up each month, and business owners with staff can check what to do and when. There are a number of steps employers will need to take.

Check whether staff need to be put into a pension scheme

Employers must check if their staff are eligible for automatic enrolment. Currently, eligible staff are those between 22 and state pension age and who are earning more than £10,000 per year.

Tell staff about automatic enrolment

Employers will need to tell all their staff in writing about automatic enrolment. Even if staff are not eligible they must be given the opportunity to opt in or join a pension scheme.

TPR has information on how to choose a scheme, including a list of providers who have master trust assurance.

Nominate a contact

TPR writes to, and emails, employers with key information about their automatic enrolment duties. This means it's essential they nominate a contact and that accurate and up-to-date details are provided. Employers who nominate a contact and receive our updates are more likely to avoid non-compliance.

Choose a pension scheme

Staff who are eligible must be put into an automatic enrolment pension scheme which employers will have to contribute into. TPR has information on how to choose a scheme, including a list of providers who have master trust assurance. Employers will also need to check their pension scheme is compatible with their payroll software.

Advisers, ensure your clients get to know their workplace pension responsibilities

Costs and charges

Different providers may charge you in different ways. For example, an ongoing monthly charge or a one-off, up-front fee for the life of the pension scheme. Some schemes may also have an exit fee for employers who change pension schemes.

Employers should weigh up the costs and charges against the level of services that the scheme will provide. Some services may make automatic enrolment easier over the long term.

Tax relief

Employers who have staff who don't pay income tax should check the scheme uses 'relief at source' to add tax relief from the government.

Tax relief means that some of the money from your staff members' pay that would have gone to the government as tax goes into their pension instead.

There are two ways that staff can get tax relief on what they pay into their pension. A scheme can only use one method for all your staff and this will affect your lower or higher paid staff in different ways. **More information about tax relief can be found here:**

http://www.thepensionsregulator.gov.uk/en/employers/duties-checker/outcomes/i-am-an-employer-who-has-to-provide-a-pension/choose-a-pension-scheme-or-check-your-existing-one/what-to-look-for-in-a-pension-scheme.aspx]

Staff who don't pay income tax

If an employer has staff who don't pay income tax they will only get tax relief if the chosen scheme uses relief at source. If a scheme uses net pay arrangements, these staff will not get tax relief and will pay 20% more for their pension.

Declaration of compliance

New businesses who take on staff have up to five months to complete a declaration of compliance with TPR. This shows what the employer has done to meet their statutory duties. The majority of warning notices issued are because an employer has not completed their declaration of compliance and employers who fail to do this risk a fine.

Employers should weigh up the costs and charges against the level of services that the scheme will provide.

21st century trusteeship

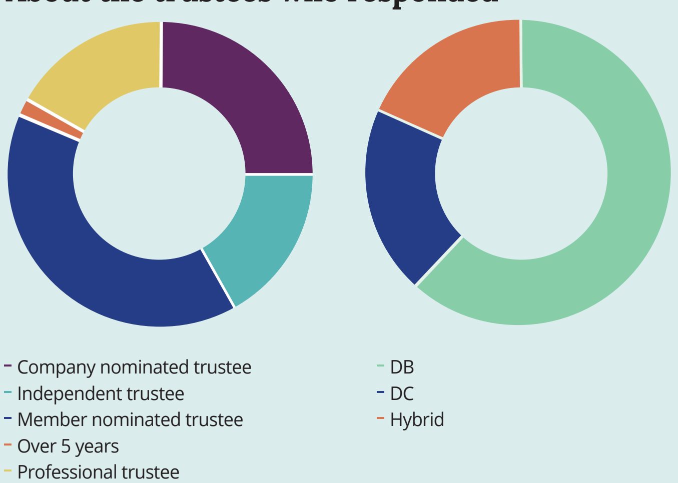
What trustees want

By Lorriane Harper
PMI Vice President
Co-Chair of PMI Trustee Group

In these times of pushing trustees to improve their skills and governance of pension schemes, the PMI took some time out to ask trustees what they want.

In January we launched a survey targeted at those members who are trustees. There are potentially 20,000 trustees in the UK ranging from those nominated by the membership, by the sponsors, professional persons, and independent trustees, with differing needs and skills. Our trustee membership comprises over 750 individuals, many of whom represent boards of trustees. We received 60 separate responses from the group but since 31 of these represented trustee boards, we potentially had around 150+ trustees represented in the responses. The number of schemes represented in the survey totaled 140. The findings were very interesting and informative.

About the trustees who responded



The majority of trustees who responded represented DB or Hybrid schemes, as can be seen above. In addition, 65% of the respondents had more than five years' experience and only 7% had less than one year of experience in the role. Some 17% had one to three years' experience.

Lessons learned

The most startling result was that 72% of our participants felt that geography was the single biggest obstacle to learning and participating in PMI activities. The survey population felt that learning opportunities were too concentrated in the South of England making it difficult for trustees to take advantage of them. At PMI House, we have already begun to address this issue as detailed below.

/ We are actively engaging with the heads of regions to ask them to reach out to locally based trustees and offer more meetings on topics directly relevant to trusteeship.

/ We are offering more direct support for local groups in providing material for local seminars and helping with the organisation of events.

/ We are engaging with the regions to determine what else we can do to encourage greater participation in the PMI by trustees.

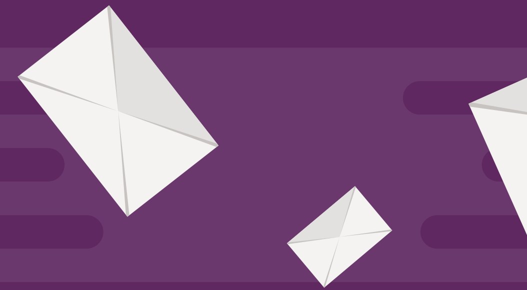
What do the trustees want?

A significant part of the survey was aimed at finding out the types of learning opportunities and content that are of most interest to trustees. The subjects that were given highest priority included:

+ GDPR and Cyber Security
+ 21st Century trusteeship
+ challenging advisers
+ effective trusteeship (decision-making, soft skills, negotiation, etc.)
+ avoiding bad choices by members.

It was no surprise that GDPR and Cyber Security had high priority given the proximity to the implementation date 25th May, and the recent high profile cases involving misuse of personal data, and the PMI has a number of learning events already in the calendar on these subjects across the regions. We are now looking at introducing some more interactive training opportunities to assist trustees with the softer elements of the role and will publish details as soon as these are finalised.

A summary report on the survey is currently being prepared and will be issued automatically to all those who participated. Any other trustees requiring a copy should **contact the PMI Marketing team - marketing@pensions-pmi.org.uk**



Swift and secure tech

could mean the last post for the mailroom trolley

Improving communication is a vital element of providing customer service excellence, with efficiency and security both playing a key role. Stephen Lester, Proposition Director at Paragon Customer Communications, outlines the benefits of using an expert communications company to help customers digitise their incoming customer mail

Whilst initiatives such as the ABI Pensions dashboard have gone some way towards improving accessibility and understanding, correspondence received by customers from financial institutions can still prove to be daunting for many. And in an age where a growing number of us are embracing digital communication, printed material remains a mainstay, whether it be due to customer preference or a legal requirement.

With this in mind, companies like Paragon Customer Communications have been researching and investing in innovative digital solutions that can not only maximise the value of information retained by organisations but enhance the customer relationship.

Digital solutions capable of managing incoming and outgoing correspondence that can collect, manage, filter and maximise the use of data retained on each individual customer can be used to enhance the communications journey, allowing organisations to develop a simpler solution that in turn makes more effective use of internal resources.

> **The freedom these new innovative solutions bring will also allow people to be redeployed to more consequential roles.**

Opportunities exist for organisations adopting such solutions to make impressive savings; one multi-national pensions, insurance and investment company saved a total of €300m over the space of five years through reducing inefficiency, improving business processing, and making better use of data. The speed of processing, and the increased movement of documents throughout the company, has allowed the organisation to respond much more quickly to its customers, while thousands of documents are processed digitally every day.

First class mail solution

The much-loved and bustling mailroom is just one touch point that is being revolutionised by these all-encompassing, clever and new digital solutions.

Gone are the days of walking around a building with a post trolley, along with the danger of important documents being lost or buried under a mound of paperwork, before they reach the relevant department.

A 'digital mailroom' is a single point of receipt for both physical and digital mail. Once it has been received, incoming print mail, sent from customers to the company, is scanned then sorted according to content. This enables everything to be stored digitally, removing the need for reams of paper documents that need to be physically filed away, and facilitating document retrieval at the click of a mouse. Information contained in these incoming documents is analysed and stored; it is then used to shorten decision-making cycles whilst keeping customers

The much-loved and bustling mailroom is just one touch point that is being revolutionised by these all-encompassing, clever and new digital solutions.

better informed by promoting proactive engagement.

The most sophisticated solutions can be used not only to manage incoming mail but they can provide an end-to-end solution, processing payments and sending out messages to customers, which in turn reduces the time taken to make decisions on who should receive what and when, according to individual requirements and preferences.

This joined-up approach transforms how organisations manage documents, effectively closing the loop and achieving a seamless flow between incoming mail and what is sent out to customers.

Expert advice

Some organisations have set up a simplistic digital mailroom in-house. However, establishing and then running such a system can consume valuable time and resources, whilst the danger exists that sensitive personal data may be lost as a result of using inefficient manual processes.

A more effective option is to work with a company that has customer communications expertise, to configure an end-to-end, tailored digital mailroom system based on the precise needs of the individual organisation.

A highly efficient system can be set up that sorts, scans and categorises incoming post, processing documents swiftly throughout the business, whilst archiving data, in turn, significantly improving the speed at which organisations can distribute information. Some can even provide a dedicated team on-site to set up and run the new system.

Working with a communications specialist will ensure that the entire process is conducted within a safe and secure environment

Security first

Digital security is, quite rightly, always at the forefront of people's minds, particularly in light of recent changes to legislation such as the introduction of the GDPR. Working with a communications specialist will ensure that the entire process is conducted within a safe and secure environment, and that the data held is done so in full compliance with legislation.

Expert teams work to stringent processing and security standards, under the government's Baseline Personal Security Standard (BPSS) accreditation, widely adopted as a minimum standard in and beyond the public sector.

The latest technology is transforming the possibilities of what can be achieved through customer communications as companies move towards digitalised mail systems.

Paragon Customer Communications is one of the UK's leading providers of digital and physical communications, specialising in supporting customers' transformations from paper to digital communications.

5 financial rules to follow if you want to retire sooner

Hannah Goldsmith DipPFS, Goldsmith Financial Solutions

Future investment returns cannot be predicted with any great certainty.

If you're looking to grow your money, whether for retirement or some other dream, then there are five rules you need to follow. And they are probably not what you are thinking.

1) Do trust the markets

The global market is an effective information processing machine. Millions of participants worldwide buy and sell securities in the world markets every day. The real time information they bring to the market helps set the market price. With more than 98 million trades a day, the probability is minuscule that a committee, sitting in a board room and discussing where to invest your money, will spot a favourable discrepancy in a stock price. It is possible, but it is also highly improbable.

Instead, of buying retail funds selected by a fund manager, buy a diversified basket of global index tracker funds and let the markets work for you. Holding a wide basket of stocks from around the world, linked directly to market returns, can reduce the risk of trying to outguess the markets or worse, pay somebody to outguess the markets.

2) Don't think the Financial Services Industry has your best interest at heart

Conventional wealth management institutions have internal systems set up to deliver a particular service in a particular way. They are, therefore, far happier when the status quo prevails; it's more profitable for them and their shareholders. Bearing that in mind, why would you expect them to provide you with an opportunity to move your money to a competitor at their expense, even if it was in your best financial interest? These corporates are in business to maximise shareholder value and get rewarded for doing so. They are not in the game to make sure that each investor's financial outcomes are catered for. It is therefore essential that you take back control of your money and ensures that the 'hidden' ongoing portfolio costs are kept to the bare minimum.

Aim to keep the costs of managing your portfolio at under 1%. The industry's average cost of using a conventional financial service company is in the region of 2.3%. If you save yourself even 1% a year you will have made a substantial amount of money using compounding interest over the life of your portfolio.

For example, if you invested £100,000 with a traditional financial services company paying a total fee of 2.3%, and you received a 7% return on your money for 25 years, you will have a projected future value of £329,332. As £100,000 was yours to start with you will have made a £229,332 profit. The overall cost to you, to make that profit, will have been £109,912. If you invested £100,000 in a low fee portfolio, paying a total fee of 1.11% and received a 7% return on your money for 25 years you will have a projected future value of £441,601. As £100,000 was yours to start with you will have made a £341,601 profit. The overall cost to you would be £63,718.

3) Do diversify

Investment returns cannot be predicted with any great future certainty. Therefore, limiting one's investment universe to a handful of stocks, or even to one stock market, is a concentrated strategy with high risk implications. Do not try and guess which parts of the world will outperform others, or whether bonds will outperform equities, or if large stocks will outperform small stocks. Therefore, don't let your financial adviser visit you each year, moving and changing your funds, to justify their existence and their fees. They are wasting your money.

Trying to make predictions in a random world is tantamount to gambling with your pension or investment portfolio and can have a serious effect on your long-term wealth. If you do not want to gamble with your nest egg, buy the global market using a diversified basket of index tracker funds and leave the speculation to the gamblers.

4) Do be brave... and patient

Anyone can make money when the markets are moving favourably. And if you have a cost-effective portfolio, you will earn even more during this stage of the financial cycle, thanks to compounding interest. When things are good, investors are full of optimism. However, when there is a long slow decline in markets, investors want to jump ship and wait for the markets to recover before they jump back in. The problem is market timing cannot be predicted. If you take money out in falling markets you will lose real money, all thanks to fear. Most people don't reinvest until they get their optimism back, which is often too late; by then the stocks have risen, you've missed out on the gains, and you still have your losses to make up. Manage your emotions by investing in a risk portfolio that is correlated to your capacity for loss. Not one that is based purely on your search for the highest returns. Remember, investing is for the longer term. History says that you will be rewarded for your bravery, and your patience.

5) Don't be put off. Do invest

Although the banks' advertising agencies tell us how wonderful and safe these institutions are, I am still reminded of the chaos and misery they caused when they needed bailing out by the tax payer. This was due to what was described by the Financial Crisis Inquiry Commission as a 'systematic breakdown in accountability and ethics'.

Also, where is the transparency? If we deposit our money with a bank, they will use it as they see fit. They will lend out to credit cards at 29%, and commercial loans at 5%+. They will lend for mortgages and charge big fees if we pay it off early. They will invest our money in the global stock markets and are happy to pocket the profit they generate for their shareholders. But what if they mess up again and we want our money out? We may be denied immediate access and could only receive up to £85,000 compensation.

> **How much do they give in return for us taking all this risk? 0.7% if you're astute enough to look around for the best rate.**

Also, remember that your capital deposited in a bank is being eaten by inflation at 2-3% every year. Over the last 10 years whilst the stock markets have gone up, the buying power of your bank savings has decreased dramatically and will continue to do so for the immediate future. My advice is to look at investing, rather than 'saving' with a bank; diversify your portfolio, let the markets work for you, and ensure you keep your management fees to around 1%. By following these rules you'll increase your fund faster and the day you can retire (or splash the money on whatever you dream you have), will arrive much sooner.

ABOUT THE AUTHOR

Hannah Goldsmith is founder of Goldsmiths Financial Solutions and author of 'Retire Faster'. Hannah specialises in Low Fee Investing and is challenging the way financial services are delivered to consumers in the UK by enabling each client to understand the nature of investment costs and the impact these costs have on their future lifestyle.

Goldsmith's complimentary 'Second Opinion Service' reviews investors' existing portfolios and makes recommendations on risk, diversification, performance, cost and tax efficiency, making investors' money grow in a more transparent and financially efficient way.

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Takeaways from the annual conference

Pensions Aspects LIVE/18

On 19th April, 230+ pension professionals attended our Pensions Aspects Live at the County Hall in London.

Tannaz Rastegar,
Marketing Manager,
The Pensions Management Institute

Dr Christopher Sier, Chair of the FCA Institutional Disclosure Working Group (IDWG), delivered the keynote speech describing the role of the IDWG and emphasising the importance of improving trust in the asset management industry.

Chris's speech was followed by regulatory updates from the Pensions Regulator, the Government Actuary's Department, and the ONS. Mark Boyle, Non-executive Chairman of TPR outlined TPR's remit, the DB White Paper and TPR's future. He discussed the evolving role of the Regulator, new powers, and high profile business failures, emphasising the role of trustees and employers in improving protection of members' benefits.

He expressed the Government's commitment to bringing TPR future initiatives to life within the next 12 months.

The discussion continued with Sarah Levy confirming total current UK pensions liabilities at £8 trillion, followed by Martin Clarke of GAD's remarks on startling changes to the dependency ratio and implications for affordability of state pensions benefits. He projected an increase in the cost of state pensions benefits by 2036 at 236% of GDP.

Issues concerning pensions provision for women, the child benefit system, state auto enrolment contributions for carers, and pension coverage for the self-employed was

> **"The labour market is blind to age because we can't save our way through the retirement crises; we can simply mitigate these crises by having gainful employment for longer for people on modest means."**
>
> *Alan Pickering*

discussed by Royal London's Steve Webb, who called for sweeping reforms to include the self-employed in the auto enrolment system and prompted HMRC to aggregate contributions for those with multiple jobs.

Next, Collective DC was discussed in the form of a debate with Kevin Wesbroom of Aon Hewitt arguing in favour, and Tom McPhail of Hargreaves Lansdown, who generally maintained a neutral to negative stance. Throughout the debate, Tom McPhail noted that public mistrust of the pensions system is a serious problem which has led to poor pensions freedom decisions. He warned against imposing a 'one size fits all' retirement solution following Kevin Wesbroom's remarks on the importance of lifetime income streams over cash benefits. Kevin Wesbroom emphasised the benefits of the consistency of CDC pensions schemes over more volatile conventional DC schemes but acknowledged that CDC has the potential to introduce inter-generational unfairness. Distinguishing between retirement requirements for low and high earners, Kevin Wesbroom suggested CDC presents the best solution for most people while Tom McPhail remained neutral and expressed his concerns over the CDC funding strategy.

> **....suggesting all trustees should have a Brexit impact assessment as a matter of urgency.**

The debate was followed by a question from Josephine Cumbo, FT's pension correspondent who asked if CDC schemes can survive transparency, to which Kevin Wesbroom suggested that 'governance standards need to be extremely high'.

The theme of institutional investment trends and asset classes, was then covered by Stephen Leh, an investment analyst from JP Morgan Asset Management, who described the role of infrastructure in downside protection. Peter Hofbauer, Hermes, spoke to emphasise the firm's commitment to responsible investment.

During the breakout session, DB transfers were discussed by Helen Aston, Executive director of TPR, Richard E Farr of Lincoln Pension, Abigail Currie of Willis Towers Watson, and Jonathan Watts-Lay of WEALTH at work. Richard emphasised the absence of certainty in assessing employer covenant while suggesting all trustees should have a Brexit impact assessment as a matter of urgency.

The discussion was then followed by Jonathan Watts-Lay raising ethical concerns about transfer advice and its adequacy as well as co-operation with existing clients.

At the administration and technology stream, chaired by Chris Parrott of Heathrow Airport holdings, panellists discussed technological advances and the need for education to protect pensions data and money. Tim Phillips, head of pension markets at Smart Pension stated that pension administration was 'ready for a sea change'. He outlined the advantages of harnessing technology for pension providers, emphasising the improvements it can make to member engagement and experience.

"We are working closely with the Government to develop all the proposals in the DB white paper to ensure they are proportionate, effective and work in practice."

TPR

Michelle Cracknell, chief executive of the Pensions Advisory Service, outlined the challenges of spotting scams, emphasising the importance of awareness rather than prevention. She went through a checklist for spotting scams, including: calls out of the blue; unrealistic and 'too good to be true' offers; and also offers that are made at the time of vulnerability. She also mentioned that everyone needs to remember that their pension is their money and they need to look after it. She spoke about communication in the 21st century and how technology has made it easier for members to engage with their pensions. However, she also stressed that from the customers TPAS speaks to, it seems that communications are generally too long and members don't know which one to read or pay attention to. She spoke of the need for reviewing which communications work and how the industry is in need of much shorter communications, sent at the time people need them. She mentioned that the real key with technology is to remember what it's good at and for what it should be used. The reality is technology does not create emotions and it's a well proven fact that if you don't have emotions, you don't make decisions, so there needs to be a blend between man and technology.

During the final session, Alan Pickering, Chairman of BESTrustees, discussed Freedom and Choice along with pension policy, trusteeship and whether the industry is moving in the right direction. He went on to discuss CDC where he mentioned that there are definitely challenges to defining what a collective form of DC is, and the merits to this type of approach. He said the brain power which traditionally has been focused on finding solutions to the DB legacy is now being reoriented to helping DC members. He carried on by saying "I'd rather there was a product created by industry rather than imposed from Westminster.

Therefore by extension I don't support the idea of 50 shades of ISA. We only need one ISA, one pension, and one bank account."

In regard to trusteeship, he was asked whether the lay trustee is long gone to which he replied "no it isn't – I am a big believer in diverse trustee board and it's my job as a professional trustee to underpin and not undermine the self-confidence of the lay man."

Pension freedoms a second look

James Freeman, Technical Analyst, Barnett Waddingham

The House of Commons Work and Pensions select committee has published its final report into the pensions 'Freedom and Choice' reforms. Whilst accepting that the freedoms have given people greater control over their retirement, the committee makes a number of recommendations, which are outlined below.

Protecting savers

Informed members make informed decisions. Whilst automatic enrolment has led to greater numbers of people making pension savings by providing a default route for contributing to a workplace scheme, the committee suggests that, by contrast, the 'decumulation' phase (receiving funds), relies on individuals making active choices which they are ill-equipped to understand. The potential for poor retirement outcomes can be seen in the number of customers now taking unadvised drawdown.

The committee recommends that all drawdown providers should offer a default product suitable for their 'core customer group', with a 0.75% charge cap. Further to this, the National Employment Savings Trust (NEST) scheme should be permitted to offer a default drawdown pathway, so its members are not forced to shop around for retirement products.

Empowering savers to choose

The committee now recommends that the Financial Conduct Authority (FCA) investigates automated advice with the aim of promoting the benefits to savers. The hope is that new technology will make financial advice affordable for a greater number of individuals, resulting in better retirement outcomes. The committee suggests that retirement 'wake-up' packs are ineffective and that the provision of a single page 'pension passport' should be made compulsory, to increase engagement. The pensions dashboard should, in the committee's view, be hosted by the new single financial guidance body. Pension providers should be mandated to provide information to the dashboard on a staged timetable.

A better pension freedoms market

Better outcomes for savers can only be ensured by creating a properly functioning pension freedom market. This can be achieved by ensuring customers are better informed. The committee repeats its earlier recommendation for guidance appointments to be provided by default at the point of decumulation in order to promote this aim.

Overcoming Tax Discrimination for Pension Funds

across the European Union

In a recent study carried out by the European Commission, yet to be published, it was identified that a large number of EU Member States differentiate between resident and non-resident pension funds when it comes to the taxation of income earned from their investments. This income includes dividends, interest, real estate revenue and capital gains.

The study was based on the 2012 Commission/Finland CJEU case (C-342/10), in which the court put resident and non-resident pension funds in an equal position. This was due to the court ruling that technical reserves booked by Finnish Pension Funds are directly offset against the income earned on investments, leading to an effective tax exemption. Therefore, resident and non-resident pension funds sought benefit from the same tax-exemption treatment in Finland.

The report evidences that tax discrimination between resident and non-resident pension funds remains rampant in at least 20 Member States. This discrimination leads to a restriction in the free movement of capital as it discourages non-resident pension funds from investing in the Member States. As a result of this discrimination, it is impossible to achieve a single capital market.

The aim of the European Commission is to challenge any obstacles to the free movement of capital. Tax discrimination between resident and non-resident entities is a classic case of such an obstacle. This can be categorised as follows :

> Obvious discriminatory tax treatment

> tax exemption benefits for residents only

> taxation on a net basis for residents, and

> withholding taxes imposed on non-residents

These are evident in countries such as Germany, Denmark, Spain and The Netherlands.

> Unfair administration burden on non-resident pension funds to submit their claims and document what justifies the basis of their claims

> Further administration burdens due to unclear legislation / requirements resulting in multiple iterations of the reclaim process (e.g.Poland).

The study will show that there are many opportunities for EU pension funds to file reclaims of the unfair tax on investment income that has been levied by EU countries. Many countries have identified short-time windows in the calendar year within which claims can be made. Others have set time-limits beyond which claims will not be considered.

These unilateral conditions bring an unwelcome urgency to the process for pension funds.

It is crucial for pension funds to have an effective tax reclaim process.

By Stanislas Conte, CEO, Globe Refund

However, the process of firstly identifying what taxes are eligible for reclaim, and secondly preparing the claims for submission is daunting for even the best resourced pension fund. And all claims require evidence from the custodian bank of the income received and the withholding tax charged on that income.

The process of firstly identifying what taxes are eligible for reclaim, and secondly preparing the claims for submission is daunting for even the best resourced pension fund

Pension funds can overcome the challenge of navigating the domestic nuances of different tax regimes, and the administrative burden of processing the claims, by working with a partner who is expert in both dimensions of the project. With the right partner, a pension fund can have a review of their European portfolio completed, an estimation of the reclaimable tax computed, and the country order prioritised.

Globe Refund is one such partner. Globe Refund's goal is to help pension funds by providing a thorough understanding of the potential for reclaims in EU countries, and a robust filing strategy to protect their claim position. **The Globe Refund advantages are:**

- Free complete analysis of refund opportunities for the entire portfolio
- File reclaims in relevant jurisdictions, in accordance with their domestic filing requirements, and with documentation to evidence the eligibility of the claim based on that particular countries requirements. (Note that experience in presenting the range of technical arguments to defend the position of the pension fund in front of local tax authorities is essential for the claims to be successful.)
- Track all claims to ensure that full payment is made by the relevant tax authority to the pension fund, and report on progress via an online tool.

It is strongly advisable for pension funds to gain expert help in order to navigate this complex field and to maximize the tax reclaim opportunities.

It is crucial for pension funds to have an effective tax reclaim process. Globe Refund is specialised in this field with over a decade of relevant experience. Using Globe Refund accelerates your reclaim process and maximises the return that you can achieve for your pension fund.

Taking independent and impartial guidance should be a social norm

Melinda Riley, Head of Pensions Policy & Technical Development, TPAS

We are serious about helping people with their pension and retirement questions. Every conversation with our service is different, everyone's circumstances are different, and everyone's needs are different. We offer 1-2-1 personalised impartial guidance to resolve and explain hundreds of peoples' pension queries every day. Our aim is to make taking guidance a social norm.

What we do

We help people in distress due to bereavement or divorce; people who have lost the details of their pension saving; people who are confused because they cannot understand the communications they have received from their pension scheme, and people who are angry because there may have been a mistake with their pension, and it is too difficult for them to work out if there has been an error or not.

Sometimes, we just talk to people about how to set up a pension; if you are not in the industry, it is not easy to know what to do. We also have lots of conversations with people who simply want to talk through their retirement options; who are looking for reassurance so that they can start thinking about their later life. Where they are looking to access their pension pot into an income, we will direct them to use our Pension Wise service

> **It's clear from what we hear that most people find pensions confusing, complex and difficult.**

The conversations that we have with people results in a 'light bulb moment' that can change their lives, giving them more confidence and helping them to maximise their retirement savings. For example, the customer who wanted to stop working and sell his business, cashing in his pension pots to tide him over until he was eligible for the state pension. We talked him through the options and it became clear that he had a 2 year gap. You could hear the penny dropping as he articulated things out loud for the first time. This 'out loud' point is important; people do not talk freely about pensions, but the way many people process complexity is by discussion. At TPAS we provide an expert who can draw out the issues, even where the person may not be sure of what the questions are themselves.

Awareness and usage

In terms of engagement this is still a hard nut to crack but we can see real green shoots of progress. People seeking out TPAS's services have increased by over 140% since the pension freedoms, with 20% of our contacts being Pension Wise appointments, and 80% contacting our core service using our helpline, webchat and enquiries. But there are still thousands of people who would benefit from a conversation but do not know about us.

Customers still engage with us primarily as a result of a particular trigger in their lives, as above, or, as a halo effect from seeing mainstream press. For example if there is a front page headline about pensions this will often trigger people to contact us not about the headline issue, but the worry bead they have in their heads about their own pension, tipping them into action. We should be looking for teachable moments and interventions at life events; this is when people are receptive to guidance.

> **For example, we offer appointments for people going through divorce, and also an appointment to help people with their options if they have been scammed.**

Barriers

Pensions language issues have been well rehearsed, however the work that the ABI and the Automatic enrolment review have done recently, coupled with learnings from the LV wake-up pack pilot, all look really promising. We contributed to this work, and look forward to consistent use of language and contextualised language permeating through to concise benefit statements, wake-up packs, and all other communication. It is not a panacea of course, but a consistent approach can help to smooth out understanding and give people points of reference to build understanding over time.

Importantly, customers want to feel in control of their pension saving and understand their role in it; we see plenty of evidence where this is not the case: customers talk about their 'provider'pension or 'employer' pension, not 'my pension'.

We do find that people are not confident when talking to us about their pension queries; they often start a conversation by saying "I'm sorry, this is a stupid question," or "is it me that I can't get my head around this?" We aim to equip people with their options and help them articulate their next steps, whether this is speaking to a provider, or indeed taking no action at all.

We have seen the real detriment that can be caused, if the right guidance at the right time is not taken. The DB to DC transfer issue really came to the wider public's attention with British Steel and other high profile companies, and whilst in our visits to Port Talbot and our dedicated helpline we were able to contribute to this, it came late in the process. We do think that independent and impartial guidance should be built into the process early so that people thinking of making such an irreversible decision still have time to think through options. We also find that the issue of DB to DC transfers means that once people have seen the £ signs they have already mentally committed to accessing their money (particularly because transfer values are considerable sums; more than most of us will see in our lives). Earlier guidance would help to mitigate this.

While we wait for more innovation in the market, we are keen to see guidance offered as a second bite of the cherry for the large number of people choosing non-advised drawdown. Our customers have often already taken on drawdown products using an online process with no intervention. Many do not understand what they need to do next or may not be aware they are in a drawdown product.

Other possibilities include looking at specific groups with low levels of engagement, so we are also working with the DWP and partners to look at how to engage self-employed people in conversations about pensions. As the Single Financial Guidance Body takes shape with its stronger call to guidance through the Financial Claims and Guidance Act, we can look forward to having many more conversations with people about their pensions.

> **We think that it is crucial that we improve the links and handoffs between customers and all of us in the pensions industry.**

We hear a lot of goodwill from people and organisations that are committed to improving the pension landscape for people and help them take responsibility for their retirement plans. We think that it is crucial that we improve the links and handoffs between customers and all of us in the pensions industry. This, coupled with innovation, will help us move people from being recipients of pensions to consumers of pensions.

Volunteer with TPAS

Finally, a request from us. We are looking for new volunteers for TPAS. We have been fortunate that so many volunteers have wanted to help us to help people with their pension problems and questions.

You can use your knowledge and expertise in a variety of ways:

- Answer questions on our helpline or webchat
- Answer written enquiries
- Provide specialist technical advice

In return for your time and commitment, we offer all our volunteer advisers:

- Affiliate Membership of the Pensions Management Institute for all volunteer advisers not in work or retired
- Membership of a supportive team of like-minded professionals
- Access to TPAS's in-house technical training, materials and support
- Reimbursement of all reasonable expenses on production of receipts
- Mentoring
- The satisfaction of knowing you are making a difference

Our network of volunteers is drawn from all sectors of the industry. You'll be joining a team of like-minded professionals who want to give something back.

To find out more about volunteering opportunities at TPAS please send us an email: volunteer@pensionsadvisoryservice.org.uk

The Magic Number for retiring at age 55?

Try £1,000 a month

The Pension Review Service calculates a 30-year old today will be able to contemplate life's longest holiday at 55 with a disciplined monthly savings plan, and it is all thanks to compound returns.

Mark Abley MD, The Pension Review

One of the keys to being able to retire at 55 is to give your pension pot as much time as possible to benefit from the effect of compound returns, said PRS's Mark Abley.

Workers wanting to put their feet up by the time they reach the age of 55 will need to squirrel away around £1,000 a month (net of tax relief) from the age of 30. That's the 'magic number' estimated by retirement experts The Pension Review Service (PRS). A savings plan of £1,000 a month should, in principle, achieve a big enough pension pot to deliver an annual income of £26,000. That is the current national average wage and whilst it will not permit a particularly exotic lifestyle, it should cover most of the basic areas of expenditure, assuming the mortgage is paid off. Whilst the precise amount you'll need to save each month to retire at 55 depends entirely on the kind of lifestyle you plan on having in retirement, to get broadly on track for an escape from the nine to five slog, the sooner you can start to save and the more you can save, the sooner you will be able to contemplate a leisurely retirement.

"For example, a 30-year-old who starts putting aside £1,000 a month, increasing with inflation, could build a retirement pot of around £625,000, in today's money, by the time they're 55.

"If they'd started their pension pot five years earlier, they would have a pot of £668,000 at 55. These figures assume that returns and inflation remain steady.

"Regular saving into a pension fund means the contributions are drip fed into investment plans which are in turn put to work in the markets. A good pension adviser will be able to demonstrate how to achieve maximum returns, depending on the client's appetite for risk," he said. Employer contributions can make workplace pensions an attractive option. The current auto enrolment rules mean all companies must now offer employees access to a pension and offer decent tax advantages. Using 'salary sacrifice' can enhance contributions however, this is at the discretion of the employer, or the pension provider will reclaim the basic rate of tax on your behalf and add it to your pension. This is equivalent to a 20% top up.

"Albert Einstein called compound interest the "eighth wonder of the world", added Mr Abley. "It's a complex process, but effectively by drip feeding into the market over a sustained number of years, your pension fund will benefit from compound returns. In simple terms - your original capital earns a return in the first year; in the second year both the original principal and the first years return benefit from any growth in the second year. In the third year your investment is further enhanced by any returns achieved. You get the picture. The concept of earning a return on top of your return is the miracle of compounding.

"It's very much a snowball effect. As your capital rolls down the hill it becomes bigger and bigger. Even if you start with a small snowball, given enough time, you can end up with an extremely large snowball," added Mr Abley.

"The big challenge for advisers is to predict precisely how regular investments into a pension/ retirement plan will grow. None of us can read the future, but we can be encouraged by historical returns.

"Since 1869, the UK stock market has returned an average of around 9% a year. However, returns over shorter periods have been much more variable. Savers will always have to factor in the effects of inflation, (the average annual real rate of return since 1869 has been 6%), and fund management charges.

"But as our simple Pension calculator app shows, if you can maximise your savings from as young an age as possible, you will build a formidable pension pot by the time you get to age 55.

"The magic number? Aim for £1,000 (net) a month. Whilst that figure will not be realistic for many workers, you will be surprised how even the most modest contributions can grow with tax breaks and employer contributions to bring you closer to life's longest holiday."

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