ignition house

Evaluation of the Retail Distribution Review and the Financial Advice Market Review

Consumer research to inform the FCA's Review

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Research objectives

The Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR)[1] aimed to improve consumer outcomes from financial advice and guidance. The FCA is reviewing its impact on the market to date, and assessing how the market may develop, to ensure it meets consumer needs now and in the future.

The overall objective of this demand-side research is to provide insight into consumer views of their needs for support with financial issues, how they go about getting that support, and their experiences.

Research methodology

The information contained in this report is drawn from two different sources: the FCA's Financial Lives survey (FLS), which is a robust, large-scale tracking survey of UK adults and their finances, and qualitative consumer research undertaken by Ignition House.

It is important to note that both the survey and the qualitative research fieldwork were completed before the Covid-19 pandemic triggered the UK to enter lockdown in March 2020. This systemic event has undoubtedly had a profound impact on the UK economy and global stock markets. Any resulting changes to personal finances, the economy, and peoples' attitudes towards savings and investments will not have been captured in our data or findings.

Key findings

Support needs

Most people are comfortable making simpler financial decisions, such as buying car insurance or taking out a cash ISA, themselves without support. But for decisions they see as more complex, such as those relating to pensions or investing, most would value some support to help them make the right decisions.

Consumers are particularly keen for support in two key areas; engaging with their finances to make their savings work harder and planning for retirement.

Data from the Financial Lives survey show that there are 15.6 million UK adults with investible assets of £10,000 or more. We believe that this group in particular might need support, because they are likely to have the means to invest. While investing is not for everyone and obviously comes with increased risk, our research indicates that a significant proportion are holding far more money in cash than is likely to be needed for an emergency savings buffer. Our data also suggest that there is a clear link between the propensity for adults to invest and the type and level of support they are receiving. People could

[1] www.fca.org.uk/firms/financial-advice-market-review-famr

potentially make their money work harder if accessible support was available to encourage them to engage more with their finances and to help them have a better understanding of whether investing was right for them.

Looking at retirement planning, pension freedoms have changed the way that DC pensions can be used. DC pension holders now have a range of options for their pension money once they reach age 55. Data from the Financial Lives survey show that 1.2 million adults have a DC pension pot of £10,000 or more and either plan to access it or retire in the next 2 years. They may need support to help them access their DC pension savings in a way that best meets their needs.

Where support is needed on these topics, not advised adults are typically looking for one-off support where they can discuss the situation. Ideally, they would like to talk to a person who they perceive as having more expertise than them (which can include relatively informal sources of help, such as a friend or family member). We believe that such support could help them either to make decisions for themselves, or to recognise they need regulated advice. Current sources in the market do not always provide this type of support for consumers. If they could get their own circumstances reviewed, many feel they would be well equipped to continue without further support. Few had considered whether this type of one-off service would be available to them at a cost they were willing to pay.

Support received

One-third (32%) of UK adults have received some form support in the last 12 months to help them with decisions related to investments, saving into a pension or retirement planning. This is a statistically significant increase on the 29% who said they had received support in 2017. This support takes a variety of forms – e.g. regulated financial advice from a financial adviser or an automated advice service, or in the form of information or guidance to help them to identify their options and narrow down their choices.

Yet, it remains the case that the vast majority of UK adults have not received any form of support in the last 12 months. While, clearly, not all will need support on these topics, there still remains a significant number of consumers not getting support they could benefit from. For example:

- Of the 15.6 million UK adults who have £10,000 or more in investible assets, only half (50%) have received any form of support in the last 12 months
- Of the 1.2 million adults who may need support to help them access their DC pension savings, just 53% have received support related to retirement planning in the last 12 months

Looking at the types of support received, 8% of UK adults (4.1 million) have received regulated financial advice in the last 12 months, while 28% (14.7 million) have used information or guidance. This is an increase compared to 6% (3.1 million) and 26% (13.1 million) of adults who received advice and information or guidance in 2017, respectively. It should be noted that our definition of guidance is very broad, and includes informal sources of information or guidance provided by the media (e.g. newspapers, TV, radio, or podcasts) and from friends and family. Excluding these more informal sources, 24% of UK adults (12.4 million) have used information or guidance in the last 12 months.

While guidance spans all levels of investible assets, advice is far more prevalent among those with investible assets worth £100,000 or more. The dominant type of regulated advice remains the independent financial adviser.

There appears to be a tendency for consumers to prefer the more actionable, proactive 'advice' delivered by private sector websites, such as MoneySavingsExpert.com, over the more generic, passive support offered by government sources.

That said, even if more actionable information and guidance were available this is unlikely to be a complete panacea for all. People often want some form of human intervention to be comfortable to invest for the first time, or to make at retirement decisions. Our qualitative research shows that, of the guidance sources used (where we defined 'guidance' very broadly, so including informal sources as well), friends and family are by far the most important influencers on their *actual* behaviour. Guidance (which in practice is often just information) is generally perceived to be helpful for understanding 'the basics', but in its current form often does not go far enough to help consumers change their behaviour, or to make them entirely confident to make these more 'difficult' decisions.

Barriers to seeking advice

There are several barriers to seeking regulated financial advice. Cost is not a strong barrier to adults *seeking* regulated advice, but as consumers consistently under-estimate advice costs, it is a barrier to them actually *taking* advice. Our research suggests that not advised consumers simply cannot access face to face advice that firms offer at what they perceive to be a 'reasonable' or acceptable price.

Furthermore, many of our not advised respondents would like to have one-off support, and yet evidence from the FCA's firm survey (conducted as part of the RDR/FAMR Review) suggests that suggest that existing adviser business models are primarily based on providing ongoing advice to new clients. This potentially leaves many consumers who seek support from an expert with a choice of either receiving holistic ongoing advice, or falling back onto information and guidance, which often is not enough (in its current form – i.e. largely factual in nature, without being personalised enough to engage the consumer) to meet their support needs.

Trust also remains an issue among the not advised population; almost half (49%) of adults who have not had advice in the last 12 months, but might have a need for support, think that financial advisers are biased and a three-eighths (37%) do not trust advisers to act in the best interests of their clients. Very few of these adults, just 18%, strongly agree that advisers are professionals in the same way as solicitors or accountants. These views are particularly prevalent among adults who have who have never had advice before and among those who had advice more than two years ago.

Advice experiences and perceptions of value for money

The advised population are generally very happy with the services they receive, and most have a trusted long-standing relationship with their adviser. The FCA's firm survey (and the evidence from the FCA's Financial Lives survey) suggests that they generally get a fairly standard experience, consisting of ad-hoc access to the advisor, an annual review and report and portfolio valuations. Few shopped around for their adviser at the start of their relationship – which for the majority was many years ago, relying instead on a personal recommendation. Nor have many subsequently benchmarked the services they receive and the fees they pay against other advice providers. Indeed, most only have a vague idea of the advice fees and charges they are paying, and so any assessment of value for money is based on their impressions, rather than any hard data.

Against this backdrop of longstanding relationships, ongoing advice models and limited comparisons between one advice provider and another, we asked our advised qualitative research respondents what they value most about the financial advice services they receive. Peace of mind was the strongest and most consistent theme; knowing that someone you know and trust is looking after your financial interest was hugely reassuring and difficult to put a monetary value to. Most were relieved that they were able to delegate the responsibility for making these decisions to an expert. The longstanding nature of the relationship between advised clients and their adviser appears to suggest that quality/service factors are valued by consumers more than price.

Generally, advised adults feel they are getting value for money – but many are not aware of how much they are actually paying. Perceptions of value for money are also somewhat distorted by a common misconception that their adviser is picking stocks and funds and moving their money around regularly. However, when probed about the funds they were actually invested in, it is unlikely that any active management of their funds was taking place. Many of our qualitative respondents were in providers' risk-rated funds, and one was using a discretionary fund manager. This suggests that their views on 'value for money' are perhaps based on a misconception about the activities their adviser undertakes.

Explaining to consumers the cost they are paying for advice in pounds and pence led to some of our research respondents questioning whether alternative services would better meet. That said, due to a perception of asymmetry of power in the market, many did not feel able to negotiate on cost with their adviser. They also felt that they would not be able to easily shop around and so move away from the current advice model, even if they wanted to.

Perceptions and use of automated advice

Awareness of automated advice services is increasing, rising from one in ten (10%) adults in 2017 to just under one in five (19%) in 2020. However, take up of these services is much lower, at around 1%. Automated services are more likely to be used by men than women, by adults aged 25-44, by high-income households, and by adults with investible assets of £10,000 or more.

In our qualitative research, we found that simply hearing more about automated advice services would not necessarily encourage most adults to invest for the first time. To feel comfortable investing, they would need a trusted source to persuade them it was the right thing to do. This sentiment is very much reflected in the wider population. Financial Lives survey data show that the vast majority of UK adults would not be comfortable making retirement decisions or completing financial advice without any human intervention. The automated advice market is evolving to recognise this fact; the last few years have seen further developments in the market to move away from fully automated and towards hybrid services.

As the market for automated advice matures, more household names are starting to launch propositions. This is reassuring to novice investors who are fearful of financial scams and of investing their money with companies that they had not heard of before.

Willingness to pay for automated advice is very low. Around half of UK adults would not be willing to pay at all at any price. For those that would pay, good value for money is around £100 for investing a small sum (£10,000) to around £200 to £300 for investing £50,000.

1. Introduction

This chapter starts by detailing the background to this research project; introducing the FCA's Retail Distribution Review and the Financial Advice Market Review and explaining the demand-side research context for this piece of supporting research.

It goes on to detail the research objectives for this study, explaining that the focus is on consumers' views of their needs for support with financial issues, how they go about getting that support, and their experiences.

It provides an overview of our research methodology, setting out our research sources, explaining what we mean by the term 'support' and providing our definition of regulated financial advice and guidance. Finally, it explores how consumers view the term 'support' and the distinction between regulated advice, information and guidance.

Research background

The Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR)[2] aimed to improve consumer outcomes from financial advice and guidance. The FCA is reviewing its impact on the market to date, and assessing how the market may develop, to ensure it meets consumer needs now and in the future.

The FCA appointed Ignition House to undertake qualitative consumer research and to review data collected by the FCA's Financial Lives survey, which is an extensive survey of UK consumers, to provide demand-side evidence to support this review. The FCA has conducted a separate exercise to analyse existing data and collect additional industry data to inform its supply-side view, which is reported in the main report.

Background to the Retail Distribution Review

The RDR was launched by the FCA's predecessor, the Financial Services Authority (FSA), in 2006. Most of the rules it introduced took effect in 2012.

The RDR aimed to establish a more resilient, effective and attractive retail investment market in which consumers would have confidence and trust. It made several significant changes to the way investment products were distributed to retail consumers in the UK. The RDR raised the minimum level of adviser qualifications, changed the way charges and services were disclosed to consumers and banned the use of commission to pay for financial advice.

In 2014, the FCA published the first phase post-implementation review (PIR) of the RDR. This concluded that, although the impacts of RDR were yet to be fully realised, there were positive signs that advisers were raising their levels of professionalism. The FCA also found that product bias and charges had been reduced and consumers were shopping around

[2] www.fca.org.uk/firms/financial-advice-market-review-famr

more. The PIR found little evidence that the availability of advice had reduced significantly because of the RDR reforms. Advisers were willing and able to take on more clients. While a small group of consumers with less to invest might find it more difficult to find an adviser, there were still advisers in the market willing to serve them.

The PIR found some early indications that the cost of advice had increased, but also that the quality of advice was improving. However, the FCA decided to allow more time before drawing definitive conclusions on these issues.

Background to the Financial Advice Market Review

FAMR was launched in August 2015 and built on the work of the RDR. The Review aimed to explore ways in which Government, industry and regulators could take individual and collective steps to stimulate the development of a market which delivers affordable and accessible financial advice and guidance to everyone, at all stages of their lives.

FAMR’s final report in 2016 included a package of 28 recommendations for FCA, HM Treasury and other organisations.

The regulatory framework has continued to develop since 2016. For example, the FCA has:

- Implemented several pieces of new EU legislation about the distribution of investment products. Relevant EU legislation includes the Markets in Financial Instruments Directive II (MiFID II), the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPS) and the Insurance Distribution Directive (IDD)
- Established an Advice Unit to provide feedback to firms developing automated models to deliver lower-cost advice and guidance to consumers. Through this work, the FCA is encouraged to see innovation and positive developments in automated advice services, which have the potential to provide better, cost-effective outcomes for consumers
- Continued to focus on supervising the market for financial advice and guidance. Relevant work in this area includes the investment platforms market study, the assessing suitability review, the retirement outcomes review and work on pension transfers

One of the FAMR recommendations was that the FCA and HM Treasury should work together to develop an appropriate baseline and indicators to monitor the development of the financial advice market. These indicators would also serve as a benchmark for measuring the impact of FAMR against its success factors set out in the final report. The baseline was published in June 2017[3], in a joint report by the FCA and HM Treasury. It included an annexe of detailed consumer research findings from the Financial Lives survey 2017[4].

[3] www.fca.org.uk/publication/research/famr-baseline-report.pdf

[4] www.fca.org.uk/publication/research/famr-quantitative-research.pdf

Research objectives

The overall objective of this demand-side research is to understand what support consumers need with financial matters, how they go about getting that support, and their experiences when they receive support.

We were particularly interested in exploring the following:

- What support do UK adults need or want?
    - How many adults might need support?
    - Which different types of consumers need support?
    - What are their goals or objectives that generate a need for support?
    - Do they want one-off support or ongoing support? Do they understand the areas where they might have a greater need for ongoing support?
    - Do they understand the difference between advice and guidance?
- Do they get the support they need?
    - What prompts consumers to get support?
    - What kinds of support are they currently using? Do they get their support from one source or multiple sources?
    - How do they go about seeking those services?
    - What motivates or triggers them to seek support?
- If not, what prevents them from getting the support they want?
    - What are the barriers to their getting the support?
    - What are the reasons for inaction, such as lack of trust, cost, or lack of availability of services?
    - Are there any behavioural barriers to seeking support?
    - Are they aware of the different services that exist and can they find what they want?
    - Are they comfortable with technology-based services?
    - Can they access those services?
    - What are their preferences regarding channels, for example, face to face, phone, online?
- If they do get support, does it help them with their needs?
    - Do the services address whatever caused the consumer to seek help? If not, what else is needed to meet their needs?
    - Do they get enough information, or too much?
- What does value for money look like?
    - What kinds of support would people be willing to pay for?
    - What does 'value for money' mean?
    - Where services involve a cost to the consumer, do they feel they get value for money and what drives whether the consumer is happy or unhappy? What do they value about services and how do they assess value for money?

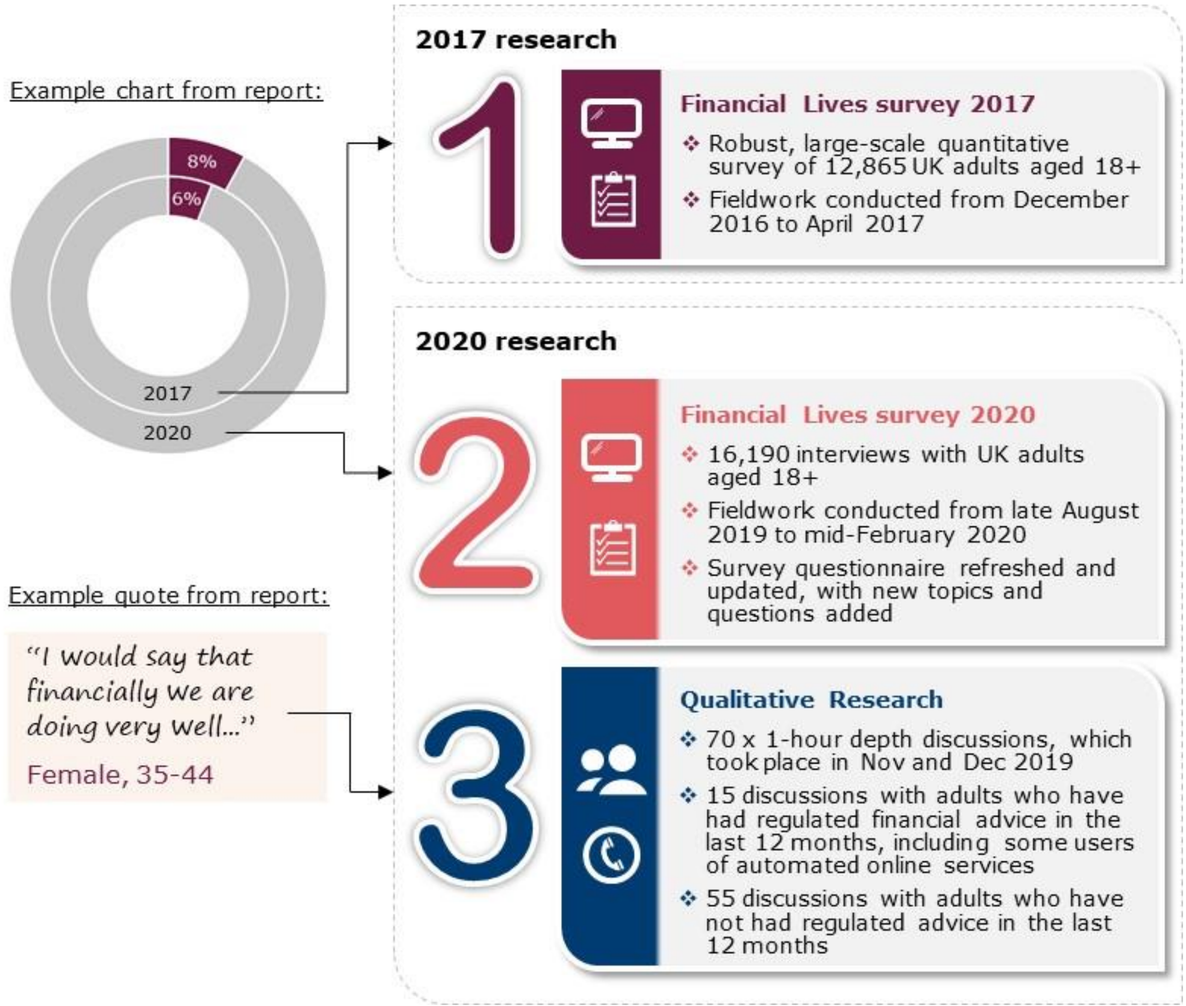
Research methodology

Research sources

The information contained in this report is drawn from two different sources: the FCA's Financial Lives survey (FLS), which is a robust, large-scale tracking survey of UK adults and their finances, and qualitative consumer research undertaken by Ignition House.

Figure 1.1 summarises how these sources are used and referenced in this report.

Figure 1.1 Sources of consumer data referenced in this report



It is important to note that both the survey and the qualitative research fieldwork were completed before the Covid-19 pandemic triggered the UK to enter its lockdown period in March 2020. This systemic event has undoubtedly had a profound impact on the UK economy and global stock markets. Any resulting changes to personal finances, the economy, and peoples' attitudes towards savings and investments will not have been captured in the data or findings presented in this report.

The Financial Lives survey

Based on 16,190[5] online and in-home interviews, Financial Lives is a tracking survey on UK adults and their finance. It reveals a wealth of information about different types of consumers and their experiences of financial products and services. It is a key source of information underpinning the FCA's consumer protection work and also provides valuable insights for any organisation focusing on consumers and finance.

The first wave of the survey was conducted in 2017, and the second wave in 2020[6]. The survey uses random probability sampling to recruit respondents to a predominantly online survey, with, however, an important smaller number of interviews conducted in person in-home to increase participation among non-internet users and adults aged 70 and over.[7] In the 2020 survey, 15,217 interviews were conducted online and 973 via in-home interviews.

The survey begins by asking questions of all respondents, covering demographics, attitudes to finance and financial services, product ownership, assets and debts, and the use of regulated financial advice and guidance. It goes on to ask more detailed questions to representative random selections of respondents, to capture experiences and views related to a product area (such as retail banking or credit) and/or about their experiences of advice.

Qualitative consumer research

Ignition House conducted a large-scale qualitative research project to supplement the data collected through the FCA's Financial Lives 2020 survey. In total, 70 adults participated in the study. Each participant was interviewed one to one, with interviews lasting 60 minutes. 50 of the interviews were conducted face to face, with a further 20 conducted over the telephone. Fieldwork took place in November and December 2019.

For this qualitative element, the FCA was particularly interested in exploring the needs and wants of adults who are less likely to be able to access regulated financial advice from a financial adviser but are more likely to need support with their finances. The FCA's research of the market showed that advisers were mostly serving consumers with pots larger than £100,000. For this reason, our qualitative research focused on consumers who have not had regulated financial advice and have investible assets of between £10,000 and 100,000.

The FCA was also keen to gather evidence from a smaller number of adults who have had advice from a financial adviser in the last 12 months, and those with less than £10,000 to compare and contrast against this core group.

Recruitment quotas were set to ensure we met this brief, while also including a good mix of participants by gender, age, asset level, and advice usage. The achieved sample is shown in Tables 1.1 and 1.2.

We recruited participants from across the UK, with face to face interviews held in Birmingham, Brighton, Cardiff, Glasgow, Leeds, London, and Manchester. Telephone interviews included those living in more rural locations and those living in Northern Ireland.

[5] 16,190 interviews in the 2020 survey; 12,865 in the 2017 survey.

[6] Fieldwork took place between late August 2019 and mid February 2020, with most interviews completed in January and February 2020.

[7] Further findings from this survey, together with a technical report, will be published by the FCA in early 2021.

54 of the 70 participants were recruited by Leftfield Recruitment and sourced on a free-find basis using a detailed recruitment screener. 16 participants were recruited by Ignition House from adults who took part in the Financial Lives 2020 survey and agreed to take part in further research.

The FCA observed a small number of interviews at the beginning of the fieldwork programme to ensure the research would deliver the depth of insight required for the review. We used a structured discussion guide and supporting stimulus materials across all interviews. All interviews were recorded and transcribed for analysis purposes.

Table 1.1 Number of qualitative research respondents by investible assets and advice use in the last 12 months

		Had advice in the last 12 months from a Financial Adviser	Used an automated advice service in the last 12 months	Not had regulated financial advice in the last 12 months	Total
Investible assets	£250,000+	8	4	0	**10**
	£100,000 to <£25,000	4	1	6	**11**
	£25,000 to <£100,000	2	2	30	**33**
	£10,000 to <£25,000	0	1	6	**7**
	£1,000 to <£10,0000	0	1	8	**9**
Total		**14**	**9**	**50**	**70**

Note: 3 respondents had used both a Financial Adviser and an automated service in the last 12 months.

Table 1.2 Number of qualitative research respondents by age and gender

		Male	Female	Total
Age	18-34	7	6	**13**
	35-44	5	6	**11**
	45-54	10	6	**16**
	55-64	11	9	**20**
	65+	3	7	**10**
Total		**36**	**34**	**70**

What do we mean by 'support'?

In this report, where we talk about 'support', we mean support related to investments, saving into a pension or retirement planning. This could be received in the form of regulated financial advice, information or guidance and could be on a one-off basis or ongoing.

In the Financial Lives survey, we provided the following clarifications of what is meant by 'investments', 'a pension' and 'retirement planning' and asked each respondent to confirm which topic or topics their regulated financial advice or information and guidance was related to:

- By 'investments' we mean retail investment products including stocks and shares ISAs, insurance bonds, investment funds and endowments, shares and equities, corporate bonds, gilts or government bonds, crowdfunding and peer-to-peer lending, and structured investments/ deposits. Do not include investment in property or in collectables like wine, art or jewellery
- By 'pension' we mean a pension arranged through an employer or one you have arranged yourself. Do not think about State pensions
- By 'retirement planning' we mean the choices you need to make when starting to take money from your pension savings to fund your retirement. This could include buying an annuity or entering into income drawdown or taking cash from your pension pot

What do we mean by regulated financial advice?

In this report, where we talk about 'regulated financial advice', 'regulated advice' or 'advice', we, again, mean regulated advice about investments, saving into a pension or retirement planning. This report does not consider advice on other financial products, for example, mortgages, general insurance or consumer credit.

In this report, we assume that a respondent has had regulated financial advice related to one of these topics in the last 12 months, if they confirm that they:

- Had advice from one of the following: an adviser from a financial advice firm such as an IFA (Independent Financial Adviser); an adviser from a bank or building society; an adviser from an insurance company, investment company or pension provider; or automated advice available online, app-based through a smartphone or as downloadable software
- Paid for the advice or would have paid for the advice if they had taken out the product[8]

We were keen to differentiate between those who had received regulated advice and those who had received support which they perceived to be 'advice', but which was not actually regulated advice. We chose to use the fact that regulated advice is paid for as an indicator that the advice falls within the regulatory perimeter. There is no regulatory requirement that firms charge for advice in every case; nonetheless, we believe that payment remains a strong indicator that regulated advice has been received.

If a respondent told us '*No, the advice was free, whether or not I took out a product'*, we do not count this as having received regulated financial advice. There could be valid reasons for why no payment is made. Often this is the case for a short, introductory conversation at the beginning of any advised relationship. For the Financial Lives survey, we have assumed, however, that the respondent may be mistaken, either because they have not seen a professional financial adviser or have not been given advice.

[8] The respondent is also told: *Before 1 January 2013, payment may instead have taken the form of a commission from the product provider to the adviser.*

What do we mean by information and guidance?

In this report, where we talk about 'guidance' or 'information or guidance', we mean information or guidance related, again, to investments, saving into a pension or retirement planning. Respondents were explicitly told not to think about guidance related to other topics, such as mortgages, equity release or protection insurance.

Respondents were provided with the following definition of guidance in the Financial Lives survey: *"Information or guidance* is an impartial service which helps you to identify your options and narrow down your choices, but will not tell you what to do or which product to buy; the decision is yours. Information or guidance is usually free*."*

Respondents were asked to think about a broad range of information or guidance sources, including government guidance sources (such as Pension Wise, TPAS, MAS/ MaPS, Citizens Advice and gov.uk), information from financial services firms (including their websites or literature), information from private sector advice websites (such as Which? and MoneySavingsExpert.com), and information or guidance provided through the workplace (other than from a financial adviser). We also include information or guidance provided by the media (e.g. newspapers, TV, radio, or podcasts), and from friends and family.

How do consumers view the term 'support'?

In our qualitative research, we were very clear to use the word 'support' (rather than 'advice' or 'guidance') to ensure that respondents were not unconsciously biased towards any particular kind of service. When asked an open question about the kinds of support they use to help them make financial decisions the word 'support' resonated well with our respondents, and they described a full gamut of services.

There is a clear distinction between regulated advice, information and guidance. This plays heavily on the minds of those responsible for designing and implementing support services. But, without providing a detailed definition or explanation, this distinction is not immediately clear to many consumers, where their thoughts on what constituted 'advice' ranged from full regulated financial advice to simply speaking to friends and family. Consumers do not naturally use the term 'guidance', and tend to label anything that is not 'advice' as 'information'.

The people we spoke to felt that there was a clear separation between 'information' and 'advice' and that the key difference was that information simply helped them to be better educated on the matter at hand, whereas advice gave them some sort of 'personal recommendation' of what to do next.

This explains why respondents would often describe their interactions with bank tellers, accountants, bank managers, mortgage advisers and sites such as MoneySavingsExpert.com as 'advice' when this would be outside the regulatory framework.

> *"I've only had financial advice from the family in the past. Nothing from a financial adviser."* Female, 65+, £25k-<£100k, Not advised

> *"I do have an accountant and I will probably ask him for advice first as I trust him."* Female, 65+, £25k-<£100k, Not advised

2. What financial decisions do consumers need support with?

Most people are comfortable making simpler financial decisions, such as buying car insurance or taking out a cash ISA, themselves without support. But for decisions they see as more complex, such as those relating to pensions or investing, most would value some support to help them make the right decisions.

Where support is needed, not advised consumers are typically looking for one-off support where they can discuss the situation with another human being - a friend, family member, their bank, an accountant – that is, someone who they perceive as having more expertise than them. Once an expert has reviewed their situation and made recommendations, many not advised consumers feel they would be well equipped to continue without further advice.

Most had not considered whether this type of one-off service would be available to them at a cost they were willing to pay. Advisor firms' business models are typically based on providing ongoing advice. This potentially leaves many consumers who seek support from an expert with a choice of either receiving holistic ongoing advice, or falling back onto information and guidance, which often is not enough to meet their support needs.

If they had the chance to speak with a 'financial expert' about their finances on a one-off basis, the most common question would be how they could they 'make their money work harder'. This underlying need appears to stem from two key factors: inertia in the savings market, which means that consumers are not always getting the best deal on their existing savings, and consumers holding significant proportions of their savings in cash (where the value of their money will be eroded over time by inflation). Looking only at those adults with at least £10,000 in savings and investments combined (who are therefore more likely to be in a position to invest), overall, 37% are entirely in cash and a further 18% are mostly in cash.

While investing is not for everyone and obviously comes with increased risk, our research indicates that a significant proportion of the wealthier adults are holding far more money in cash than is likely to be needed for an emergency savings buffer. Our data also suggests that there is a clear link between the propensity for adults to invest and the type and level of support they are receiving. People could potentially make their money work harder if accessible support was available to encourage them to engage more with their finances and to help them have a better understanding of whether investing was right for them.

In this chapter, we explore in detail what types of financial decisions consumer think they need help with, and why they say this.

Support needs span a wide range of financial activities, particularly activities that are infrequent and have the potential to impact their long-term financial well-being

We conducted an exercise with our qualitative respondents to understand the types of financial decisions that consumers need support with.

Each respondent was given a set of cards. Each card had a different financial decision written on. Respondents were asked to sort these cards into three piles based on the level of support they may need to make the decision:

1. Those decisions that they are happy to **make themselves** without any support
2. Those decisions that they would **need support on initially**. After receiving support, they would be comfortable making the same decision again themselves without support or, in the case of things like investments, would be comfortable managing them themselves once the initial decision had been made
3. Those decisions that they would need **ongoing support** for

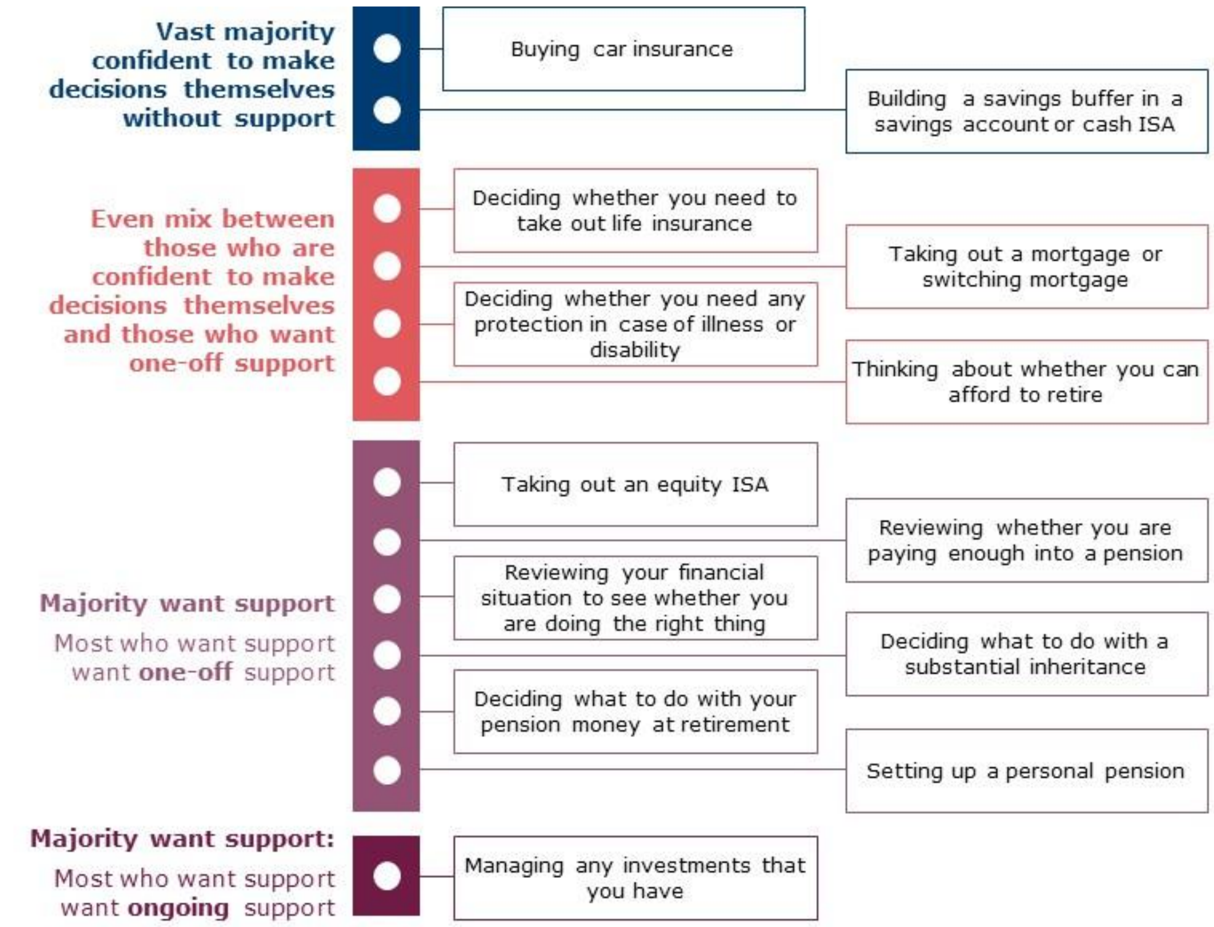
We were very clear to use the word 'support' (rather than 'advice' or 'guidance') to ensure that respondents were not unconsciously biased towards any particular kind of service.

As shown in Figure 2.1 on the next page, the vast majority of respondents were confident they could make more basic financial decisions themselves without support, such as buying car insurance or taking out a savings account or cash ISA. When asked why they are confident in their ability to make these decisions themselves, respondents replied that they are straightforward decisions they had made before, there is plenty of information available from a range of trustworthy sources, there are simple comparators on which to base their decision (such as price or headline interest rates), and the information is *actionable*, i.e. they can click through to purchase motor insurance via price comparison sites, while best buy tables name products they can apply for.

Most respondents felt that once they went beyond this, other financial decisions, such as deciding what to do with a substantial inheritance, investing, setting up a pension, or retirement planning, would require support. Such decisions were often outside their comfort zone, happen so infrequently that there is no opportunity to learn from their mistakes, and the outcomes could be life-changing if they get them wrong. These types of decisions tended to be more subjective (am I doing the right thing?) and, as such, no option is obviously the best. There are no simple comparators to help them make a decision as there are with home or motor insurance or savings accounts and, particularly with pensions and retirement planning, there are often complex rules that can change regularly - making it difficult and time-consuming to keep up to speed. It was not obvious to many respondents where to go for the answers, or even what questions they should ask.

When probed about what type of support they would need, most felt that a one-off session would be sufficient to help them make the right decision and find the 'best' product. The exception is the need for ongoing support to help them manage a portfolio of investments.

Figure 2.1 Results of qualitative research exercise to understand financial decisions adults are comfortable making with and without support



Qualitative consumer research.
Base: All qualitative respondents conducted face to face (50)

Quantitative evidence from the Financial Lives survey confirms what we heard in our qualitative discussions and builds the picture that most adults need support for a range of more complex financial decisions. For example, just 18% of not advised adults with investible assets of £10,000 or more[9] would be willing to make a sizable investment without support, 15% would be willing to set up a pension without support, 17% would be willing to decide how to take a sizable DC pension pot without support, and 19% would be willing to take out a lifetime mortgage without support.[10]

[9] Financial Lives survey questions related to advice for not advised adults were asked to adults who have not had advice in the last 12 months, but might have a need for it because they have at least £10,000 in investible assets or, for those approaching retirement or about to access a pension, that they have at least £10,000 in a DC pension pot.

[10] **ADV_E10 (Rebased).** We would like to understand the support you may need when making different types of financial decisions in the future. In this question, we will present you with five hypothetical scenarios and would like you to say what support, if any, you would need. **Base:** All UK adults who have not had advice in the last 12 months and have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,037), excluding 'don't know' responses

Consumers need support to 'make their savings work harder'

We asked our qualitative respondents if they had the chance to speak with a 'financial expert' about their finances, what questions would they ask. The most common response was how could they 'make their money work harder'.

The need for support to make their money work harder appears to stem from two key factors: first, inertia in the savings market means that consumers are not always getting the best deal on their existing savings, and second, consumers are holding significant proportions of their savings in cash where the value of their money will be eroded over time by inflation.

We consider these issues in more detail below.

Looking first at inertia, data from the Financial Lives 2020 survey show a significant proportion of cash savings are held in easy access accounts[11] that were opened a long time ago[12]. These usually pay lower interest rates than accounts open more recently (albeit rates are likely to be low for all customers in the current environment). Relatively few shop around for the best interest rates[13] - rather they tend to take out their account with their current account provider[14], and many are put off switching to better rates by the expected hassle and low perceived gains from opening another account[15].

These findings were supported by our qualitative research. Most of the people we spoke to had taken out their savings accounts with their current account provider, often many years ago, and they had not shopped around to find a better deal since. When we asked our qualitative respondents why they had not been more proactive with their savings, they often could not give any good reason and felt slightly embarrassed. The typical post hoc rationalisation for this behaviour is that interest rates are low so their lack of switching or shopping around doesn't make that much difference to their financial wellbeing.

> *"I probably just had one old account there and probably thought, I've got an account there, I'll just get another one. It was all in branch in those days."* Female, 55-64, £10k-<£25k, Not advised

[11] For example, 82% of adults with a savings account have an easy access account, while 70% of adults with a cash ISA have an easy access cash ISA. **P_RB3D/A.** Which type of savings account/ cash ISA do you have? **Base:** All UK adults with a savings account separate from their current account (2020:10,826) or cash ISA (2020:6,154)

[12] For example, 25% of adults with a savings account have held it with the same provider for more than 10 years, while just 40% have held it for less than 3 years. **RB99**. How long have you had your savings account? **Base:** All UK adults with a savings account (2020:1,901)

[13] For example, for adults who have held their savings account for less than three years, just 58% said they shopped around by comparing products from two or more different providers when they took out their account. **RB120.** Before you opened your savings account, did you compare products from two or more different providers by looking at the products, prices or the terms and conditions offered? **Base:** All UK adults with a savings account held for less than 3 years (2020:787)

[14] For example, 79% of adults with a current account and a savings account hold their savings account with their main current account provider, while 58% of adults with a current account and a cash ISA hold their cash ISA with their main current account provider. **PONEWXsum_products.** Which of these do you hold with your main current account provider? **Base**: All UK adults with a current account and a savings account (2020:1,917) excluding 'don't know' responses (1%); All UK adults with a current account and a cash ISA (2020:1,105) excluding 'don't know' responses (2%)

[15] For example, for adults who have held their savings account with their existing provider for 3 years or more, 21% said they have not switched because it is too much hassle, 20% because their balances are not high enough to gain enough from switching, 17% because there's no real difference between providers so it's not worthwhile, and 19% because they have never considered switching. Just 8% said they have not switched because they are happy with the return from their product, and 8% because they couldn't find a better interest rate elsewhere. **RB124a.** Are there any particular reasons why you have not switched in the last 3 years? **Base:** All UK adults who have savings account for 3 years or longer (2020: 968)

Turning now to the second point, we can also use the Financial Lives survey to help understand the extent to which consumers hold their savings in cash and have a preference for cash-based savings rather than investments.

Overall, over three-quarters (77%) of all UK adults hold a savings product, with savings accounts with a bank, building society or NS&I (65% hold) and cash ISAs (36% hold) being the most commonly held savings products[16]. Including savings held in current accounts, the average UK adult has cash-based savings of £23,000[17].

In contrast, just one in three (33%) UK adults hold an investment product[18], with direct holdings of shares/equities (21% hold) and equity ISAs (15% hold) being the most commonly held products. Including those with no investments, the average UK adult has investments worth £16,000[19].

Figure 2.2 takes this analysis one step further. It focuses only on those adults with at least £10,000 in savings and investments combined ("investible assets"[20]) – and, therefore, more likely to be in a position to invest - and looks at the amount of money they hold in cash savings products compared with the amount they hold in investment products.

Overall, 37% of UK adults with at least £10,000 in investible assets are entirely in cash, and a further 18% are mostly in cash.

While the propensity to invest increases with wealth, a significant proportion of even the wealthiest adults still hold all or most of their money in cash:

- 44% of those with £20,000 to <£50,000 in investible assets are entirely in cash, and a further 21% are mostly in cash
- 35% of adults with £50,000 to <£100,000 in investible assets are entirely in cash and a further 24% are mostly in cash
- 15% of adults with £100,000 to <£250,000 in investible assets are entirely in cash and a further 18% are mostly in cash

Having some money set aside in an accessible savings buffer, to pay for an unexpected expense or to draw on if you lose your job, is generally considered to be a sensible plan. While the amount that should be set aside might vary according to each individual's circumstances, financial experts generally recommend a figure of three to six months of

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[16] Any savings product includes savings accounts with a bank or building society or NS&I, cash ISAs, premium bonds, NS&I bonds, credit union savings accounts, Help to Buy ISAs, and Lifetime ISAs. **POSum_NETs/ POSum1. Base:** All UK adults (2020:16,190)

[17] **B1.** Approximately how much money, if any, do you have in these savings products in total? If you hold any savings jointly, only include the amount you consider to be yours within these. **Base:** All UK adults (2020:16,190)

[18] Excludes those only holding investment property or other real investments, and exchange tokens. **POSum_NETs/ POSum1. Base:** All UK adults (2020:16,190)

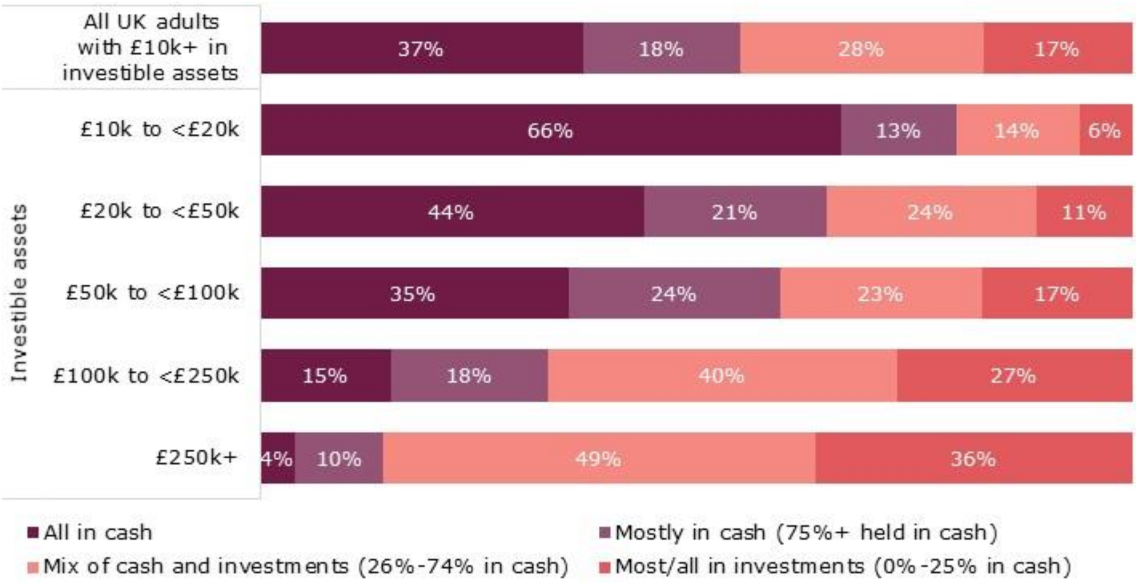
[19] **B2.** How much in total do you currently have in investments at current market value? If you hold any investments jointly, only include the amount you consider to be yours within this. **Base:** All UK adults (2020:16,190)

[20] The FLS defines investible assets as the total value of money held in cash savings products plus the total current market value of any investment products held, excluding property, collectables like wine, art or jewellery, and exchange tokens. Respondents who hold any savings or investments jointly are asked to only include the amount they consider to be theirs. It does not include DC pension assets.

expenses.[21] According to the ONS[22], the average UK household spent £585.60 per week in the financial year ending 2019, which equates to roughly £7,500 over three months or £15,000 over six months. As these figures include essential and discretionary spending, we can surmise that the average household would probably need less than £10,000 in easily accessible emergency savings.

While investing is not for everyone and comes with increased risk, the data in Figure 2.2, suggest that a significant proportion of more wealthy adults are holding far more money in cash than is likely to be needed for an emergency savings buffer and, therefore, could potentially make their money work harder if support was available to encourage them to engage more with their finances and consider investing.

Figure 2.2 Proportion of investible assets held in cash savings products vs. investment products for adults with £10,000 or more in investible assets, by the value of investible assets they have, 2020



Investible assets x Propensity to invest.

Base: All UK adults with £10,000 or more in investible assets (2020:5,184)

Note: Chart compares the amount of money each adult holds in cash savings products to the amount they hold in investment products (based on the current market value). We do not collect these data at an individual product level, nor do we ask about underlying assets (for example, adults may hold some money in investment products in cash). Some adults did not tell us their cash and investment values, but rather their overall level of investible assets. These adults have been excluded from this analysis.

The amount held in savings products includes savings accounts, credit union savings account, NS&I bonds, cash ISAs, Help to Buy ISAs, Lifetime ISAs for those held in cash, and any cash held in current accounts, e-money accounts or Post Office card accounts that they consider to be savings.

The amount held in investment products includes any investment product, excluding property, collectables like jewellery, or exchange tokens. DC and DB pension savings are also excluded from this analysis.

[21] For example, the Money Advice Service suggests that "a good rule of thumb to give yourself a solid financial cushion is to have three months' essential outgoings available in an instant access savings account" www.moneyadviceservice.org.uk/en/articles/emergency-savings-how-much-is-enough

[22] www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure

While consumers have a notion that they could make their money work harder, they are not always fully aware of why this is so important. Holding money in cash is unlikely to be a good long-term strategy for two reasons.

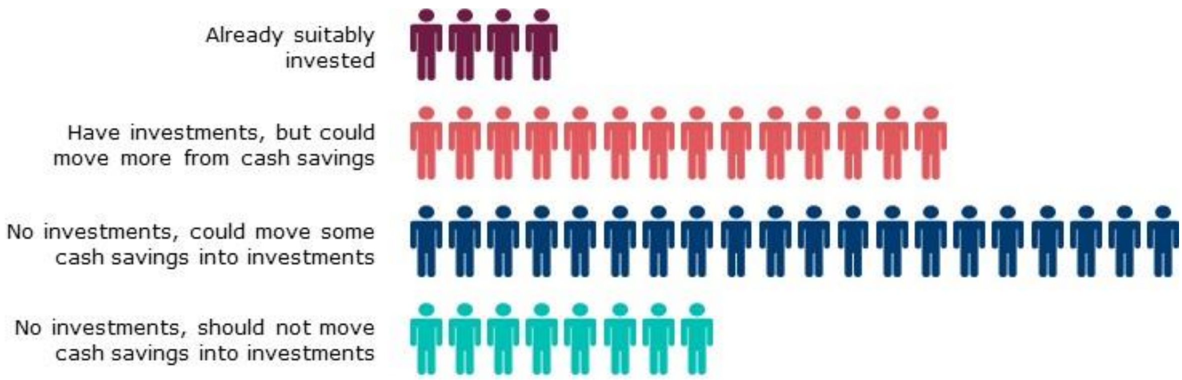
First, historically, rates on cash savings have not kept pace with inflation, which means that over time the real value of the money – what that money can buy in terms of goods and services – is reduced. In stark terms, consumer inertia means that the vast majority of UK adults are seeing the real value of their savings – their purchasing power - being slowly eroded over time. By way of an illustration, the consumer group Which? found that when inflation peaked at 3.1% in November 2017, "no traditional savings accounts could beat it or come anywhere close to matching it. The highest rate being offered by a five-year fixed account was a measly 2.51%."[23] Which? states the situation has improved since 2017, but of the 1,600 accounts they analysed in January 2019 using data from Moneyfacts, there were still only 170 accounts in the market that paid more than the Consumer Price Index.

Second, over the long-term, investing in a mix of assets always beats investing wholly in cash. For example, work by the FCA as part of the Retirement Outcomes Review found that consumers who invest wholly in cash or cash-like funds and draw down their pension over a 20-year period could expect an annual income from their pension 37% higher if they were invested instead in a mix of assets. While rates of return clearly can vary, this figure demonstrates the potential harm consumers could suffer if they remain in cash for long periods.

Investing is a medium- to long-term strategy and we recognize there may be very good reasons why it might not be not appropriate to tie up money in this way. To get a sense of how many adults could *consider* moving money from cash to investments, we spent some time in our qualitative research to understand our not advised respondents' financial situation, their savings time horizons, and their attitudes to risk. Our findings are summarised in Figure 2.3 below.

[23] www.which.co.uk/news/2019/01/savings-rates-are-on-the-rise-as-more-than-170-accounts-now-beat-inflation/

Figure 2.3 A significant proportion of our not advised qualitative research respondents with £10,000 or more in investible assets could move more money into investments



Qualitative consumer research.
Base: All qualitative respondents who have not had advice from a financial adviser in the last 12 months and have more than £10,000 in investible assets (46)
Note: Based on moderator impressions.

Of the 46 not advised adults in our qualitative research who had more than £10,000 in investible assets, 28 had no investments and were entirely in cash-based savings. Based on our detailed discussions, we concluded that 8 of these respondents probably should not consider moving any of their cash savings into investments, either because they may need access to their savings at any time (for example, those who are self-employed with variable income patterns, and those who were just about managing financially), or because their cash savings are earmarked for an imminent purchase, such as a car, or holiday, or house deposit.

However, 20 of the 28 had much longer time horizons for their savings (for example, they were saving for a 'rainy day' or to provide an income for retirement), or had no specific objectives for their savings in mind at all. These respondents could potentially benefit by investing instead in a mix of assets. When asked what was stopping them from investing, it was common to hear our respondents express fears about losing money and a general wariness because they know very little about it. They were unsure about the different asset classes, how they could go about constructing a diversified portfolio, and what they would need to do to manage their investments. They tended to identify 'investing' with direct holdings of a small number of stocks in companies they were familiar with.

> *"I don't understand the different types of investments – I would say that's a barrier to me investing… and I'm not willing to take any risks at the moment."* Female, 35-44, £25k-<£100k, Not advised

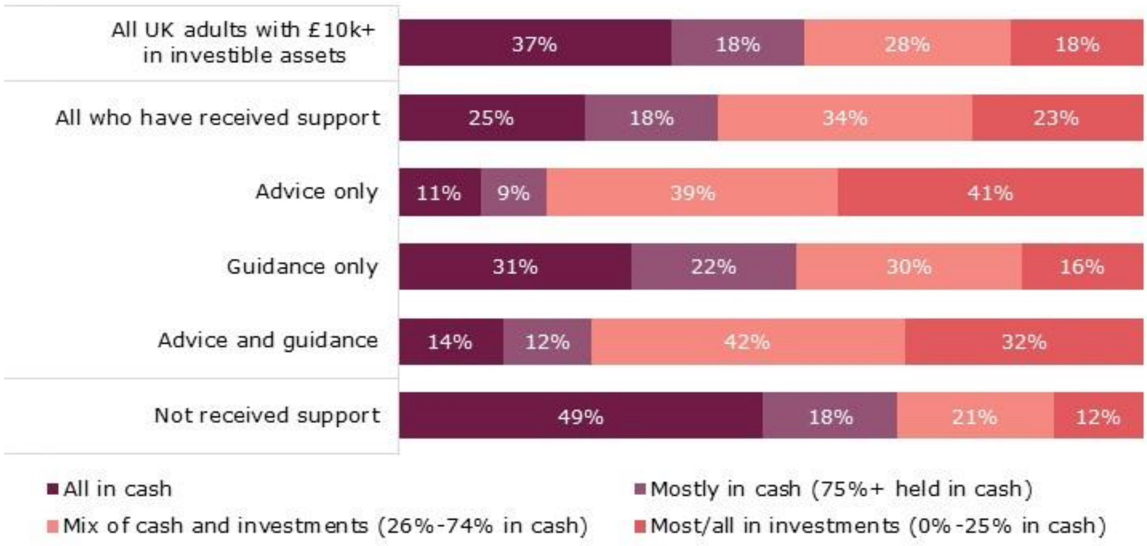
However, it is not clear to them where to go to get support to find out more, and whether they can find support they can trust. In particular, there is a fear that providers may have a vested interest in the support they offer.

"I'm frightened that investing is not going to work out for me and I'm frightened of losing money. I think investments can be a gamble, but they don't have to be. On the whole, I don't really trust providers. I feel they are there to make money out of us, which is fair enough because we can make money too, but I think an individual has much more to lose. So, I'm just really wary." Female, 45-54, £25k-<£100k, Not advised

There is a clear link between the propensity for adults to invest and the type and level of support they are receiving

Figure 2.4 that follows focuses again on those adults who have at least £10,000 in investible assets and looks at the amount of money they hold in cash savings products, such as savings accounts and cash ISAs, compared to the amount they hold in investment products, such as stocks and shares ISAs, and investment funds. It then looks at whether or not these adults have received support in the last 12 months, and the types of support they have received.

Figure 2.4 Proportion of investible assets held in cash savings products vs. investment products, for adults with £10,000 or more in investible assets, by whether or not they have received support in the last 12 months, 2020



Received support in the last 12 months x Propensity to invest (assets held in cash).

Base: All UK adults with £10,000 or more in investible assets (2020:5,184)

While these data cannot identify cause and effect, they do suggest a clear link between the propensity for adults to invest and the support they receive.

For example, of those who have received any type of support in the last 12 months, just 25% hold all of their investible assets in cash savings and 18% hold most of their money in cash savings. This compares with 49% and 18%, respectively, for adults who have not received support in the last 12 months.

There are also significant differences by the type of support received in the last 12 months. For example, just 13% of adults who have received regulated advice in the last 12 months related to investments, pensions or retirement planning hold all of their investible assets in cash, compared with 31% who have received guidance but no regulated advice. This suggests that guidance alone, in the form it currently exists in the market (which primarily takes the form of factual information, rather than more personalised guidance) may not always be enough to enable adults to feel equipped to make a decision to invest.

Consumers need support to help make the right pension and retirement planning decisions

Pensions were often described by our qualitative respondents as a 'minefield'. Even respondents who felt confident in other aspects of their financial lives said they struggled to understand how they work, and found it easy to put off finding out more. As evidenced by the quote below, we heard consumers describe several powerful behavioural biases including inertia, present bias, and the ostrich effect at play, which are likely to be preventing consumers from seeking even the basic support they clearly need.

> *"One thing I definitely don't have a lot of knowledge on and would like to look into more is my workplace pension. I am very good at managing all of my financial situations and I could tell you how much this was and what the contract length is on that, but if you were to ask me anything about my pension, I would really, really struggle to tell you anything about it. And I think that is just because it feels so far away. It doesn't feel such an important part of my day to day or even year by year life at the moment. I have a very limited understanding of how much I am paying in, how much I have got, whether that actually is going to be enough to maintain a good standard of living by the time I am in my late 60s, or whatever they decide to cap the retirement age too. Maybe a one-off explanation about what a pension is and how it works and what that means, how it's going to build up would be enough, definitely initially."* Female, 25-34, <£10k, Not advised

We asked our qualitative respondents about the types of support they would need and where they might go to get it. Our non-advised qualitative respondents tended to think about 'reviewing whether I am paying enough into a pension' and 'thinking about whether I can afford to retire' together. Although few had thought about either of these areas in detail, they nevertheless felt that it would be pretty straightforward to find support to help them if they put their minds to it. They expected to be able to find simple online tools and calculators or, if these did not need meet their needs, to have a conversation with their pension provider.

> *"Reviewing whether you are paying enough into a pension… I might try and source the advice myself and if I couldn't get anything meaningful, I might phone someone up and ask them."* Male, 55-64, £250k+, Advised (automated advice)

There were more mixed views on what support would be needed when deciding what to do with pension money at retirement. Many of the over 50s in our qualitative research had a DB pension and felt the choices here were straightforward, well-explained, and easy to understand by their schemes. Respondents who had DB pensions were much more confident they could work out if they were saving enough for retirement, whether they could afford to retire, and what to do with their pension money. Their only real need for support was what to do about their tax-free lump sum.

Those with a DC pension felt much more insecure about their ability to do the right thing, and were very keen to get help from an expert to review their financial situation to see if they are on track and to help them understand their options. As a result, this was the area where our qualitative respondents were most willing to pay for support.

> *"Anything to do with pensions… it's either one-off or ongoing advice, I don't know enough about pensions, so I don't know whether just one bit of advice would be enough or whether I would need a bit more guidance, if that makes sense."* Female, 35-44, £25k-<£100k, Not advised

Not advised adults prefer one-off to ongoing support – but can they find it?

In our card sorting exercise asking about the types of support required for different financial decisions, we consistently observed the not advised group placing more cards in the 'one-off support' pile, compared to the advised group. Once they have had an expert review their situation and make recommendations, the not advised respondents generally felt that they would be well equipped to continue without further advice.

Our conversations with respondents lasted for an hour or more, which gave the moderator ample opportunity to assess their relative levels of financial capability. Based on this subjective judgement, we noted that many not advised respondents had lower levels of financial knowledge than their advised counterparts, and yet generally felt more confident managing difficult ongoing situations, such as investments or pension decisions, themselves.

For decisions they see as more complex, such as those relating to pensions or investing, our not advised respondents would typically be looking for one-off support where they could discuss the situation with another human being - a friend, family member, their bank, an accountant – that is, someone that they perceive as having more expertise than them.

> *"Thinking about whether you can afford to retire is worth a chat to talk with someone who knows what they are talking about. Someone will need to look at the overall picture and be thinking about how I join it all together. I think that will be a one-off."* Female, 55-64, £25k-<£100k, Not advised

"You would need perhaps at least a one-off appointment with an expert, because it is such an important part of your next 20 years or so that you want to make sure that you get some really good, solid one-off advice and that you feel more reassured. Like a financial health check. I would pay for a consultation like that if it wasn't too expensive - it would be worth it. I don't know how much that would cost, but it should not be more than a couple of hundred pounds." Female, 35-44, £25k-<£100k, Not advised

For those who would need to look outside of their immediate social circle for such support, they had not considered whether this type of service would be available to them at a cost they were willing to pay. Most advisor firms' business models are based on providing ongoing advice. This potentially leaves many consumers who seek support from an expert with a choice of either receiving holistic ongoing advice, or falling back onto information and guidance, which often is not enough to meet their support needs.

"There is a lot that I could research, but I would like to discuss it with someone who knows what is enough to pay into a pension. I guess it's due to lack of knowledge and not having dealt with the situations before. You are looking for reassurance for these big decisions. I think there are people better at it than me." Male, 45-54, £25k-<£100k, Not advised

"I think I would probably go and find a bunch of information on the internet, but if I was really serious about putting something somewhere, I would probably want to speak to someone who knows the markets or products better than I do, to formally validate it or end up managing it, or whatever. Because I still feel like I am good at gathering and deciphering a decent amount of information, but again it's like; you trust the person who does this thing day in and day out. To find an expert I would probably speak to friends and see if they've got any recommendations. Anyone they have used before. Or if they know of anyone who has recommended someone." Male, 45-54, <£10k, Not advised

3. How many consumers need support?

Data from the Financial Lives survey show that 15.6 million UK adults have investible assets of £10,000 or more and, therefore, we would expect they would generally benefit from considering whether to invest their money. Two-thirds (66%) of these adults are aged 50 and over, while just one in seven (14%) are aged 18-34.

Following the success of auto-enrolment, Financial Lives data show that 20.8 million adults now have a DC pension in accumulation and, of these, 50% (10.1 million) have a combined pot of £10,000 or more. The vast majority of DC pension savers are in default investment funds, and therefore their support needs are not about initial investment decisions and asset allocation, rather they are about understanding whether they are saving enough for the lifestyle they want in retirement, and whether they should consolidate multiple DC pensions into one place.

Pension freedoms have changed the way that DC pensions can be used, and DC pension holders now have a range of options for their pension money once they reach age 55. Previous studies have considered in detail how DC pension holders are approaching this issue, and their findings suggest that making such decisions is fraught with complexity and confusion, and is likely to be a pivotal moment where some support is required to do the right thing.

Data from the Financial Lives survey show that 1.2 million adults may need support to access their pension savings because they have a DC pension pot of £10,000 or more, and either plan to access a DC pension or retire in the next 2 years. Excluding those who have investible assets of £10,000 or more, this data suggest that a further 1% of UK adults (0.3 million) might need support purely based on their DC pension pot/ plan to access that pot in the next 2 years.

3% of UK adults (1.4 million) have accessed a DC pension since pension freedoms and 1% (0.5 million) have done so in the last 12 months.

In this chapter, we use data from the Financial Lives survey to estimate the number of UK adults that might need support related to investments, saving into a pension or retirement planning.

15.6 million UK adults have £10,000 or more in investible assets

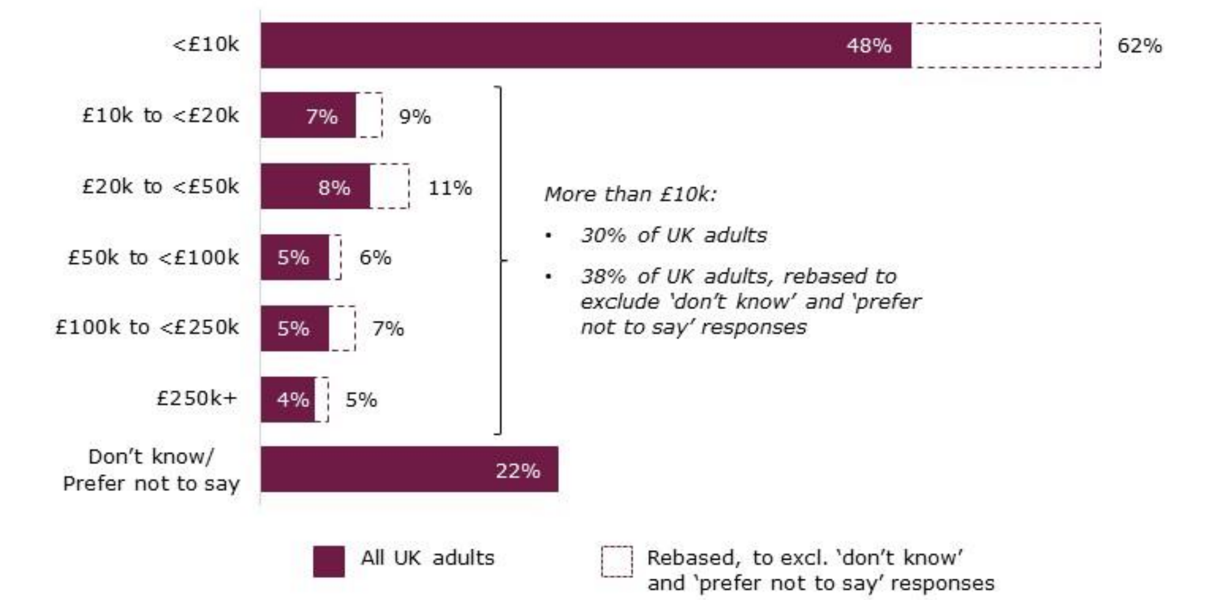
The FCA's FAMR baseline report[24] was particularly focused on the experiences of adults who have at least £10,000 in investible assets. It made this distinction because these adults may be more likely to have a *need* for support, because they are more likely to have the means to invest. We have assumed in our analysis that people with more than £10,000 of investible assets would generally benefit from considering whether to invest their money. This is because at least some of these consumers will be holding more money in cash than is generally likely to be needed for an emergency savings buffer (depending on their individual circumstances). We further assume that, again depending on their individual circumstances, it could be appropriate for a significant proportion of them to hold a more diverse pool of investments, rather than being invested solely or mainly in cash.

Figure 3.1 below draws on data from the Financial Lives survey to show the proportion of all UK adults by how much investible assets they have. It shows that at least 30% of UK adults (15.6 million) have investible assets of £10,000 or more, while 23% (11.9 million) have £20,000 or more. 22% (11.6 million) do not know or prefer not to say.

If we rebase these results to exclude adults who don't know or prefer not to say, we see that 38% of adults have investible assets of £10,000 or more, while 29% have investible assets of £20,000 or more.

In other words, the proportion of UK adults with at least £10,000 in investible assets lies between 30% and 38%.

Figure 3.1 Proportion of UK adults with £10,000 or more in investible asset, 2020



InvestAssets. B11 summary - investible assets

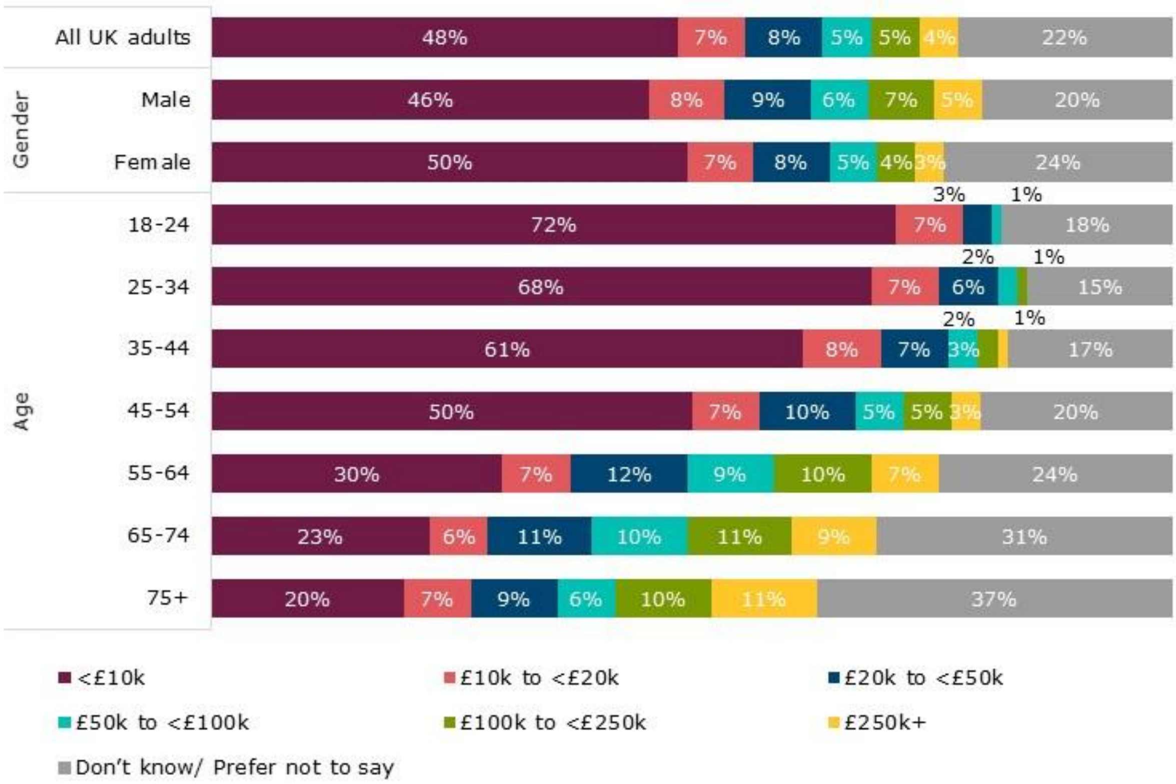
Base: All UK adults (2020:16,190); All UK adults (2020:16,190) excluding 'don't know' and 'prefer not to say' responses (22%)

[24] www.fca.org.uk/publication/research/famr-baseline-report.pdf

Investible assets increase notably with age

Figure 3.2 shows the investible assets held by all UK adults by gender and age. Here, we see that men, on average, have more investible assets than women. We also see that investible assets, unsurprisingly, increase with age.

Figure 3.2 Proportion of UK adults by investible assets, by gender and age, 2020



InvestAssets. B11 summary - investible assets
Base: All UK adults (2020:16,190)

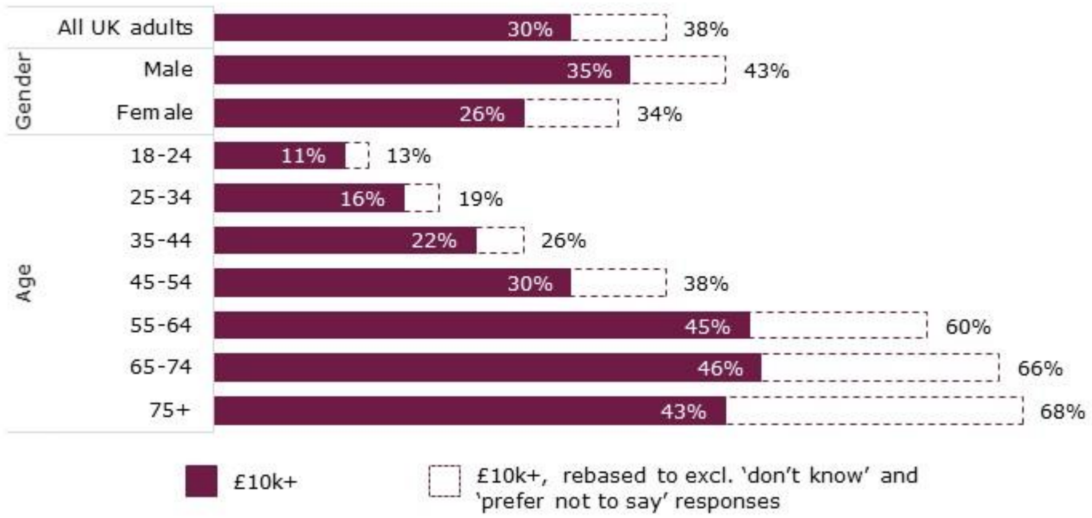
Figure 3.3 below shows the proportion of adults who have £10,000 or more in investible assets by gender and age, in total and rebased to exclude adults who don't know or prefer not to say.

Excluding adults who don't know or prefer not to say, a greater proportion of men have £10,000 or more in investible assets than women (43%, compared to 34%, respectively). Without this exclusion, the results are 35% for men and 26% for women.

Again, this chart is in effect showing ranges. For example, the proportion of UK men with £10,000 in investible assets lies between 35% and 43%.

Looking now at results by age, and excluding adults who don't know or prefer not to say, up to around two-thirds of adults aged 65 and over have at least £10,000 in investible assets, compared with up to just one in eight (13%) adults aged 18-24. This result is unsurprising given people accumulate wealth with age.

Figure 3.3 Proportion of UK adults with £10,000 or more in investible assets by gender and age, 2020



InvestAssets. B11 summary - investible assets
Base: All UK adults (2020:16,190); All UK adults (2020:16,190) excluding 'don't know' and 'prefer not to say' responses (22%)

20.8 million adults have a DC pension in accumulation

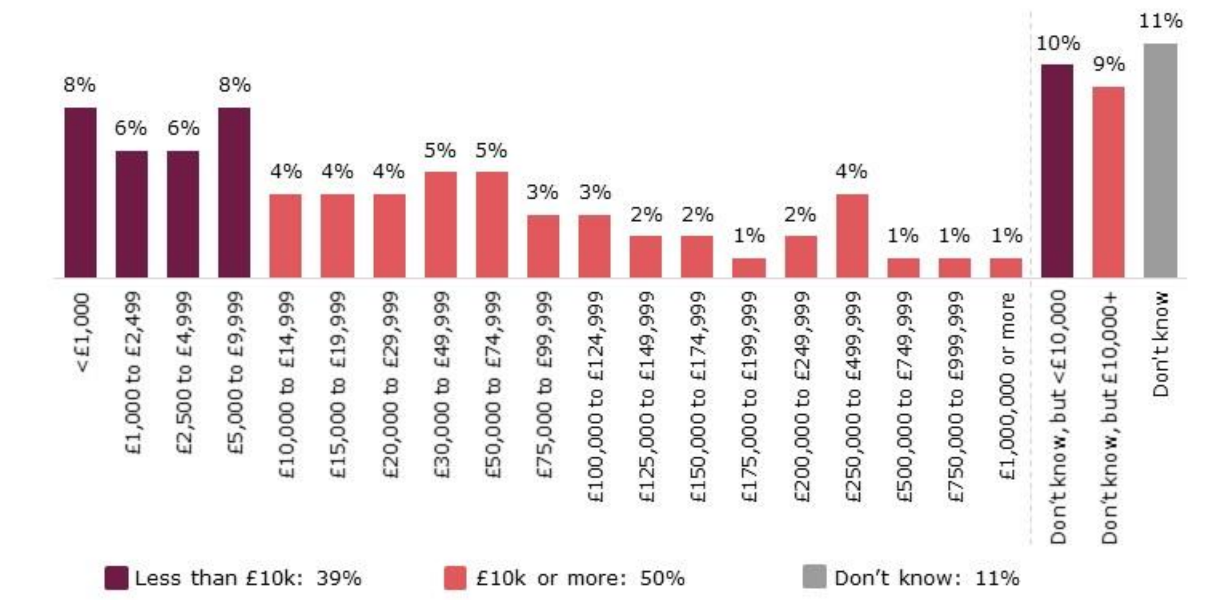
Our definition of investible assets does not include money set aside for retirement in DC pensions. However, auto-enrolment has increased the number of people with a DC pension, especially among the younger age groups. The Financial Lives survey asks adults about their pension holdings. Overall, 20.8 million UK adults (40% of all UK adults) hold a DC pension in accumulation[25].

Auto-enrolment has been designed using the principles of behavioural economics, which means that many of the key decisions that those saving into a DC pension need to make are already embedded within the scheme design (i.e. opt-out rather than opt-in, default investment funds, and minimum contribution levels set by the Government). The vast majority of DC pension savers are in default investment funds, and therefore their support needs are not about initial investment decisions and asset allocation, rather they are about understanding whether they are saving enough for the lifestyle they want in retirement, and whether they should consolidate multiple DC pensions into one place.

Auto-enrolment is still in its infancy, and this is reflected in current pot sizes. Of adults with a DC pension in accumulation, 39% (7.7 million) have a combined pot of less than £10,000 and 50% (10.1 million) have a combined pot of £10,000 or more. As shown in Figure 3.4, these figures include some DC pension holders who don't know the current size of their pension pot but, when probed, said it was more or less than £10,000, but exclude 11% (2.2 million) who had no idea how much their pot is worth, even when probed.

[25] **POSum1. Base:** All UK adults (2020:16,190)

Figure 3.4 Proportion of UK adults with a DC pension pot in accumulation by pension pot size, 2020



B3/B3New_2 (REBASED). Approximately what is the current size of your combined pension pot in total?
Base: All UK adults with a DC pension pot in accumulation (2020:6,464) excluding 'prefer not to say' responses (4%)

1.2 million adults may need support to access their DC pension savings

Pension freedoms have changed the way that DC pensions can be used, and DC pension holders now have a range of options for their pension money once they reach age 55. Previous studies[26] have considered in detail how DC pension holders are approaching this issue, and their findings suggest that making such decisions is fraught with complexity and confusion, and is likely to be a pivotal moment where some support to do the right thing is required.

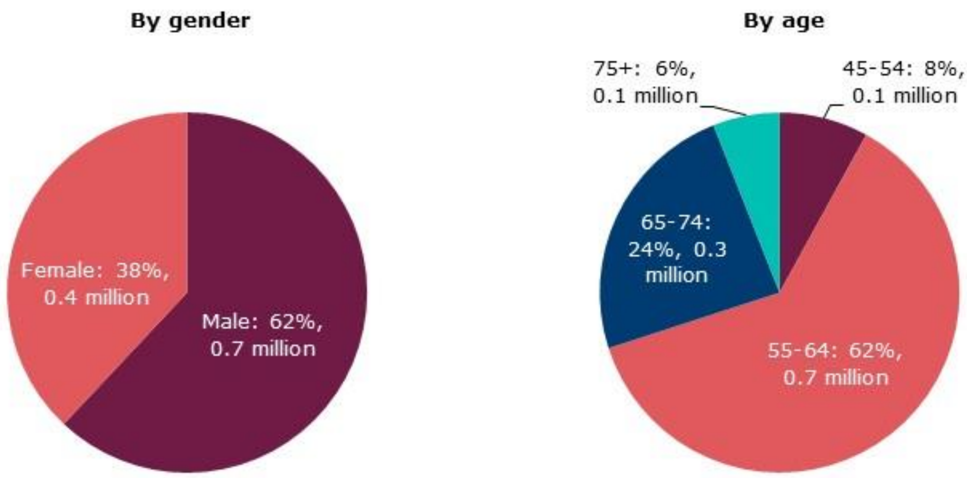
These studies have also identified that access decisions are often de-coupled from retirement decisions, which means that both 'events' must be considered. Therefore, to understand how many might need retirement planning support, the Financial Lives survey asks adults *when* they plan to access their DC pension and, separately, *whether* they plan to retire in the next 2 years.

It also asks adults about the size of their DC pension savings. This is an important consideration given adults are less likely to need support with an imminent retirement planning decision if they have a very small DC pension pot which they will fully encash.

[26] For example: Retirement Outcomes Review, FCA, June 2018; Qualitative consumer research for assessing the non-advised journey, Ignition House research for the FCA, March 2017

Collectively, 2% of UK adults (or 1.2 million) have a DC pension pot of £10,000 or more and plan to access a DC pension in the next 2 years or retire in the next 2 years. Just over three-fifths (62% or 0.7 million) of these adults are male. A similar proportion (62% or 0.7 million) are aged 55-64.

Figure 3.5 Proportion of UK adults who have a DC pension pot of £10,000 or more and plan to access a DC pension in the next 2 years or retire in the next 2 years by gender and age, 2020



B3/P_AC12sum.

Base: All UK adults with a DC pot in accumulation who have at least £10k in the DC pension and are 2 years from retiring or 2 years from accessing their pension (2020:399)

Support needs do not necessarily end once they have accessed their pension

For many, making an access decision is not the end of the story. Adults with a DC pension pot in decumulation that is still invested may also require some ongoing support for many years, for example, with their investment and withdrawal strategies – as these are at the more complex end of the range of decisions that consumers need support with. Many decision-makers will have been in defaults during accumulation (and have therefore not needed support with their investments), but have then found that they have to take control of their money as there are no defaults in decumulation products.

Again, the Financial Lives survey provides some information on this cohort. Overall, the survey tells us that 3% of UK adults (1.4 million)[27] have accessed a DC pension since pension freedoms and 1% (0.5 million)[28] have done so in the last 12 months.

[27] **P_DEC5 (Rebased)**. **Base:** All UK adults (2020:16,190)
[28] **POSumP7 (Rebased)**. **Base:** All UK adults (2020:16,190)

4. What support are consumers getting?

The vast majority of UK adults have not received any form of support in the last 12 months related to investments, pensions or retirement planning. While, clearly, not all will need support on these topics, there still remains a significant number of consumers not getting support they could benefit from.

For example, of the 15.6 million UK adults who have £10,000 or more in investible assets - a group which we previously identified as potentially having a need for support, either with their existing investments or to encourage them to hold a more diverse pool of investments, rather than being invested solely in cash, half (50%) have not received any support in the last 12 months. Within this group, adults with between £10,000 and £100,000 are much less likely to have had support, compared with adults with £100,000 or more.

Of those adults who are more likely to need retirement planning support (because they have a DC pension pot of at least £10,000 and plan to access a DC pension in the next 2 years or plan to retire in the next 2 years) just over half (53%) have received support related to retirement planning in the last 12 months, while 47% have not.

Looking at the types of support received, 8% of UK adults (4.1 million) have received regulated financial advice in the last 12 months, while 28% (14.7 million) have received guidance. This is an increase compared to 6% (3.1 million) and 26% (13.1 million) of adults who received advice and guidance in 2017, respectively. That said, our definition of guidance is very broad, and includes informal sources of information or guidance provided by the media (e.g. newspapers, TV, radio, or podcasts) and from friends and family. Excluding these more informal sources, 24% of UK adults (12.4 million) have used information or guidance in the last 12 months.

While guidance spans all level of investible assets, advice is far more prevalent amongst those with investible assets worth £100,000 or more. The dominant type of regulated advice remains the independent financial adviser.

The most used sources of information or guidance are websites or other literature from a bank, building society or other providers, and private sector money advice websites. This has not changed since 2017. That said, our qualitative research shows that friends and family are by far the most important influencers on *actual* behaviour – which suggests there is scope for improving the guidance available from more formal sources, such as financial services firms. Relatively few (one-third or less) found each of the information or guidance sources they used to be very helpful.

The previous chapter indicates that there is a significant need for support among UK adults. In this chapter we continue to build the picture of the support landscape by looking in detail at the number of UK adults who receive support, the different types of support they receive, and highlighting areas where the current support landscape may be falling short of requirements.

The number of UK adults receiving support in the last 12 months

One-third (32%) of UK adults have received support in the last 12 months

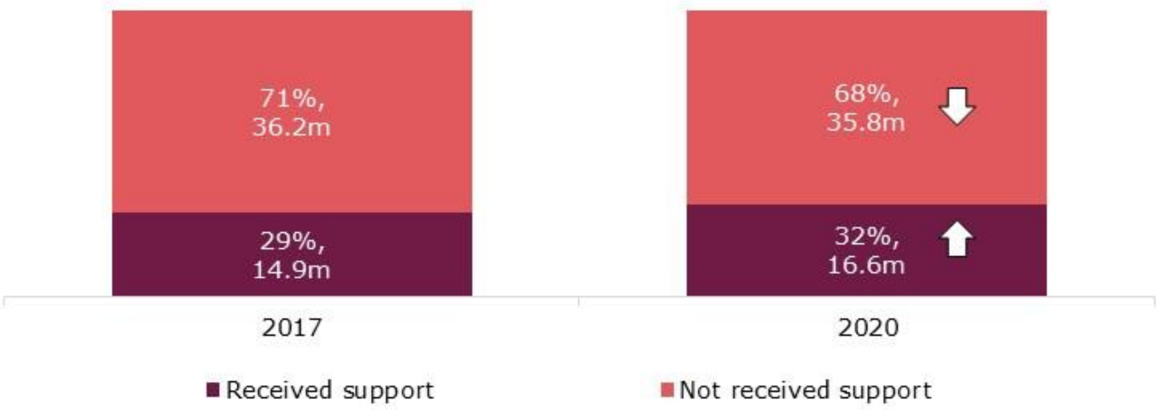
Figure 4.1 below draws on data from the Financial Lives survey to show the proportion of UK adults that have received support related to investments, saving into a pension or retirement planning in the last 12 months, in 2017 and 2020.

This support could be in the form of regulated financial advice, for example, from a financial adviser or an automated advice service (that will make a recommendation), or in the form of information or guidance to help them to identify their options and narrow down their choices.

In terms of information and guidance, we include a range of different sources, including more formal guidance services such as: Pension Wise, TPAS, MAS/ MaPS, Citizens Advice and gov.uk; private sector advice websites such as Which? and MoneySavingsExpert.com; and information or guidance provided through the workplace. We also include information or guidance provided by the media (e.g. newspapers, TV, radio, or podcasts), and from friends and family.

Based on this broad definition, as Figure 4.1 shows, one-third of all UK adults (32% or 16.6 million) have received support of some sort in the last 12 months; an increase on the 2017 results, where this figure was 29% (14.9 million).

Figure 4.1 Proportion of UK adults that have received support in the last 12 months, 2017 vs 2020



Received support in the last 12 months.

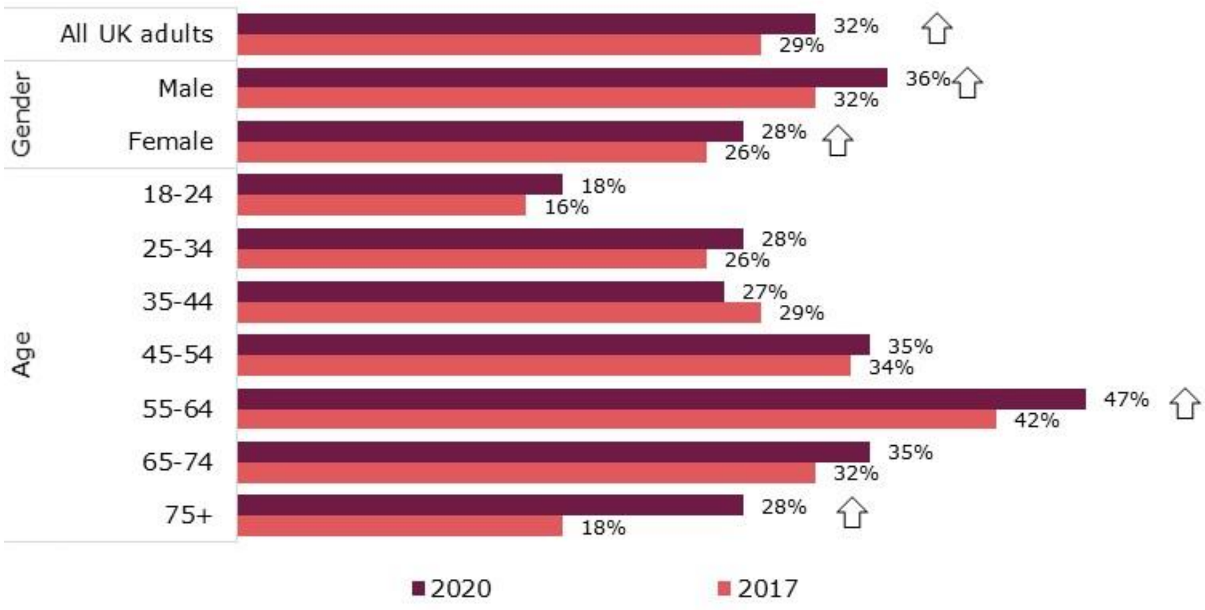
Base: All UK adults (2017:12,865/ 2020:16,190)

Note: Arrows denote a statistically significant difference in the 2020 results, compared with 2017

As depicted in Figure 4.2, more men than women have received support in the last 12 months; 36% (9.0 million) compared to 28% (7.5 million), respectively.

Support usage also varies considerably by age, with adults aged 55-64 being the most likely to receive support (47% have received support in the last 12 months) and adults aged 18-24 the least likely (18% have received support in the last 12 months).

Figure 4.2 Proportion of UK adults that have received support in the last 12 months by gender and age, 2017 vs 2020



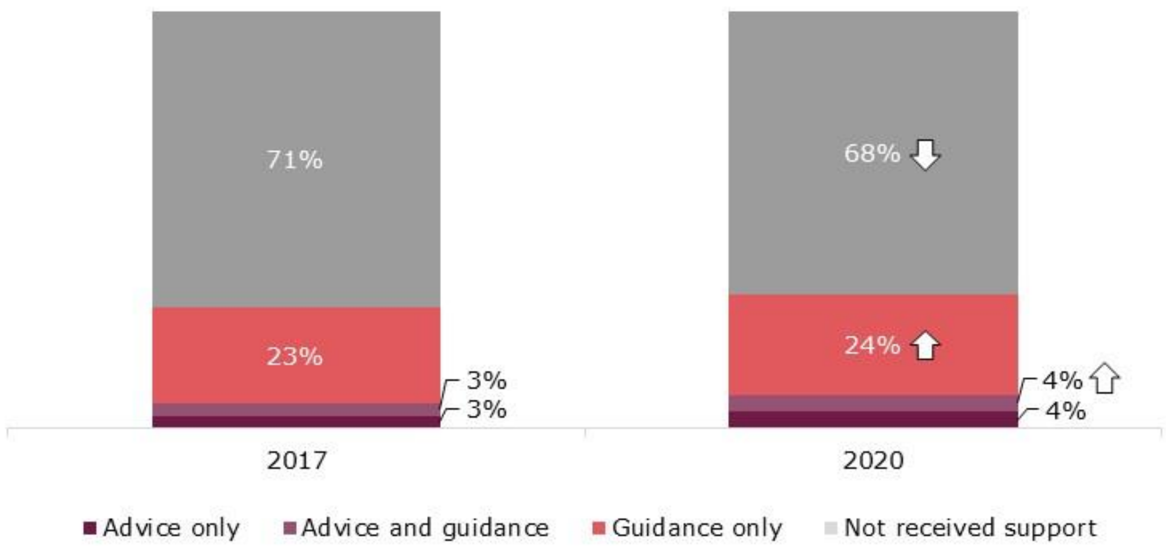
Received support in the last 12 months.

Base: All UK adults (2017:12,865/ 2020:16,190)

Note: Arrows denote a statistically significant difference in the 2020 results, compared with 2017

Looking at the types of support received, Figure 4.3 shows that, overall, 8% of UK adults (4.1 million) have received regulated financial advice in the last 12 months, while 28% (14.7 million) have received guidance. This is an increase compared with 6% (3.1 million) and 26% (13.1 million) of adults who received advice and guidance in 2017, respectively.

Figure 4.3 Proportion of UK adults who have received regulated financial advice and/or guidance in the last 12 months, 2017 vs 2020



Received support in the last 12 months.

Base: All UK adults (2017:12,865/ 2020:16,190)

Note: Arrows denote a statistically significant difference in the 2020 results, compared with 2017

Half of adults with £10,000 or more received support in the last 12 months

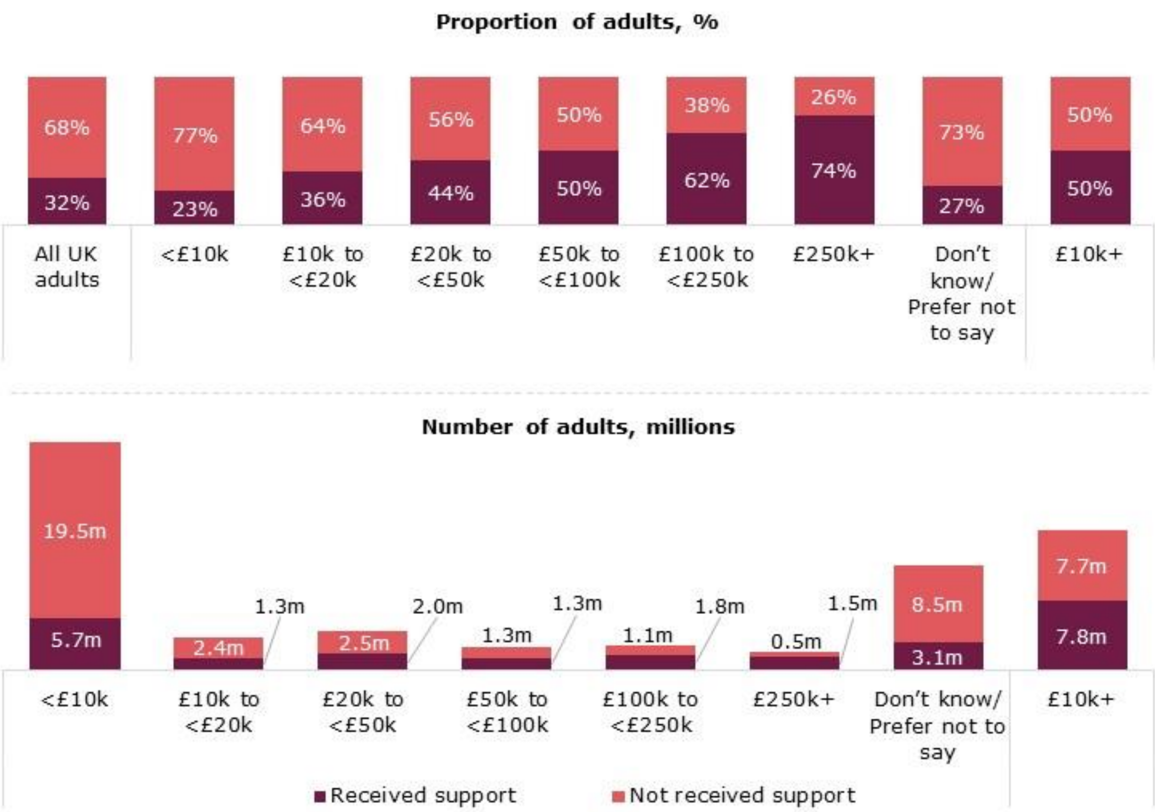
We discussed in the previous chapter why we think people with £10,000 or more of investible assets might need support, either with their existing investments, or to encourage them to invest for the first time.

However, headline figures from the Financial Lives survey show that only half (50%) of this core group received any form of support in the last 12 months. Conversely, this means that half (or 7.8 million adults) who might need support have not received any support in the last 12 months.

Furthermore, Figure 4.4 below demonstrates some clear differences within this group; in particular that adults with between £10,000 and £100,000 in investible assets are much less likely to have had support, compared with adults with £100,000 or more:

- 64% of adults with £10,000 to <£20,000, 56% of adults with £20,000 to <£50,000 and 50% of adults with £50,000 to <£100,000 have not had support in the last 12 months
- 38% of adults with £100,000 to <£250,000 and 26% of adults with £250,000 or more have not had support in the last 12 months

Figure 4.4 Proportion and number of UK adults who have received support in the last 12 months by investible asset band, 2020



Received support in the last 12 months x Investibe assets.

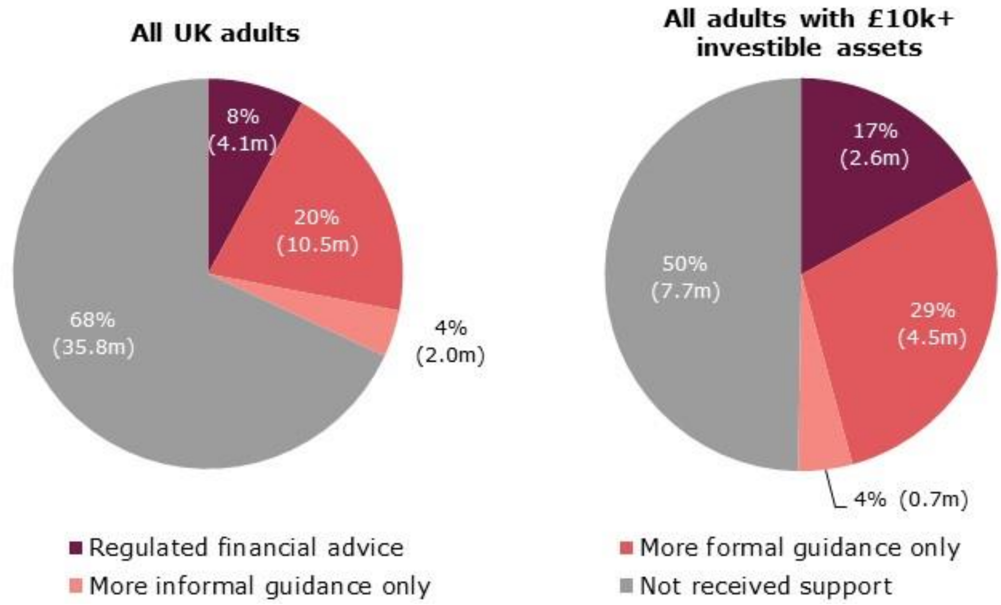
Base: All UK adults (2020:16,190)

There are some caveats with these numbers:

- First, a significant proportion of adults (22% or 11.6 million) do not know or refused to say how much investible assets they have and, therefore, we cannot assess the extent to which they might need support or not. 73% of these adults (or 8.5 million) have not received support in the last 12 months. It is, however, fair to assume that some of these adults have a significant amount of investible assets and might benefit from support.
- Second, our definition of 'support' includes informal sources of information or guidance provided by the media (e.g. newspapers, TV, radio, or podcasts), and from friends and family. If we were to exclude adults who only received support in the form of information or guidance from the media or friends and family, the total number of adults who have received more formal support in the last 12 months is 14.6 million (or 28% of all UK adults).

As depicted in Figure 4.5 below, looking only at adults with £10,000 or more in investible assets, the number who have received more formal support in the last 12 months is 7.1 million, or 46% of all adults with £10,000 or more (17% have received regulated financial advice and 29% have not received advice but have received guidance from more formal sources).

Figure 4.5 Proportion and number of UK adults who have received support in the last 12 months by type of support received, 2020



Received support in the last 12 months x Investible assets.

Base: All UK adults (2020:16,190); All UK adults with £10,000 or more in investible assets (2020:5,273)

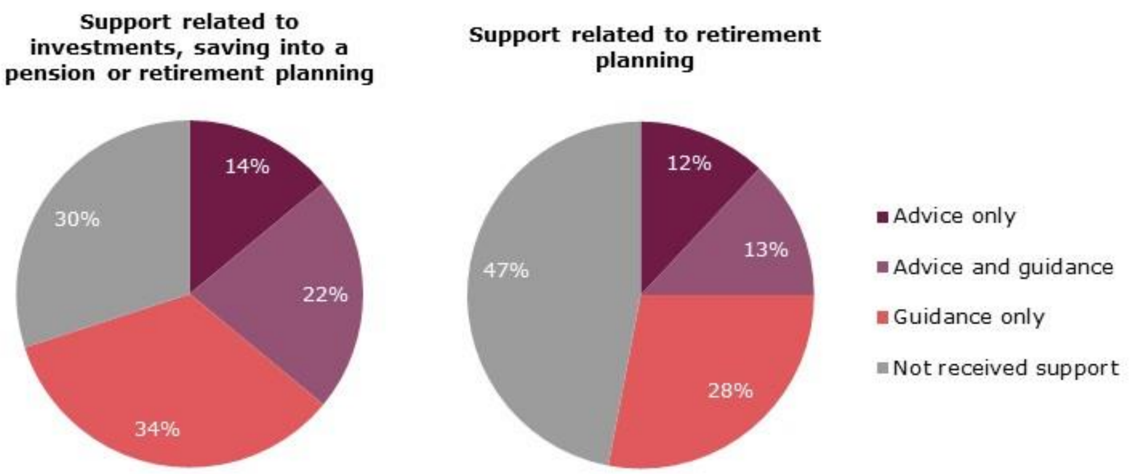
A significant number of adults who may need help with retirement planning have not received any support to help them with this in the last 12 months

We can also use the Financial Lives survey to look at adults who are more likely to need retirement planning support because they have a DC pension pot of at least £10,000 and plan to access a DC pension in the next 2 years or plan to retire in the next 2 years. Of the 2% of UK adults (or 1.2 million) who are in this situation, 70% have received some form of support in the last 12 months and 30% have not.

However, we do not know from these figures whether this support was related to retirement planning or to something else entirely. Figure 4.6 below addresses this specific question. It shows that just 53% of adults in this situation have received support related to retirement planning in the last 12 months, while 47% have not.

Looking in more detail at the support related to retirement planning, we see that almost half who received support took regulated financial advice. There is also considerable overlap between those using advice and those using guidance.

Figure 4.6 Proportion of adults who are more likely to need retirement planning support who have received regulated financial advice and/or guidance, 2020

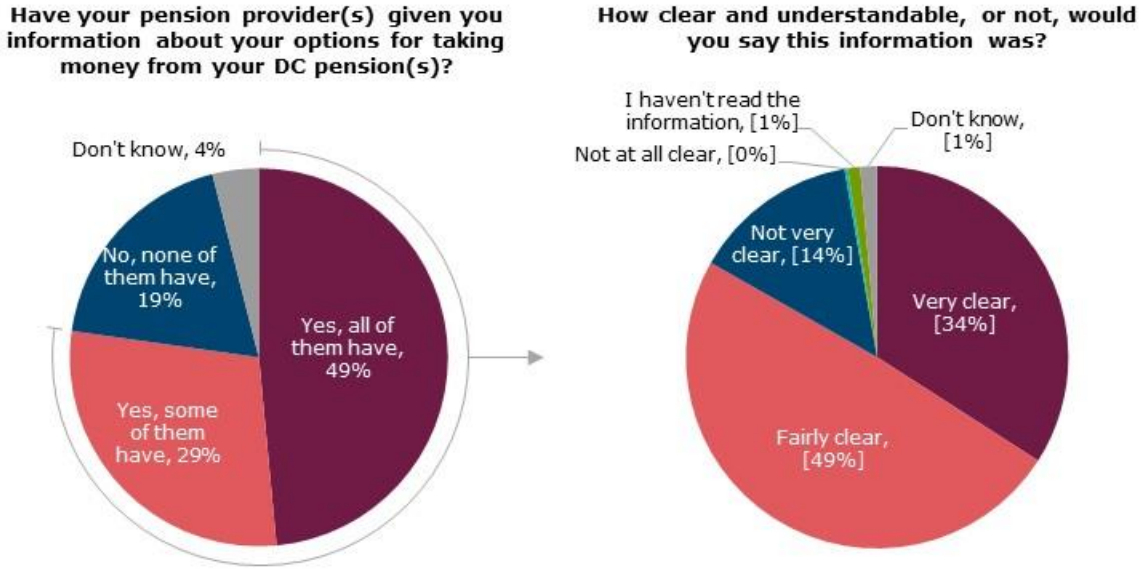


B3/P_AC12sum.

Base: All UK adults with a DC pot in accumulation who have at least £10k in the DC pension and are 2 years from retiring or 2 years from accessing their pension (2020:399)

Clearly, for people in this situation, understanding the options available to them for their DC money is extremely important given pension freedoms and the complexity of the choices they now have to make. Their pension provider is a key source of information. Figure 4.7 shows that the majority of adults approaching this decision can recall receiving information about their options from their provider, have read it, and found the information fairly clear.

Figure 4.7 Proportion of adults who are planning to access their DC pension in the next 2 years by whether or not they have received information from their DC pension provider(s) and how clear this information was, 2020



P58. Have your pension provider(s) given you information about your options for taking money from your defined contribution pension(s)? **P59.** How clear and understandable, or not, would you say the information was from your defined contribution pension provider(s) about your options?

Base: All UK adults planning to access their DC pension in the next 2 years (2020:127)/ All UK adults planning to access their DC pension in the next 2 years and received information from their provider (2020:98)

Despite this, the Financial Lives survey also suggests that many of these adults do not understand their options very well. Adults who are planning to access their DC pension in the next 2 years were asked to identify the key features of a single life annuity, income drawdown and Uncrystallised Funds Pension Lump Sum (UFPLS)[29].

Taking the case of a single life annuity:

- 26% said they had never heard of a single life annuity
- 18% thought that with a single life annuity there was the risk that the value of their fund could go up or down
- 9% thought that with a single life annuity they could leave their pot to someone when they died
- Just 55% knew that this option would give them a guaranteed income for the rest of their life

[29] **P60a_c_mc.** Here are some options about taking money from your pension, and some descriptions about how they work. In each case try to match the description to the option it applies to. More than one description may match the same option. **Base:** All UK adults planning to access their DC pension in the next 2 years (2020:127)

There are also misconceptions with income drawdown. One in ten (8%) thought it gave a guaranteed income for life and just two in five (39%) identified that there would be the risk that the value of their fund could go up or down. The vast majority (70%) had not heard of UFPLS.

Taken together, these results suggest that, while most say they have received information from their pension provider(s) and that the information they received was fairly clear and understandable, a significant proportion do not fully understand all of their options.

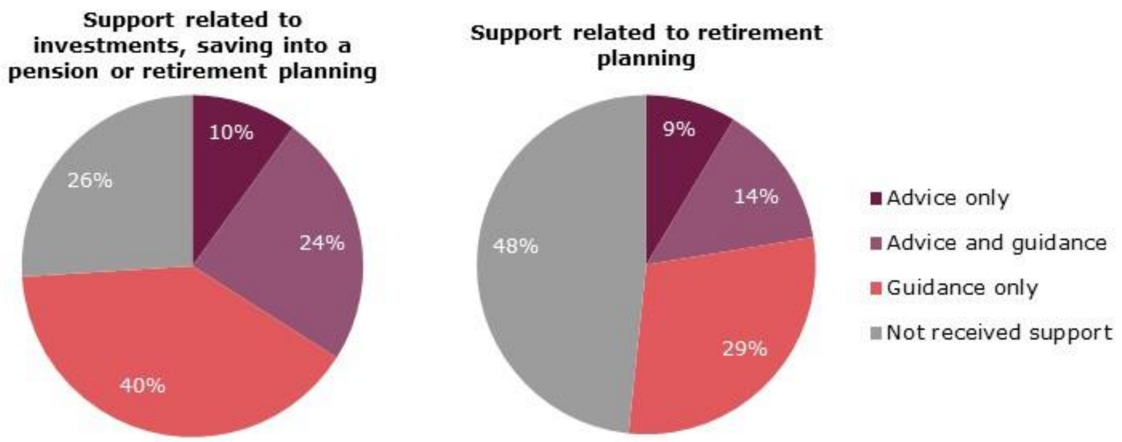
Additional analysis of these data indicate that those who have had regulated advice in the last 12 months have a better understanding of their retirement options, suggesting that the current information and guidance from pension providers is often not enough to help people fully understand the choices they are making.

Support usage among adults who accessed a DC pension in the last 12 months

Looking at adults who have accessed a DC pension in the last 12 months reveals a similar trend. Of the 0.5 million adults who have decumulated a DC pension in the last 12 months, 60% have taken some cash out of their pension and left the remainder invested (income drawdown or UFPLS), 23% have fully encashed a pension, 19% have bought an annuity, and 2% know they get an income or cash lumps sum from their pension but are unsure what they have done[30].

51% (0.3 million) have received support related to retirement planning in the last 12 months and 49% (or 0.3 million) have not. Looking in more detail at the types of support received, we again see that there is a significant proportion who have used both guidance and advice. These figures are shown in Figure 4.8 below.

Figure 4.8 Proportion of adults who have decumulated a DC pension in the last 12 months who have received regulated financial advice and/or guidance in the last 12 months, 2020



POSumP7 REBASED Pension summary (7) x Received support in the last 12 months.
Base: All UK adults who have decumulated a DC pension in the last 12 months (2020:211)

[30] **POSumP7 (Rebased)**. **Base:** All UK adults who have decumulated a DC pension in the last 12 months (2020:211)

However, these figures are a slight underestimate of the proportion that have been supported with their decumulation decision, because they may have received that support longer than 12 months ago.

We asked adults who have decumulated a DC pension in the last 12 months whether or not they received any regulated financial advice about how to take their pension before they accessed it (i.e. regardless of whether or not that was in the last 12 months). 54% said that they had, 44% had not, and 2% don't know.[31]

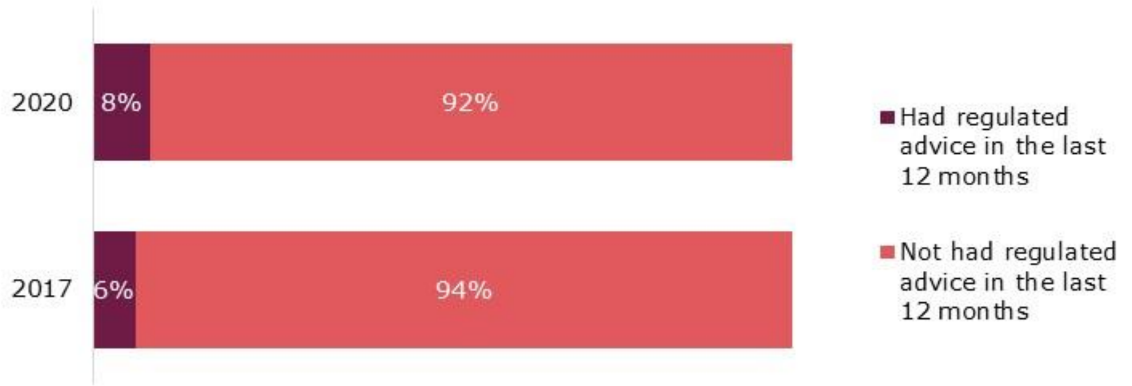
In terms of guidance, one-third of adults (33% or 0.2 million) who have decumulated a DC pension in the last 12 months used the Pension Wise service in the last 12 months.[32] A further 9% (0.05 million) have used Pension Wise in the last 4 years but not in the last 12 months. [33]

Use of regulated financial advice

There has been an increase in the use of regulated financial advice since 2017

As depicted in Figure 4.9, less than one in ten UK adults (8%), or 4.1 million, have received regulated financial advice in the last 12 months, related to investments, saving into a pension or retirement planning. However, this is a statistically significant increase from 2017, where the result was 6% or 3.2 million people.

Figure 4.9 Proportion of UK adults that have had regulated financial advice in the last 12 months, 2017 vs 2020



DV1new. Had regulated advice in the last 12 months.

Base: All UK adults (2017:12,865/ 2020:16,190)

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[31] **P_DECE5.** In the last 4 years you decumulated. Before you did this, did you receive any regulated advice about how to take your pension? **Base**: All UK adults who are aged 50+ and have decumulated a DC pension in the last 12 months (2020:211)

[32] **B1XX.** Which, if any, of the following have you used in the last 12 months as a source of information or guidance related to investments, saving into a pension or retirement planning? **Base**: All UK adults who are aged 50+ and have decumulated a DC pension in the last 12 months (2020:211)

[33] **PD2_mc.** Have you used Pension Wise in the last 4 years? **Base**: All UK adults who are aged 50+ and have decumulated a DC pension in the last 12 months (2020:211)

Looking at the type of adviser or advisers used in the last 12 months, the vast majority (79%) of advised adults used an adviser from a financial advice firm, such as an IFA. This is not significantly different from the 81% reported in 2017; however, since the overall number of adults who have received advice in the last 12 months has grown since 2017, the number of adults who have received advice from an adviser at a financial advice firm has increased – from 2.6 million in 2017 to 3.2 million in 2020.[34]

The overall number of adults who have received advice from a bank or building society (0.4 million) or an adviser from an insurance company, investment company or pension provider (0.3 million) in the last 12 months is slightly lower than in 2017. In contrast, 0.4 million adults have received automated advice online, as an app, or as downloadable software in the last 12 months, up from 0.1 million in 2017.[35]

There are clear differences when looking at the propensity to use advice among adults with £100,000 or more in investible assets

Most adviser firms target their services at people with investible assets of £100,000 or more. It could, therefore, be argued that the relatively low figures for those using regulated financial advice (see Figure 4.9) are, to some degree, a function of supply-side constraints.

However, Figure 4.10 shows that 69% of consumers with more than £100,000 of investible assets have not had advice, suggesting that there is significant potential for market growth.

We also see that:

- Gender differences are not significant at this level of investible asset, whereas men are more likely than women to have regulated financial advice among the general population as a whole.
- Although sample sizes are small, there is some indication that younger adults and the BAME community with £100,000 or more of investible assets are less likely to take regulated advice than their older, white counterparts.
- Self-employed adults with £100,000 or more of investible assets are more likely to take regulated financial advice than adults who are employed. However, the likelihood to use advice appears to vary greatly according to the type of self-employment; with self-employed adults whose business is a limited company being over two times more likely to have received advice in the last 12 months, compared with freelancers/ self-employed contractors and sole traders.[36]

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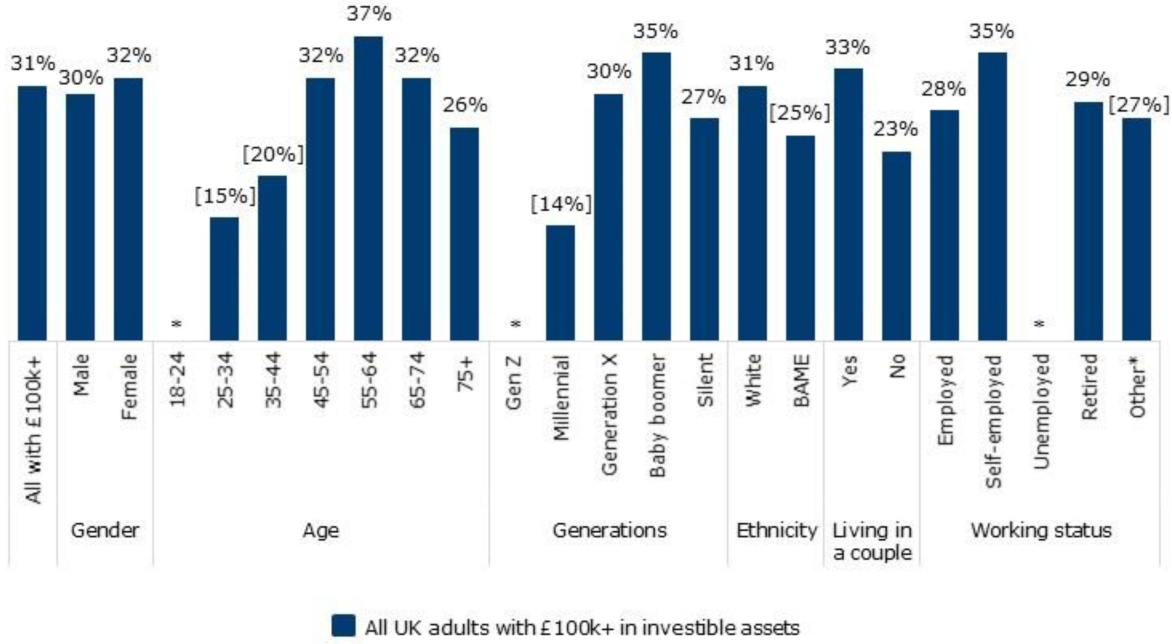
[34] **DV3_mc** Types of advisers used that provide regulated advice in the last 12 months. **Base:** All UK Adults who have had regulated financial advice in the last 12 months (2017:1,030/ 2020:1,459)

[35] Small improvements were made to the survey in 2020, including prompting all adults with a list of automated advice providers to see which they have used, if any, in the last 12 months and adding an additional question to check that they have used an automated advice provider in a way that would constitute receiving regulated advice. As a result, the 2017 and 2020 figures for automated advice may not be directly comparable.

[36] **SE1.** Earlier you mentioned that you are self-employed on a full-time/part-time basis. What is the legal status of your business? By 'legal status' we mean the type of company you have set up in relation to the work you do as a self-employed person. **Base:** All UK adults who are self-employed (2020:1,075)

Figure 4.10 Proportion of UK adults with £100,000 or more in investible assets that have had regulated financial advice in the last 12 months by a variety of demographic characteristics, 2020



DV1new. Had regulated advice in last 12 months.

Base: All UK adults with £100k+ in investible assets (2020:1,829)

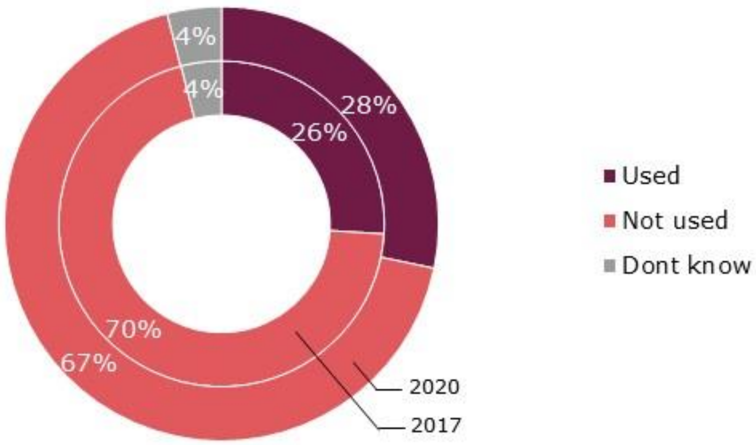
Note: Fewer than 50 unweighted observations of 18-24 year olds, Gen Z, and unemployed respondents with £100k+ in investible assets, so results have been removed. At the time the survey was conducted, Gen Z were adults aged 18-19, Millennials were adults aged 23-38, Generation X were adults aged 39-54, Baby boomers were adults aged 55-72, and the Silent generation were adults aged 73 and over. Other working status includes students, those who are permanently sick or disabled, those who are temporarily sick (no job to go to), those who are looking after the home, and other.

Use of information and guidance

Overall use of information or guidance in the last 12 months

As summarised in Figure 4.11, 28% of UK adults (14.7 million) have used some form of information or guidance (including informal as well as formal sources) in the last 12 months to help them with decisions related to investments, saving into a pension or retirement planning. This is a statistically significant increase on the one-quarter (26%) who said they had used some form of information or guidance in 2017.

Figure 4.11 Proportion of UK adults who have used information or guidance in the last 12 months, 2017 vs 2020



B1XX_mc. Which, if any, of the following have you used in the last 12 months as a source of information or guidance related to investments, saving into a pension or retirement planning?

Base: All UK adults (2017:12,865/ 2020:16,190)

Included in these figures are 10% who say they have used the media (e.g. newspapers, TV, radio, or podcasts) for information or guidance and 5% who have received information or guidance from friends or family (including social media groups).

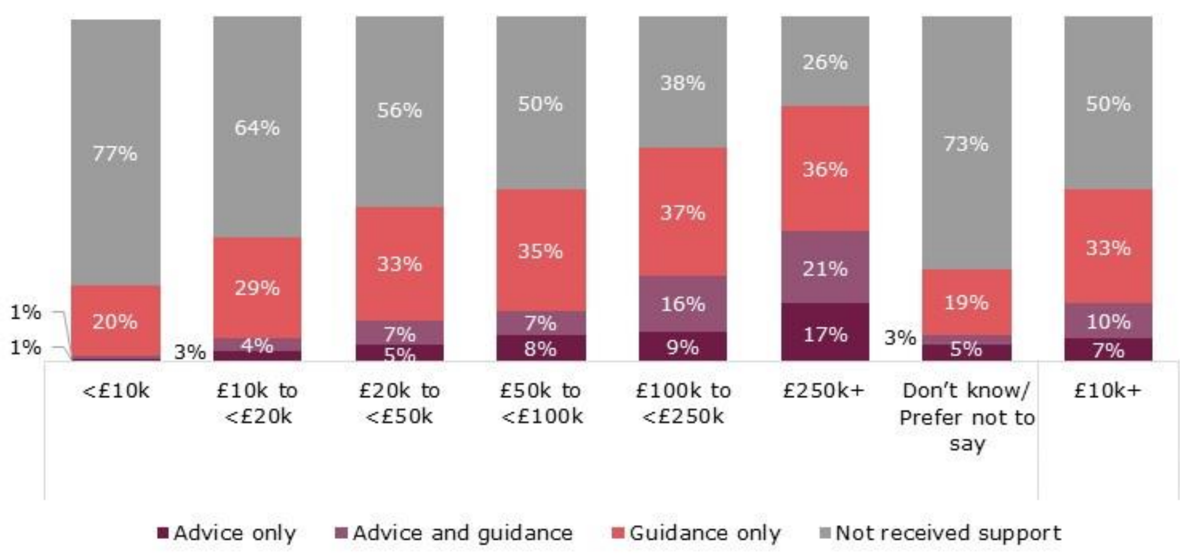
Excluding adults who only used information or guidance from the media and friends and family, 24% of UK adults (12.4 million) have used information or guidance in the last 12 months.

Guidance spans all level of investible assets, whereas advice is far more prevalent among those with more than £100,000 of investible assets

As Figure 4.12 shows, the proportion of those using guidance only is relatively consistent among our core group of those with £10,000 or more of investible assets. In contrast, those using advice are more likely to be at the wealthier end of the spectrum.

For example, 25% of adults with investible assets of £100,000 to <£250,000 and 38% of adults with £250,000 or more have received regulated advice in the last 12 months. This compares with just 6% for adults with £10,000 to <£20,000, 12% for adults with £20,000 to <£50,000, and 15% of adults with £50,000 to <£100,000.

Figure 4.12 Proportion of UK adults who have received regulated financial advice and/or guidance related to investments, saving into a pension or retirement planning in the last 12 months by investible asset band, 2020



Investible assets x Received support in the last 12 months.

Base: All UK adults (2020:16,190)

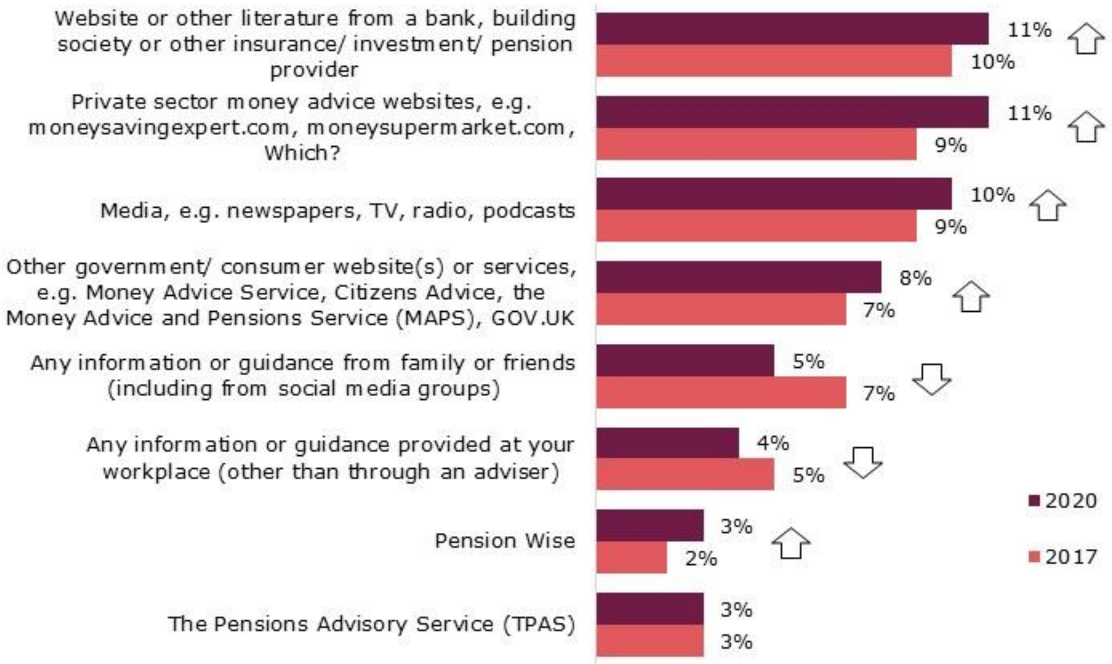
Sources of information and guidance used in the last 12 months

As shown in Figure 4.13, the most used sources of information or guidance are websites or other literature from a bank, building society or other providers (although this is still a low proportion of the overall total - 11% have used it in the last 12 months), and private sector money advice websites (11% have used).

Looking collectively at all government-backed guidance services suggests a similar level of usage. In the last 12 months 11% of UK adults have used one or more of the various services available. This breaks down as follows:

- 3% of all UK adults recall using Pension Wise – an increase on the 2% reported in 2017 (to set this in context, it should be noted that only consumers aged 50+ with DC pensions are eligible for Pensions Wise guidance)
- 3% remember using TPAS - no significant change since 2017
- 8% recall having used other government or consumer websites or service such as Money Advice Service, Citizens Advice, the Money Advice and Pensions Service (MAPS), or GOV.UK – an increase on the 7% reported in 2017

Figure 4.13 Proportion of UK adults who recall having used information or guidance in the last 12 months by source, 2017 vs 2020



B1xx_mc. Which, if any, of the following have you used in the last 12 months as a source of information or guidance related to investments, saving into a pension or retirement planning?

Base: All UK adults (2017:12,865/ 2020:16,190)

Note: Arrows denote a statistically significant difference in the 2020 results, compared with 2017

Table 4.1 explores the reasons why people sought information or guidance from the different sources included in the Financial Lives survey. The main reason for seeking information or guidance from provider websites, media/ newspapers or private sector money advices websites in the last 12 months was for help with investments. Pension Wise, TPAS and other government websites or services such as Money Advice Service/ the Money and Pensions Service (MaPS), Citizens Advice and GOV.UK were more likely to be used for help with retirement planning.

Table 4.1 Reasons for using information or guidance in the last 12 months (All UK adults who used information or guidance in the last 12 months)

	All UK adults who used information or guidance in the last 12 months from the following sources for the following topics: (row percentages)				
	Investments	Saving into a pension	Retirement planning	None of these	Don't know
Pension Wise	10	28	77	5	1
The Pensions Advisory Service (TPAS)	7	38	65	10	4
Other government/ consumer website(s) or services, e.g. MAS, Citizens Advice, MAPS, GOV.UK	22	33	43	21	4
Any information or guidance provided at your workplace (other than through an adviser)	16	67	40	7	3
Any information or guidance from family or friends (incl. social media groups)	54	35	38	13	1
Media, e.g. newspapers, TV, radio, podcasts	64	26	34	14	3
Private sector money advice websites, e.g. moneysavingexpert.com, moneysupermarket.com, Which?	62	24	27	18	2
Website or other literature from a bank, building society or other insurance/ investment/ pension provider	62	26	25	13	1

GD1. You said that you have used the following types of guidance in the last 12 months about investments, saving into a pension or retirement planning. What did you use each one for?

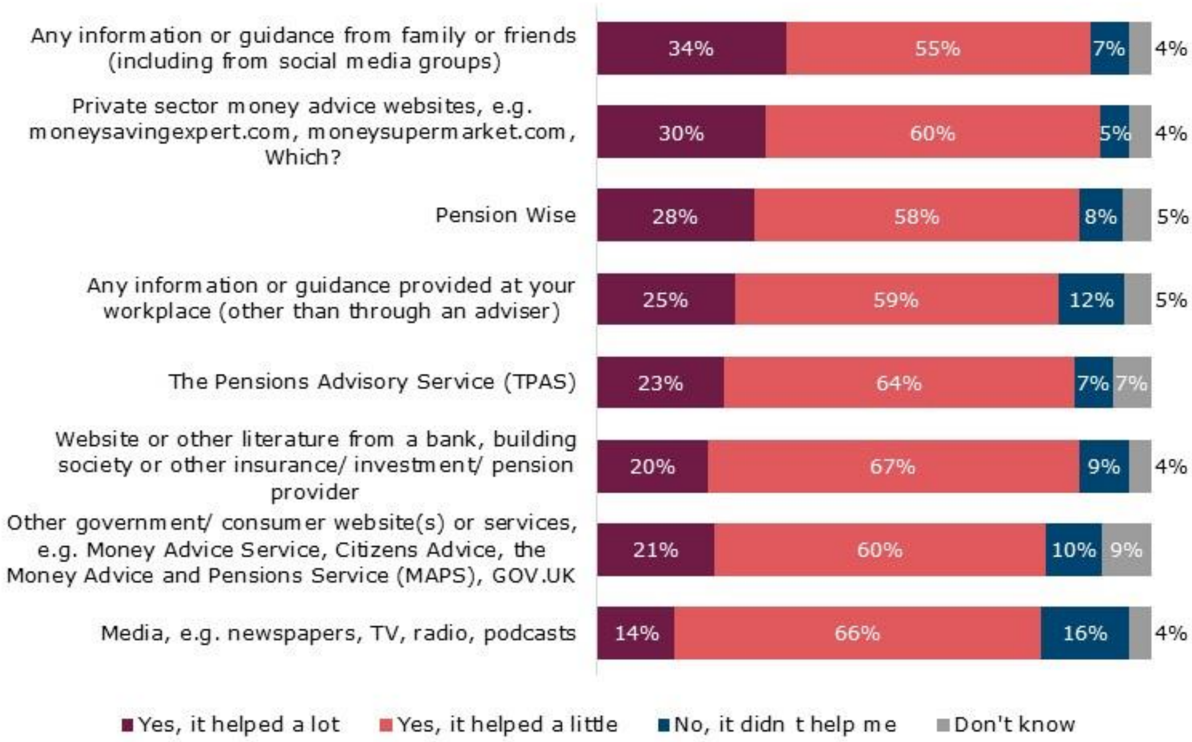
Base: All UK adults who have received information or guidance in the last 12 months from Pension Wise (2020:486), TPAS (2020:514), Other government/ consumer website(s) or services (2020:1,454), Website/ literature from a bank, building society/other insurance/investment/pension provider (2020:1,978), Private sector money advice websites (2020:2,017), Media, e.g. newspapers, TV, radio, podcasts (2020:1,814), Any information or guidance provided at your workplace (other than through an adviser) (2020:726), Any information or guidance from family or friends (including from social media groups) (2020:851)

Figure 4.14 looks at how helpful different sources of information or guidance are in making a decision, even if that decision is to do nothing. Relatively few (one-third or less) found each of the information or guidance sources they used to be very helpful.

Information or guidance received from family or friends was felt to be the most helpful, with one third (34%) of those that used this saying it helped a lotwith their decision-making. This is followed by private sector money advice websites, such as MoneySavingsExpert.com (30% say it helped a lot).

28% of adults who used Pension Wise in the last 12 months said that it helped a lot, while 58% said it was helped a little. Just 8% said it was not helpful.

Figure 4.14 Extent to which different information or guidance sources used in the last 12 months helped adults make a decision, even if that decision was to do nothing, 2020



GD2. Did the information or guidance you received from each of the following help you to make a decision, even if that decision was to do nothing?

Base: All UK adults who have received information or guidance in the last 12 months from Pension Wise (2020:486), TPAS (2020:514), Other government/ consumer website(s) or services (2020:1,454), Website/ literature from a bank, building society/other insurance/investment/pension provider (2020:1,978), Private sector money advice websites (2020:2,017), Media, e.g. newspapers, TV, radio, podcasts (2020:1,814), Any information or guidance provided at your workplace (other than through an adviser) (2020:726), Any information or guidance from family or friends (including from social media groups) (2020:851)

Informal sources of information/ guidance (family and friends, close work colleagues) are a key source of help and are by far the most important influence on actual behaviour

Our qualitative respondents who held all of their investible assets in cash freely admitted that investing was an area where their level of knowledge was very low. There was a general perception that investing would be difficult and time-consuming to get to grips with themselves, if using information and guidance alone. They were not convinced that they could ever spare the time, nor that they would understand what they were reading in any case.

> *"The reason why I'm not currently investing is that it's like a different kind of world. I don't know what it is. It's the fear of getting it wrong."*
> Male, 18-34, <£10k, Not advised

We consistently found that our qualitative respondents wanted to talk with another human being, and that very few of the more complex financial decisions were actually made without some form of human intervention. We often found that family members were the key trigger for investing for the first time.

> *"I was told to invest in gold bullion by family and friends. Only because someone was in that area and I am getting better returns on that than anything else."* Male, 55-64, £250k+, Advised (automated advice)

Government-backed guidance providers are often not seen as the natural place to go

Our respondents felt that government-backed websites are not a natural place to go to seek support with financial decision-making. Awareness of what the sites can offer is low, and the general perception is that these sites are boring. When asked what sources of information or guidance they use related to investments, saving into a pension or retirement planning, our qualitative respondents were more likely to mention private-sector money advice websites - in particular, Martin Lewis and MoneySavingExpert.com – than the government-backed guidance services.

They like the MoneySavingExpert.com website in particular because it is headed by a real person who is on the TV so it feels more real and trustworthy. They believe both Martin Lewis and the website are unbiased, not trying to sell them anything, and acting in the consumer interest, whereas provider websites are often perceived as biased. Some were aware the website was sold a while ago but said they still trusted it because it has not changed its ethos. The website is seen as actionable as it gives best-buy tables and recommendations, unlike the government-backed sites which just give information and no next steps. Regular emails proactively keep them up to date.

> *"I look at Martin Lewis. He talks about everyday stuff in a way that stupid people like me can understand. He does his homework and has no allegiance to these people. He is doing it to help the general public to get the best deal."* Female, 55-64, £100k-<£250k, Not advised

Those using the GOV.UK website were typically trying to resolve tax issues, and a couple of older respondents had checked their State Pension entitlement

> *"Almost every government website I have ever tried to use is horrendous. So, every time I see something that has a .GOV on it, I think "Oh my god, oh my god, I have to go there and look at stuff". Also, I'm a bit skeptical about there not being someone independent behind it and it's the Government trying to tell you where to put your money… it would just give me a bit more of a feeling of trust when there isn't an agenda."* Male, 45-54, <£10k, Not advised

Across all age and wealth levels, there was relatively low awareness of the MaPS, and a perception that it would not offer 'advice' (i.e. recommendations) about which products were the best, and would therefore not be that helpful. Respondents felt they would then need go to a commercial site, so it felt like a pointless exercise. Citizens Advice is not on the radar for this type of financial support. The overarching perception among those we spoke to was that this service is for people in debt and is not about saving into pensions, investments, or retirement planning.

> *"I've heard of Citizens Advice bureau and GOV.UK. I know about them because that's what you use when you get a tax bill. I don't know about MAS. I don't think I would ever think about going to Citizens Advice because I know that it's difficult to access and I feel like it's more for people in dire straits with their money."* Female, 55-64, £25k-<£100k, Not advised

Pension Wise brand awareness levels have increased, but the over 50s did not always understand how this service can help them

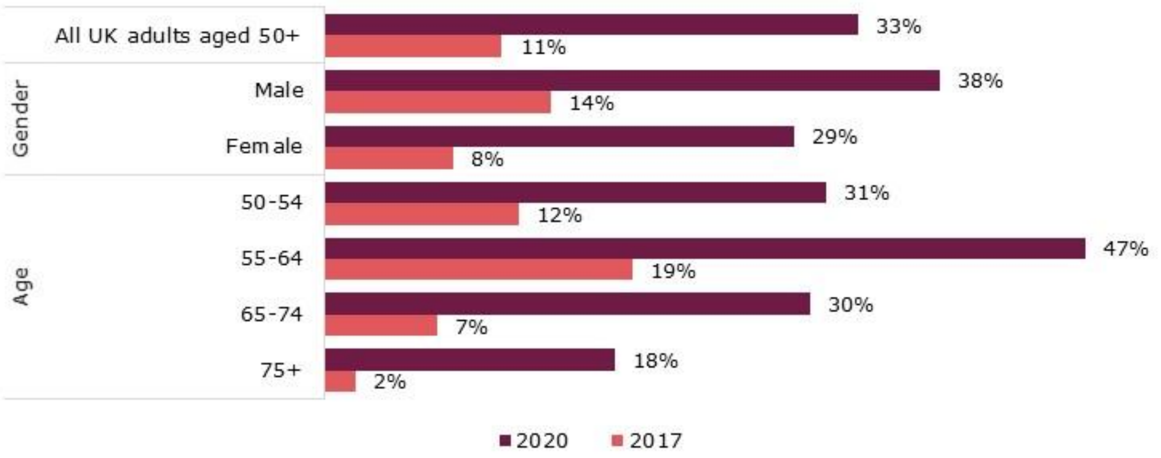
Pension Wise is a free and impartial service set up by the government in 2015, offering guidance about defined contribution pension options. The service can be accessed by anyone over 50, and has been widely promoted.

We found reasonable to good levels of brand awareness of Pension Wise among our over 50 qualitative respondents, driven both by the TV campaign and prominent signposting in provider wake-up packs.

> *"I have heard of Pension Wise but never used them. I think they are probably a useful service as they seem to be referred to by the pension companies' letters. From that point of view, they are reputable and I assume they will give you independent advice or guidance. They are the sort of people I will need to ask for clarification on the tax percentage."* Female, 65+, £100k-<£250k, Not advised

This finding is supported by the Financial Lives survey, which shows that awareness has increased significantly since 2017: one-third of all adults aged 50 and over are now aware of Pension Wise, compared to one in nine (11%) in 2017; and almost one in two (47%) adults aged 55-64 are now aware of Pension Wise.

Figure 4.15 Awareness of Pension Wise among adults aged 50+, 2017 vs 2020



B1a_1-3sum1 (REBASED). Summary of awareness of guidance sources. Before today, were you aware of Pension Wise as a source of information or guidance?

Base: All UK adults aged 50+ (2017:6,257/ 2020:7,540)

Despite broad levels of awareness, our qualitative respondents aged over 50 who had not used Pension Wise had a somewhat limited understanding of what Pension Wise does and how it can help.

> *"I have heard of Pension Wise, but I haven't gone to them. If I wanted to find out more about pensions, I wouldn't have gone there, I would have just called my friend and found out who her financial adviser was. Or perhaps found someone my parents used, just to get an overview. I was under the impression that the Government information services were for people who were struggling more and I wouldn't want to take their resources if it stopped someone using them who needed them more."*
> Female, 25-34, £25k-<£100k, Not advised

Once they heard more, many said they would be inclined to use the service. The more engaged felt it would be of limited use when making a decision (except for clarifying the rules and areas of misunderstanding) and as it could not offer recommendations.

5. What are the barriers and triggers for seeking support?

As in 2017, the main reason given by consumers for not using support is that they perceive that their financial affairs are in order, and that support is not needed. However, consumers who get support, and particularly those who take regulated financial advice, are more likely to hold investments and less likely to have all their savings in cash, , compared with those who do not. Consumers do not fully appreciate the impact of inflation on their savings.

Looking at the journeys taken by qualitative respondents to take out their first investment, we found very few who had done it alone. People generally want human intervention to be comfortable to invest for the first time – but not all have contacts who can trigger this engagement. Previously, there may have been an opportunity for more personal triggers and help, e.g. through bank branches, but fewer of these triggers remain.

Due to the perceived complexity and the personal nature of at retirement decisions, many were unsure that they could get the answers they were looking for from guidance alone, and felt that their friends and family did not have the necessary skills to help them.

However, many not advised consumers are wary of financial advice.

Half (49%) of adults who have not had advice in the last 12 months, but have enough money that they might benefit from support, think that financial advisers are biased, and a three-eighths (37%) do not trust advisers to act in the best interests of their clients. Very few of these adults (just 18%) strongly agree that advisers are professionals in the same way as solicitors or accountants. Attitudes vary by previous advice experiences; levels of mistrust are highest among adults who have never had advice and those who had advice more than two years ago.

Cost is not a strong barrier to adults seeking advice, if the price is 'reasonable' – but typical estimates of an IFA's hourly rate ranged from £100-£200 per hour, with the expectation that it would only take a couple of hours for a financial adviser to deal with their financial affairs. So, the perception was that overall cost would be in the region of £500 for a full financial review, including a review of their pensions. This suggests that as consumers' views on what is 'reasonable' or offers them value for money are often far apart from the actual costs of advice, this could create a barrier to take up.

Our findings in Chapter 2 show that consumers need support for the mid-range complexity aspects of financial planning, such as whether to invest in an equity ISA, and planning for retirement. Yet, as we have seen in Chapters 3 and 4, many are not receiving the support they need.

In this chapter, we draw primarily on our qualitative discussions to explore why consumer needs are not being met, identifying any behavioural and practical barriers to consumers seeking the support they need, and what might trigger people to seek support when making an investment or pension access decision.

A key reason for not seeking support is not realising they need it

In the Financial Lives survey, we asked adults who have not had advice in the last 12 months but might need support (because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years) why they have not used a regulated financial adviser over the last 12 month[37]. These data are shown in Figure 5.1.

The main reason given by consumers was that they did not need advice, or that they could make decisions themselves (67%). 22% had simply not thought about it. These views have not changed since 2017.

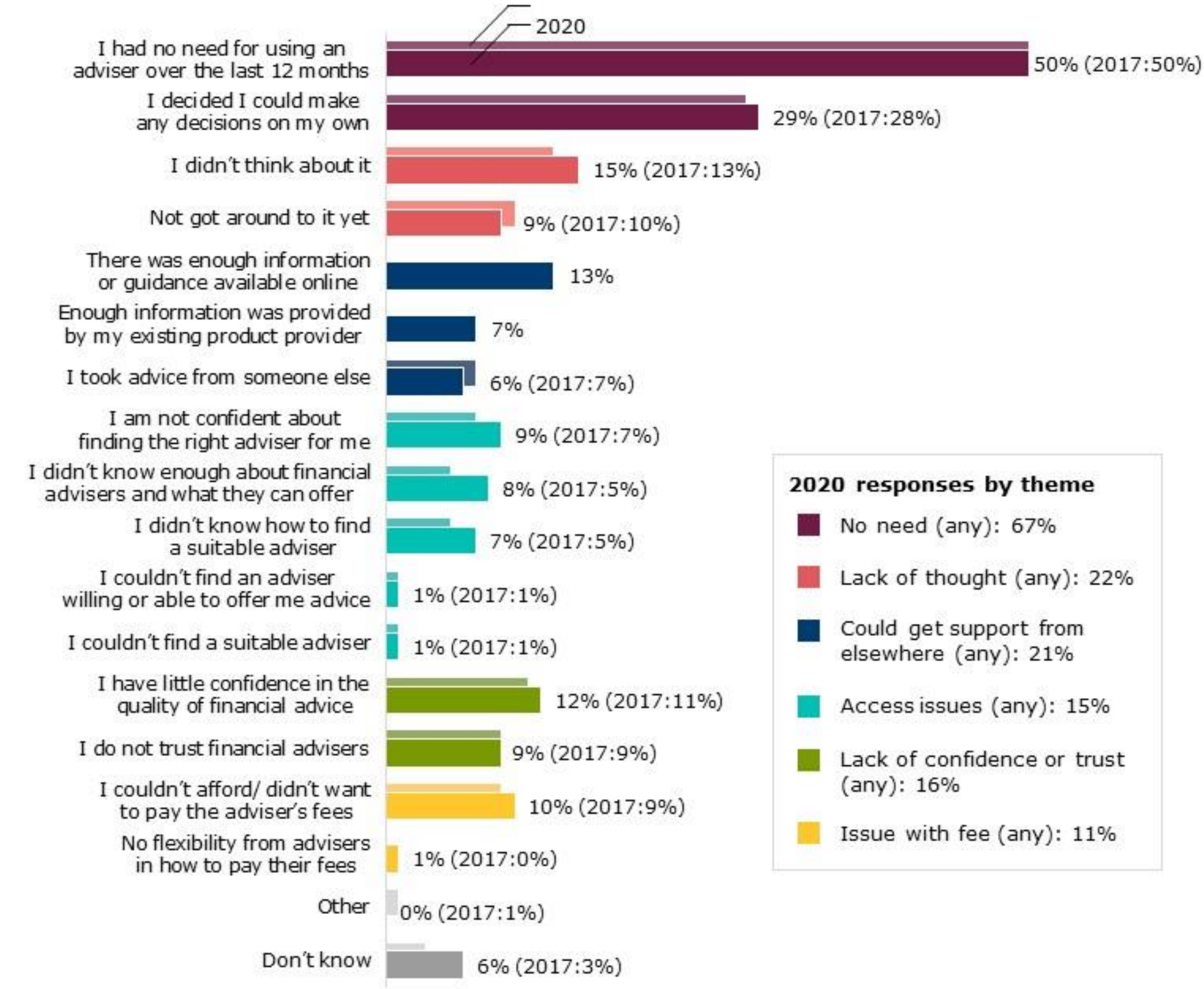
Similarly, by far the biggest reason given by our qualitative respondents for not using any support was the perception that their financial affairs are in order and that support is simply not needed.

> *"I do not need it. Our financial affairs and needs are very simple."* Female, 65-74, £25k-<£100k (all in cash), Not advised

> *"I do not have enough capital to make it worthwhile and am quite happy to muddle on myself."* Male, 65-74, £25k-<£100k (all in cash), Not advised

[37] The Financial Lives survey was set up to match the FAMR consumer groups set out in the FCA's FAMR baseline report. As such, questions related to advice were asked to adults who have not had advice in the last 12 months, but might have a need for it because they have at least £10,000 in investible assets or, for those approaching retirement or about to access a pension, that they have at least £10,000 in a DC pension pot.

Figure 5.1 Reasons given for not taking regulated advice in the last 12 months by adults who have not had advice but might have a need for support, 2017 vs. 2020



Adv_E2_mc. Which of the following reasons, if any, describe why you have not used a regulated financial adviser over the last 12 months?

Base: All UK adults who have not had advice in the last 12 months and may need support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2017:1,214/ 2020:2,037)

Note: Two additional responses options were added to the 2020 survey: 'There was enough information and guidance available online' and 'Enough information was provided by my existing product provider'.

However, Figure 2.4 and the evidence gathered in our qualitative research (see Chapter 2) demonstrate that consumers who get support, and particularly those who take regulated financial advice, have very different outcomes in terms of cash holdings compared to those who do not. Consumers are likely to be able to make this money work harder for them in the longer-term if they invest it.

Furthermore, we found that our cash-only respondents, in particular, were rarely exposed to information that challenged their thinking to kick-start the engagement process. They used to get this nudge by browsing the financial sections of newspapers, but now have to actively seek out this information and are rarely triggered to do so. This issue is further compounded as the information they are exposed to online is often based on their existing likes and preferences. Our older qualitative respondents, in particular, felt strongly that they have very much moved from a 'push' to 'pull' model when it comes to engagement triggers.

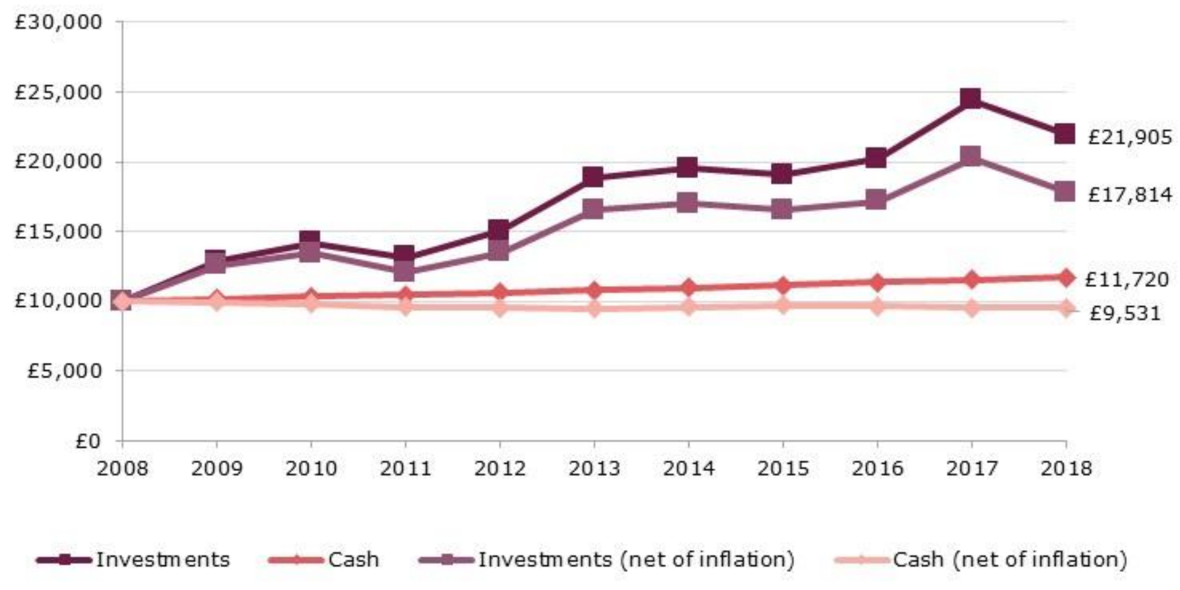
> *"I used to look at the Telegraph, but we don't get a newspaper anymore. I did use to read things that prompted me in the newspaper."* Female, 55-64, £250k+, Advised (FA)

Consumers do not recognise they have a need as many do not understand inflation risk

One of the reasons why many consumers do not realise they could benefit from help to make their money work harder is that they do not fully appreciate the impact of inflation on their savings.

To help our qualitative respondents better understand the relative real performance of savings and investments over time they were shown some stimulus materials (Figure 5.2) to illustrate an example of real and nominal returns over the last 10 years.

Figure 5.2 Stimulus shown to qualitative research respondents



Note: Chart is for market research purposes and uses simplified assumptions to provide illustrative figures for respondents. Investment growth calculated using annual performance data from the MSCI World Index less an assumed 1.5% annual fee. Cash performance is based on an average 1.6% annual growth rate over the period (loosely based on Bank of England monthly interest rate data for sterling one-year fixed rate cash ISA deposits during the period 2011-2019). Real returns (net of inflation) approximated using historic Consumer Price Index (CPI) data.

Many respondents were shocked to see that they would 'lose' money in a savings account over time due to the impact of inflation. Intuitively, many knew that their cash savings were not keeping up with the cost of living, but had not seen the impact set out clearly in black and white. Some wanted to know why support to help them understand this was not more widely promoted.

> *"So, it's actually worth less now than what it was when you put it in? That's a very interesting point. I kind of half considered this and made this point to my wife a while back – I hadn't done the math, but those were my feelings about this. When I was 20, a packet of cigarettes was a pound and a pint of beer was £1.50, now it's £5 for a pint and £10 for a packet of cigarettes."* Male, 45-54, <£10k, Not advised

> *"It's really interesting seeing that because I didn't really think of that. Inflation is something that I have thought about recently because my money has been in premium bonds for a couple of years. It is a bit of an eye-opener and it has definitely prompted me to do more thinking now around what I might do in the next year or two. I guess, in a sense, you start small. I think it is like anything else, once you feel confident in it and the interpretation of what the risks are, I would be much happier."* Male, 35-44, £10k-<£25k, Not advised

Some - particularly younger respondents and those who had mentioned wanting to get their money to work harder - felt this type of stimulus would be a useful 'nudge' to get them thinking about their savings and potentially investing some money in the future.

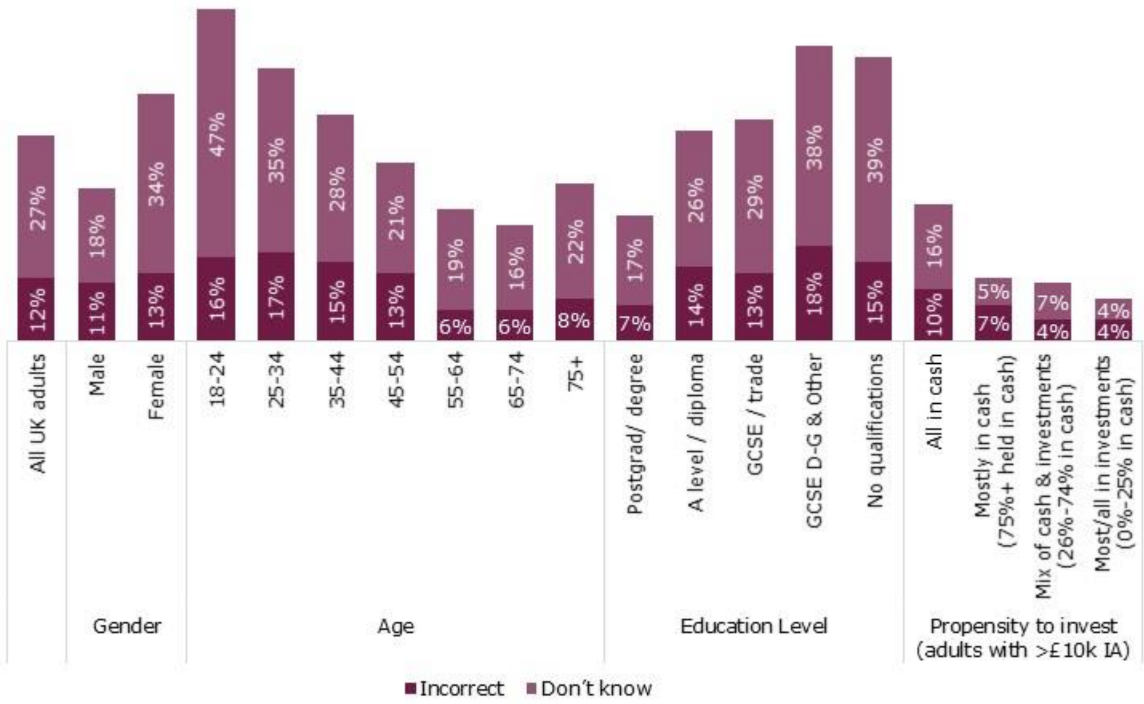
> *"On the back of looking at that, it would be daft not to really get advice on how to do that. That's fairly convincing, I'll bear that one in mind."* Male, 35-44, £25-<£100k, Not advised

> *"Seeing the figures laid out like that is tempting but it could have also gone the other way. Perhaps I do have more money to invest but I never thought of it. Seeing it on paper like that, very simple, maybe I should take the risk."* Female, 35-44, £10k-<£25k, Not advised

Of the 21 respondents who were shown this stimulus, just four said that they would not at least consider what to do with their long-term savings as a result of receiving information such as this. Of course, these sample sizes are small and it is not possible to reliably extrapolate the results more broadly.

Data from the Financial Lives survey, shown in Figure 5.3, support our qualitative findings. Here, we asked survey respondents to say whether their savings would have more, the same, or less buying power in a year if the inflation rate is 5% and the interest rate they get on their savings is 3%. Overall, one in eight (12%) gave an incorrect response and around a quarter (27%) said they did not know. Women were more likely to struggle with this question than men – almost a half did not answer correctly – as were younger adults aged under 35.

Figure 5.3 Proportion of UK adults that might not understand the concept of inflation risk by gender, age, education level and propensity to invest, 2020



NUM3. If the inflation rate is 5% and the interest rate you get on your savings is 3%, will your savings have more, less or the same amount of buying power in a year's time?

Base: All UK adults (2020:16,190)

Note: Data show the proportion who did not answer the question correctly, including those who said 'more' (7% of all UK adults), 'the same' (5% of all UK adults), and 'don't know' (27% of all UK adults).

People want human intervention to be comfortable to invest for the first time – but not all have contacts who can trigger this engagement

Looking in detail at the journeys taken by qualitative respondents to take out their first investment, we found very few who had done it alone. They had often started by reading general articles in the press about the benefits of investing. Although this was useful background knowledge, it was rarely enough to give them the confidence to make a decision. Invariably, the key trigger for investing for the first time was some form of human intervention. In most cases, the initial trigger to invest was a recommendation from, or encouragement by, a friend or family member.

> *"We took it out just because the idea came from our son. We trusted our son."* Female, 65+, £25k-<£100k, Not advised

> *"I had some money and, on the guidance of a friend of mine who likes to invest, I took out an equity ISA. It was a few years ago now."* Male, 18-34, <£250k, Not advised

> *"My father, who is 94, has always said 'invest for your future and look at higher return products than just having savings accounts'. I think it was through discussions with him that I moved into investments. He had always used an IFA up until his retirement, which was also the IFA I was originally introduced to."* Male, 55-64, £250k, Advised (automated advice)

But many of our respondents did not mix with investment savvy peers who could support them to understand the benefits of investing and guide them in what to do.

Older respondents reported that, in the past, this type of intervention often came from branch interactions in banks or building societies. Our qualitative respondents (both advised and not advised) reported getting fewer prompts from branch staff to engage with alternative solutions which could help them make their money work harder. They were unlikely to take up a telephone discussion to review their finances, and they felt that their bank no longer had a holistic view of their financial situation. They were aware of 'adverts' for savings and investment products, but these seem to have little impact and are easily ignored.

> *"I used to get some good advice from the banks until they all closed down. The bank was the best. My bank manager knew me and he said this is what you should do. I mean they were very good, and then there is that trust. I do not know who the bank managers are at my bank now. I do understand that banks sell you their own products – but if it is a good product and the return is good why not?"* Female, 65+, £250k+, Advised (FA)

The perceived complexity of at retirement decisions means consumers are doubtful current provision of information and guidance alone can help them make the right decisions

When probed about what they would want to ask a 'financial expert', we repeatedly heard respondents over the age of 45 talking about the kinds of support they would like to have to enable them to plan for retirement, which also included estate planning and paying for long-term care.

> *"I would ask if I should take a lump sum out of my pension and ask what is the best thing to do. And what I could use for retiring early and what difference that would make. I would hate to stay on and work for five years and find out it did not make a difference. I would ask about the retirement plan at this stage."* Female, 45-54, £25k-<£100k, Not advised

> *"I would ask if I'm stupid dipping into my pension. We have work that we need to do to the house. Am I better off to take out a loan?"* Female, 55-64, £100k-<£250k, Not advised

Due to the perceived complexity and the personal nature of these at retirement decisions, many were unsure that they could get the answers they were looking for from information/guidance alone, and felt that friends and family did not have the necessary skills to help them. Yet in reality, many of the questions they had were exactly those designed to be addressed by Pension Wise.

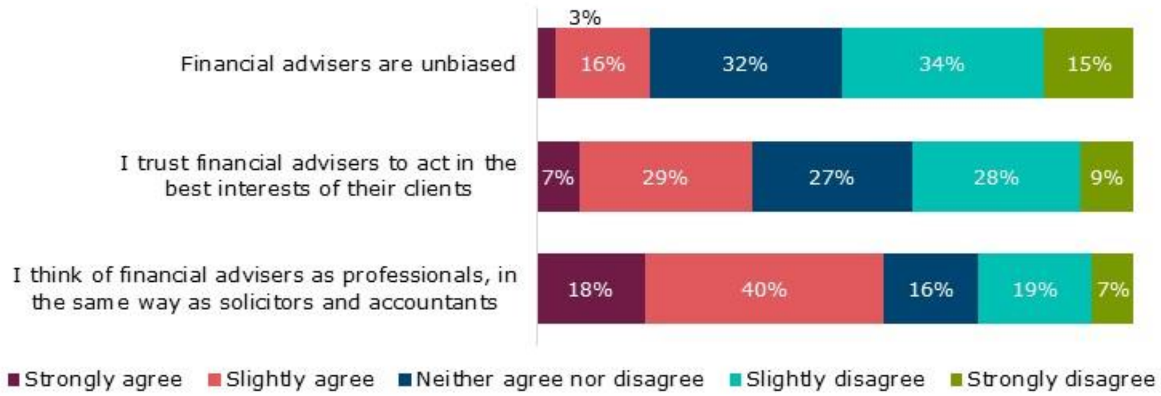
This suggests that many could be triggered to seek help from an adviser or an appropriate source of helpful guidance (rather than informal sources of support), when approaching retirement. These findings are broadly aligned with our survey data. We asked UK adults who have received regulated advice in the last 12 months and do not have an ongoing relationship with an adviser to say what had prompted them to take advice in the last 12 months. The most popular answer was that it was simply time to review their investments, mentioned by three in ten respondents. A similar proportion were triggered by the need to make a pension decision.[38]

[38] **Adv_D5_mc.** Still thinking about the most recent regulated advice you received in the last 12 months from ... who or what prompted you to seek advice on this occasion? **Base**: All UK adults who have received regulated advice in the last 12 months and do not have an ongoing relationship with an adviser (2020: 548)

Trust can be a barrier to seeking advice – especially among the over 40s

Many not advised consumers are wary of financial advice. Figure 5.4 shows that almost half (49%) of adults who have not had advice in the last 12 months, but might have a need for support, think that financial advisers are biased, and a three-eighths (37%) do not trust advisers to act in the best interests of their clients. Very few of these adults (just 18%) strongly agree that advisers are professionals in the same way as solicitors or accountants.

Figure 5.4 Attitudes to financial advisers held by adults who have not had advice in the last 12 months but might need support, 2020



A2E/J/K (REBASED). How much do you agree or disagree with each of the following statements? A2E. I trust financial advisers to act in the best interests of their clients. A2J. I think of financial advisers as professionals, in the same way as solicitors and accountants. A2K. Financial advisers are unbiased.

Base: All UK adults who have not had advice but might have a need for support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,217), excluding 'don't know' responses (A2E: 5%/ A2J:5%/ A2K:9%)

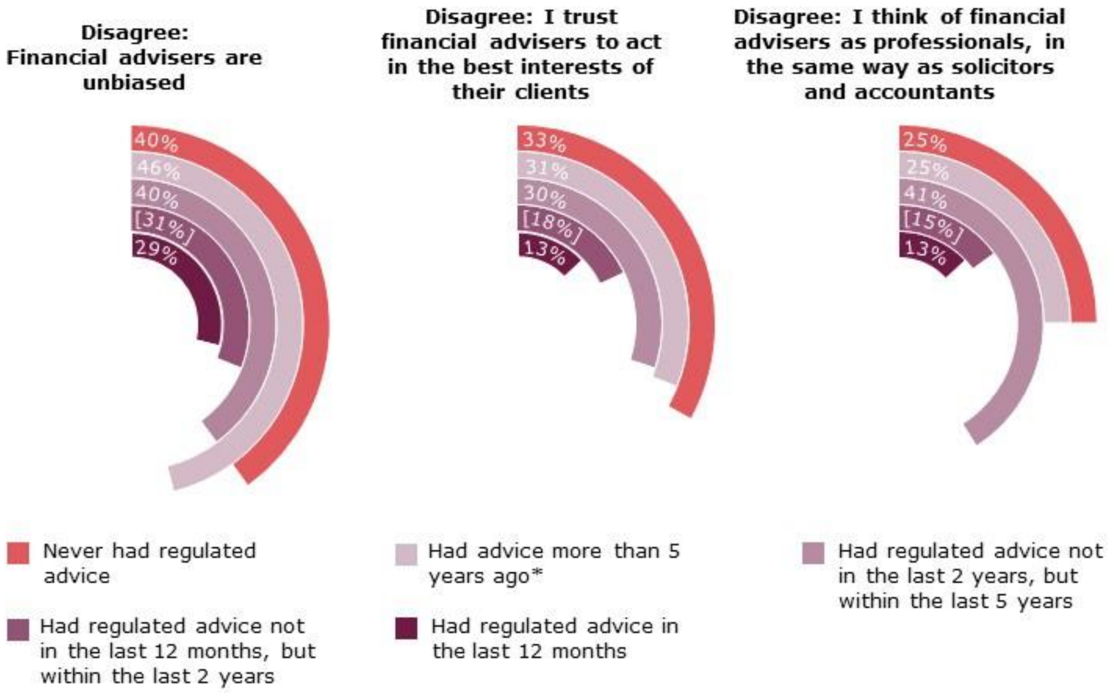
Interestingly, many not advised consumers who do not trust financial advisers would still need support with difficult financial decisions; however, they are much less likely to consider getting that support from a financial adviser.

For example, when asked what support they would need if they receive an unexpected inheritance of £100,000 and needed to decide what investments to make, three-quarters (75%) of not advised adults who do not trust financial advisers to act in the best interests of their clients would want some form of support – 24% would want to speak to an expert who would charge a fee to recommend a course of action (the term 'financial adviser' was omitted from this question on purpose), while 51% would want to have access to impartial information to help them make the decision themselves. This compares to 44% and 41%, respectively, for not advised adults who trust financial advisers.[39]

[39] **ADV_E10A (Rebased).** What support would you need if you receive an unexpected inheritance of £100,000, decide to invest the money in the FTSE 100, and need to decide what investments to make? **Base:** All UK adults who have not had advice in the

Figure 5.5 looks at attitudes towards financial advisers by previous advice experiences and shows that levels of mistrust are highest among adults who have never had advice and those who had advice more than two years ago.

Figure 5.5 Attitudes to financial advisers held by adults by when, if ever, they last received advice, 2020



A2E/J/K (REBASED). How much do you agree or disagree with each of the following statements? A2E. I trust financial advisers to act in the best interests of their clients. A2J. I think of financial advisers as professionals, in the same way as solicitors and accountants. A2K. Financial advisers are unbiased.

Base: All UK adults who have had regulated advice in the last 12 months (2020:1,459), excluding 'don't know' responses (A2E:2%/ A2J:2%/ A2K:4%), All UK adults who have had regulated advice 1-2 years ago (2020:82), excluding 'don't know' responses (A2E:0%/ A2J:0%/ A2K:3%); All UK adults who have had regulated advice 2-5 years ago (2020:115), excluding 'don't know' responses (A2E:0%/ A2J:0%/ A2K:0%); All UK adults who have had advice longer than 5 years ago (2020:884), excluding 'don't know' responses (A2E:5%/ A2J:2%/ A2K:10%); All UK adults who have never had regulated advice (2020:1,398), excluding 'don't know' responses (A2E:14%/ A2J:16%/ A2K:19%)

Note: * For adults who said they have had advice more than 5 years ago, given the time lapse involved, no follow-up questions were asked to check the advice was from an adviser nor that they paid for this advice (before 2013 payment may have involved a commission payment). As a result, we cannot be certain that these adults received regulated advice.

Older respondents in our qualitative research, in particular those who have had bad experiences with advisers and providers selling them pensions and investment products in the past, were wary of making the same mistakes again.

last 12 months and have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,037), excluding 'don't know' responses (6%)

> *"A lot comes down to trust. I was given bad advice about my endowment; I can see now in hindsight that it was bad advice. When I was sold endowment mortgage, I got steered away from a repayment mortgage. When I look at it now, I know these people get paid commission for it."* Female, 45-54, £100k-<£250k, Not advised

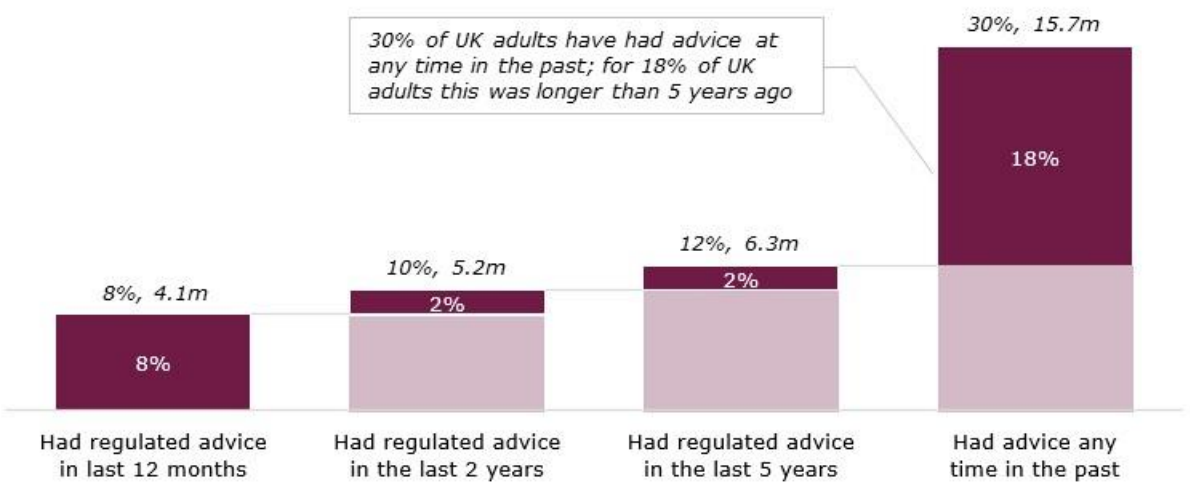
> *"I don't trust providers. It feels like you don't get to a resolution even when you make the time to call them. Where is my guarantee that these are ethical people first and foremost, and how do I know if they are? Neil Woodford, for instance, was the darling of the market and regulated up to his eyebrows and yet he still gets away with daft things. It didn't cost him any money but the investors are out of pocket."* Female, 45-54, £100k-<£250k, Not advised

> *"I have previously thought about investing, but just sort of got stalled I suppose. It's not having that knowledge, and if I contact somebody then I might be in a sales relationship that I don't want to be in."* Male, 35-45, £25k-<£100k, Not advised

The Financial Lives survey sheds some light on why our older respondents feel this way. Figure 5.6 shows the cumulative proportion and number of adults who have received regulated advice on investments, pensions or retirement planning in the last five years, or longer ago. The final bar shows that, in total, 15.7 million UK adults have had advice at any time in the past and that 18% of UK adults (over half of that total) have had advice longer than five years ago but not in the last five years.

Given these data, it is perhaps not surprising that when asked to think about the support they may receive from financial advisers a significant number of respondents in the qualitative research were referring to experiences they had in the past, often with a range of 'advisers' including mortgage brokers, banks salesforce and tied salesforce representatives.

Figure 5.6 Number and proportion of UK adults that have had regulated financial advice in the last 5 years or longer than five years ago, 2020



E4. When, if ever, did you last receive regulated advice about investments, saving into a pension or retirement planning? - Historic advice/ Historic advice (cumulative)

Base: All UK adults (2020:16,190)

Note: Not shown in this graphic are the 44% of all UK adults have never had advice and the 26% of all UK adults who don't know when they last had regulated advice or if they have ever had it.

Given their somewhat outdated frame of reference, it is perhaps not surprising that advisers were usually not seen as professionals by this group. There was reasonable awareness that financial advisers now have to have some form of qualification, but the level of qualification was not perceived to be comparable to other professions such as accountants or lawyers.

> *"I don't see IFAs in the same bracket as lawyers and accountants. I don't think they are as well qualified as accountants and lawyers, but I know they do some exams. I see them similar to estate agents. I think with a little bit of reading I could give the same advice as an IFA."* Male, 45-54, £25k-<£100k, Advised (FA & automated advice)

> *"I would have said 20 years ago that they were worse than double glazing salesmen if I am being honest. I think they have substantially upped their game in the last few years but I certainly wouldn't say they were professionals. They do a job and most come from a sales background. It is not like they are ex-investment bankers or something like that. They're not of that particular standing."* Male, 55-64, £100k-<£250k, Advised (FA)

Reaching a certain level of investible assets was not, on its own, a key trigger for initially seeking regulated financial advice

Our qualitative research also shed some light on what triggered our respondents to seek out financial advice; most commonly, a transactional relationship (sorting out a pension through the workplace or getting a mortgage) had developed into a long-standing relationship over time. For others, they had decided to seek regulated advice after a specific event, such as changing job or receiving an inheritance. A couple had simply followed in the footsteps of family members or trusted work colleagues (particularly among business owners).

> *"My father had always taken financial advice and used advisers over the years and there was no question that I wouldn't."* Male, 55-64, £250k+, Advised (FA)

> *"I have had this relationship with my IFA for 15 years. It was about a workplace pension; an IFA used to come out and advise you about pensions. This is where my relationship started with him. I had pensions elsewhere and I wanted to put them all together. It was at that stage of my life where I was getting more serious about the future and I kept using him."* Male, 45-54, £25k-<£100k, Advised (FA)

> *"I had my IFA since 1985. It was on advice from my predecessor in the business who has always used one and I was put in touch with them through him and they sorted me out. It was advice from him, my mentor, that put me down that line."* Male, 45-54, £100k-<£250k, Advised (FA)

None that we spoke to were triggered to seek advice simply because they had reached a certain level of investible wealth. This may help to explain why, in Figure 2.2, we saw such a significant proportion of adults with £100,000 or more of investible assets predominately in cash savings (e.g. 15% of adults with £100,000 to £250,000 in investible assets are entirely in cash and a further 18% are mostly in cash).

In contrast, if there was a sudden or unexpected event whereby they come into substantially more money (for example through a lottery win, selling a house, or an inheritance) this would certainly wake people up to the need for support, and is perceived to be a key trigger for the not advised to seek out regulated advice.

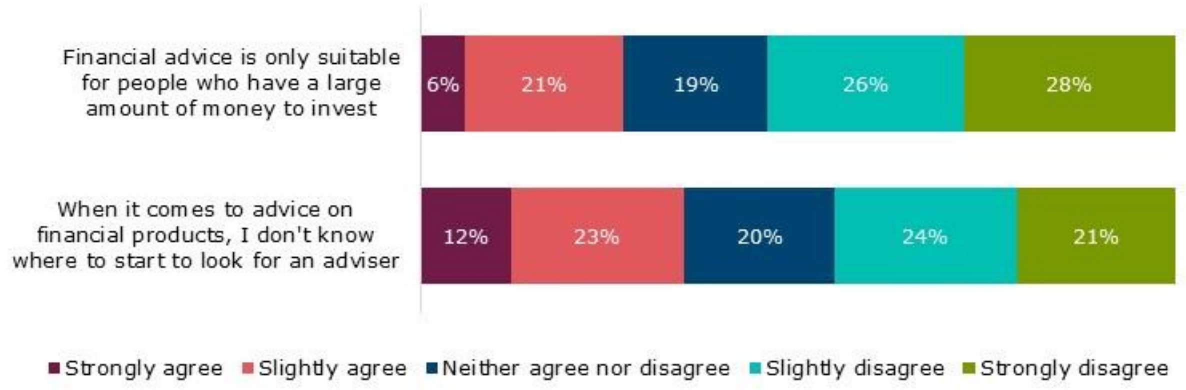
> *"If I found myself needing to invest a large sum of money of £500k or more."* Female, 18-24, £10k-<£25k, Not advised

> *"If I had a big financial decision to make (e.g. because I had inherited a lot of money, or because I wanted to take out a mortgage)."* Male, 25-34, £10k-<£25k, Not advised

Access to advice is an issue for a minority

When asked to think specifically about access to advice Figure 5.7 shows that three in ten (27%) UK adults, who have not had advice but might need support, think that financial advice is only suitable for people with a large amount to invest, while one in three (34%) don't know where to start to look for an adviser.

Figure 5.7 Attitudes about accessing financial advice held by adults who have not had advice in the last 12 months but might have a need for it, 2020



A2D/F REBASED. How much do you agree or disagree with each of the following statements? A2D. When it comes to advice on financial products, I don't know where to start to look for an adviser. A2F. Financial advice is only suitable for people who have a large amount of money to invest.

Base: All UK adults who have not had advice but might have a need for support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,217), excluding 'don't know' responses (A2D:6%/ A2F:5%)

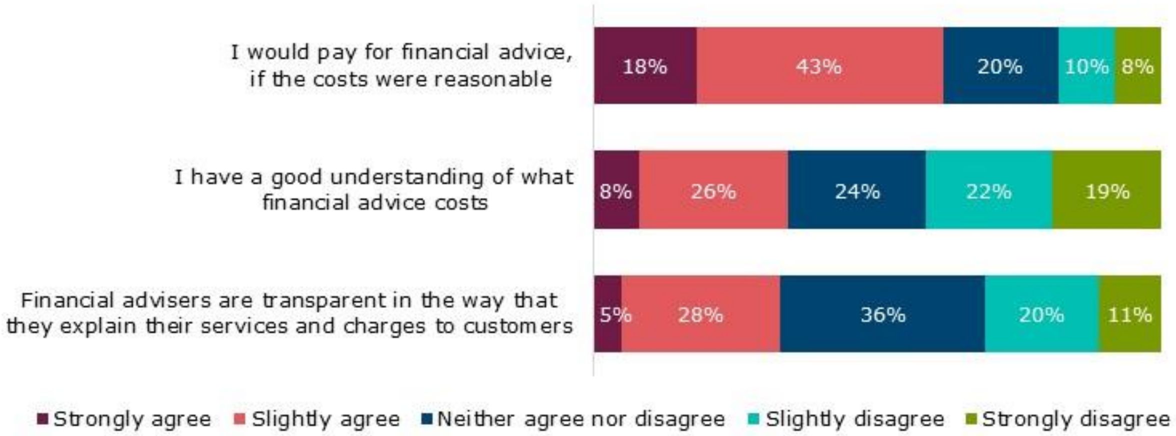
In our qualitative research, a couple of not advised respondents were aware that financial advisers were generally looking to deal with people with significant wealth, but most had no perception of whether or not they would have any difficulty finding an adviser.

When prompted that advisers tended to want to deal with people with more than £100,000 in investible assets and they were prompted to think what they would do next. Respondents said that, if they couldn't find an adviser willing to take them on, they would probably revert to their bank or do it themselves - but some felt strongly that the bank staff were of poorer quality and would not be able to give them accurate information, or advise them properly.

Cost is not a strong barrier to adults *seeking* advice, but as they under-estimate advice costs, it is a barrier to *taking* advice

Figure 5.8 shows that six in ten (61%) UK adults who have not had advice in the last 12 months but might need support would, in theory, be open to paying for financial advice if the costs were 'reasonable'. Just 8% would be very unlikely to pay.

Figure 5.8 Attitudes about advice charges held by adults who have not had advice in the last 12 months but might have a need for it, 2020



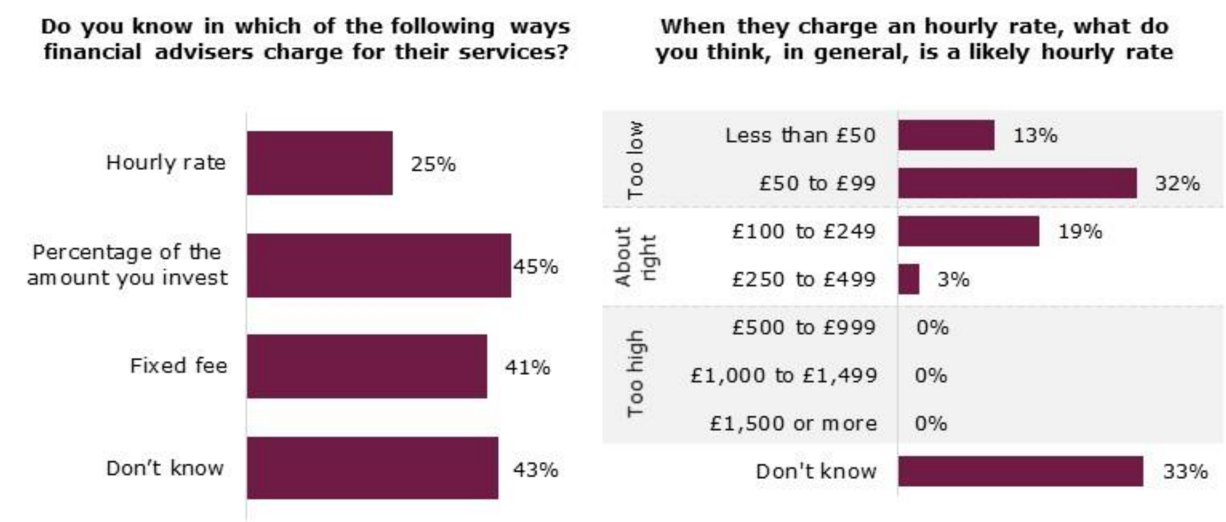
A2H/I/L REBASED. How much do you agree or disagree with each of the following statements? A2H. I would pay for financial advice, if the costs were reasonable. A2I. I have a good understanding of what financial advice costs. A2L. Financial advisers are transparent in the way that they explain their services and charges to customers.

Base: All UK adults who have not had advice but might have a need for support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,217), excluding 'don't know' and 'not applicable' responses (A2H:8%/ A2I:10%/ A2L:14%)

However, this figure also shows that many of the not advised population do not actually know what financial advice costs; just 8% strongly agree that they have a good understanding of costs, while 26% slightly agree.

To explore this issue further, we asked not advised adults whether or not they know how financial advisers charge for their services. As shown in Figure 5.9, over two-fifths (43%) of those who have not had advice in the last 12 months but might need support cannot say. Respondents were then asked what they think a typical hourly rate would be when advisers charge for their services in this way. A third (33%) of not advised adults could not say, while almost half (45%) gave a figure of less than £100.

Figure 5.9 Awareness of adviser charging structures and levels among adults who have not had advice in the last 12 months but might have a need for it, 2020



A2n_mc. Do you know in which of the following ways financial advisers charge for their services? **A2O.** Financial advisers charge for their services in different ways. When they charge an hourly rate, what do you think, in general, is a likely hourly rate?

Base: All UK adults who have not had advice but might have a need for support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,217)

These findings were reflected in our qualitative research. Most of our not advised qualitative respondents were not aware of how advice is charged or how much advice costs. When asked to estimate, the vast majority thought that advice would be charged by the hour; in the same way that solicitors or accountants charge for their services. Typical estimates ranged from £100-£200 per hour, with the expectation that it would only take a couple of hours for a financial adviser to deal with their financial affairs. So, the overall cost would be in the region of £500 for a full financial review, including a review of their pensions.

> *"They would charge a couple of hundred pounds an hour. I would hope on the initial appointment to skim over the basics and my paperwork. An hour face to face and they might do some office work and send me a proposal, and I would look at the options and make a decision. It will probably be a couple of hours. My affairs aren't complex."* Female, 65+, £100k-<£250k, Not advised

This suggests that as consumers' views on what is 'reasonable', or offers them value for money, are often much lower than the actual costs of advice, this could create a barrier to take up.

6. Advice experience and perceptions of value for money

The market for advice is characterised by long-standing relationships and very little shopping around whether on price, service, or professional credentials. Consumers are generally getting a service consisting of ad-hoc access to the advisor, an annual review and report, and portfolio valuations. Trust, confidence and satisfaction levels with ongoing advice services are high, but are based on the strength of the relationship rather than any objective metrics.

When specifically asked what they value about the advice services they receive, peace of mind was a consistent theme among all of our advised respondents. Knowing that someone you trust is looking after your financial interest was hugely reassuring to respondents and they found it difficult to put a monetary value to.

Generally, advised adults feel they are getting value for money – but many are not aware of how much they are actually paying. Their frame of reference for whether or not their adviser is delivering value for money is often assessed against how much their investments have grown. However, the problem with performance benchmarks is that performance is largely out of the advisers' control, as few actively manage their clients' investments. Thus, perceptions of value for money are somewhat distorted by a common misconception that all advisers are 'investment experts' who are picking stocks and moving their money around regularly. However, when probed, this was rarely the case, indicating that views on 'value for money' are perhaps based on a somewhat over-inflated perception of the adviser's role.

Once advised respondents became aware of their advice cost in pounds and pence some were visibly shocked and questioned whether they were getting value for money. It was clear from these discussions that framing costs in percentage terms versus pounds and pence has an impact on how our respondents felt about value for money.

Showing roughly in pounds and pence what respondents could be paying did make some (but not all) want to check what they are paying with their adviser. They also suggested that they might look more critically at the annual meetings to make sure they are getting value for money from that interaction. Many also thought about having a conversation with their adviser to see if they could reduce the fees by having fewer interactions, or look at whether some form of performance-based fee is possible. However, our advised respondents felt that there is an asymmetry of power and they would not be able to move away from the current advice model even if they wanted to.

Not advised consumers cannot access the ongoing, face to face, advice that firms offer at what they perceive to be a 'reasonable' or acceptable price. Most of our not advised respondents were unaware that advisers would want to offer them an ongoing service. When informed of this, they felt that this did not necessarily fit with what they wanted and would be a key barrier to them accessing support in the future.

In this chapter, we look at the experiences of the advised population - those who have received regulated financial advice related to investments, saving into a pension or retirement planning in the last 12 months, focusing particularly on those who receive an ongoing service from their adviser.

We consider the nature of their relationship with their adviser, the type of service they receive, how they choose their adviser, levels of trust and satisfaction with the advice received, and awareness of the fees charged.

We are also keen to understand what 'value for money' means for consumers who use regulated advice services. In particular, what do they value about the services they receive, do they feel they get value for money, and what drives whether the consumer is happy or unhappy with the price paid. For those who have not received regulated advice, what kinds of support would they be willing to pay for, and at what price?

The majority of advised adults have a long-standing relationship with their adviser

The advised adults in our qualitative research broadly split into two groups.

The first group was very much in the majority. These respondents had been using their financial adviser for many years and were happy to delegate most financial decisions. Levels of trust were very high. Advisers were often described as 'general practitioners', offering a range of advice services. Typically, respondents approached their adviser to take care of a specific advice need (for example, related to a mortgage, inheritance, pension, at retirement planning, or tax planning), which had then developed to be an ongoing relationship.

The second group was far smaller. These respondents were much more financially savvy. They were using their adviser on an ongoing execution-only basis to access technology, products, or markets that they would find difficult, or more expensive, to access as a retail customer. Although they reported a good relationship, they were open to moving adviser in the future.

Data from the Financial Lives survey very much confirm that the majority of advised adults have a long-standing relationship with their adviser:

- Half (51%) of all adults who received regulated financial advice in the last 12 months have been using their adviser or firm for longer than 5 years, rising to three-quarters 76% for those aged 65 and over. In contrast, just 19% of advised adults used their adviser/ firm for the first time in the last 12 months[40]
- The vast majority (93%) of advised adults who have used their adviser before say they generally use the same adviser/ firm for regulated financial advice, suggesting that they have built a strong, trusted relationship[41]

[40] **ADV_D6A (REBASED).** How long have you been using this adviser/ firm? **Base:** All UK adults who have received regulated advice in the last 12 months (2020:1,459), excluding 'don't know' responses (3%)

[41] **ADV_D6B (REBASED).** Do you generally use the same adviser/ firm for regulated advice about investments, saving into a pension and/ or retirement planning? **Base:** All UK adults who have received regulated advice in the last 12 months and used that adviser/ firm before or don't know how long used adviser/ firm (2020:1,218), excluding 'don't know' responses (4%)

- Seven in ten (69%) of all adults who received regulated financial advice in the last 12 months from an adviser at an advice firm (such as an IFA) say they have an ongoing advice relationship[42]

Very few shop around for their adviser

Most of our qualitative respondents had not shopped around for their adviser. At best, they had met with a couple of different advisers to see which person they got on with better, but this was the exception rather than the rule. Most had not even considered shopping around, even though they shop around for goods and services in other areas.

Rather, the majority of respondents in our qualitative research found their adviser through a personal recommendation or a social interaction. A couple said their relationships had developed from a free workplace advice session. Some relationships had subsequently developed into friendships.

> *"I knew this guy and certain people had used him before, so it was like a word of mouth. He is a genuine and nice guy. The proof of the pudding will be when we retire!"* Male, 55-64, £25k-<£100k, Advised (FA)

> *"Our friend's wife worked at a financial adviser's and we asked her husband, what did he do with his money? And he said, well, I invest it with this financial adviser. Prior to that, I had three names of IFAs in the local area and I was looking at those, but then, I just thought, I don't know them from Adam. So, it was knowing that my friend worked for this company, and they seemed comfortably off, that I felt that it would be OK."* Female, 55-64, £250k+, Advised (FA)

The respondents in our qualitative research were not very price-conscious and expressed some reservations at basing their decision on fees alone. There was a sense that all advisers pretty much charged the same, and that the price was worth paying for someone with a proven track record they could trust.

> *"It is like when you have work done on your house; you are not going to go for the cheapest. You take a view of who do you think you trust more."* Female, 65+, £250k+, Advised (FA & automated advice)

> *"If they came across as a wide boy or girl and they had the cheaper rate, I probably wouldn't go with them."* Male, 45-54, £250k+, Advised (FA)

When asked to reflect on why advice is different to other products and services they do shop around for, respondents said that their lack of knowledge combined with the complexity of the subject matter meant that they did not feel suitably equipped to make comparisons on things such as qualifications, expertise, or service levels. They also found

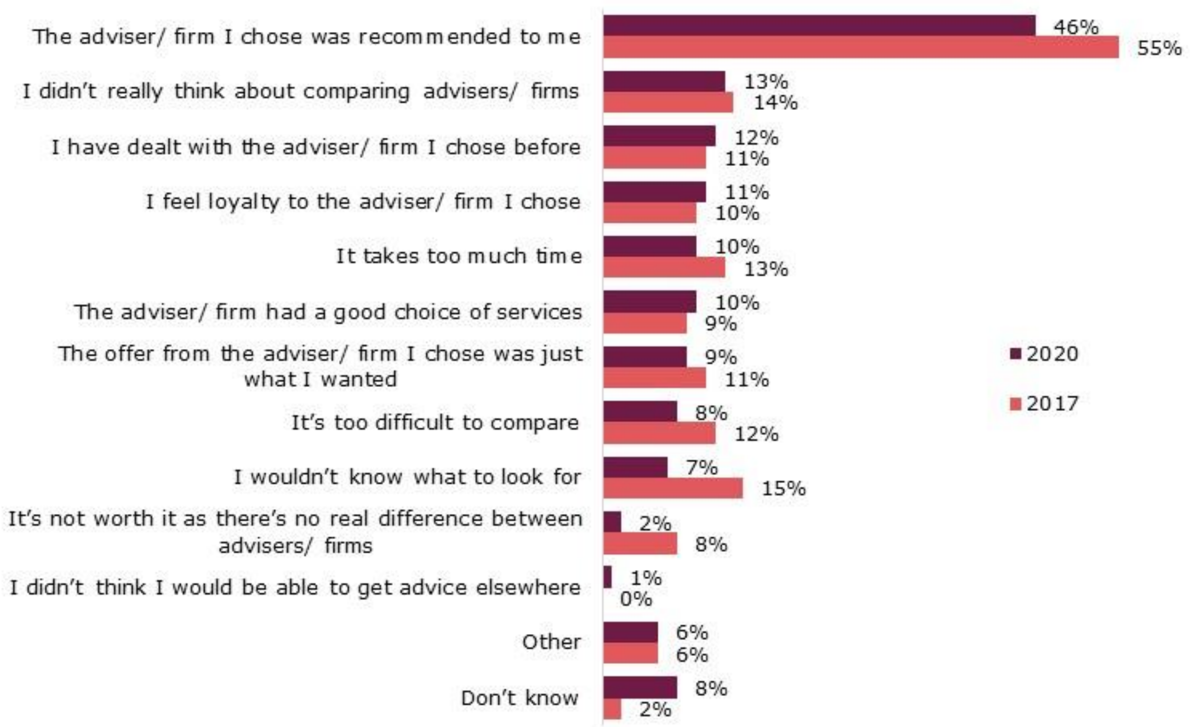
[42] **DV3_mc.** Types of advisers used. **Base:** All UK adults who have received advice in the last 12 months from an adviser at an advice firm (2020:1,175)

it difficult to assess the likely performance of their adviser, because they had little or no information to benchmark them against and very little capability to make this evaluation.

Our survey data confirm these findings. In 2020, just 39% of advised adults who started using their adviser/ firm in the last 3 years made any sort of comparison between advisers by looking at the services and rates offered before they chose their adviser.[43] The proportion who shopped around for their adviser in 2020 is not significantly different from the 2017 results.

Instead, the majority had found their advisor through a personal recommendation, and as such, did not feel the need to do any further due diligence, as evidenced in Figure 6.1.

Figure 6.1 Reasons given for not shopping around by advised adults who have been using their adviser/ firm for less than last 3 years and did not compare different advisers, 2020



Adv_D7b_mc. Why did you not compare different advisers or firms?

Base: All UK adults who have received regulated advice in the last 12 months, and adviser/ firm used for around 2-3 years or less, and did not compare different advisers when choosing the adviser/ firm (2020:169/ 2020:307)

[43] **ADV_D7**. Before you chose this adviser/ firm, did you compare two or more different advisers or firms by looking at the services and rates offered? **Base**: All UK adults who have received regulated advice in the last 12 months, and adviser/ firm used for around 2-3 years or less (2020: 508)

The perceived complexity means that many feel unqualified to compare advisers. Even those who had shopped around for an adviser in the last 3 years by looking at the services and rates offered did not find this process particularly easy: just one in eight (12%) said it was very easy to compare providers, while two in five (42%) said it was fairly easy. Nearly one in four (23%) said it was fairly difficult or very difficult.[44]

Most are getting a 'one-size fits all' experience, consisting of ad-hoc access to the adviser, an annual review and report, and portfolio valuations

Advisers offer a range of very similar services to those adults who have an ongoing advice service, regardless of whether or not they are taken up. Our survey data[45] show that the vast majority of FA clients are offered regular review sessions (96%), unlimited access to the adviser (97%) and a regular report showing the value of their investments (97%). Around four in five (78%) are offered newsletters and notifications of any changes in tax or other legislation. These services do not vary, which suggests that service propositions are very similar across firms and are not particularly tailored to the individual's support needs.

Sessions are typically face-to-face meetings, with almost nine in ten (87%) of all advised adults (excluding automated advice users) receiving their advice in this way[46]. Our qualitative respondents very much valued their face to face meetings, feeling that they could set aside more time to talk in-depth with the adviser face to face than over the phone. As the interaction is often in their own home, this also meant that the adviser could get to know them more as people.

> *"It is easier to do that meeting face to face than via email or on the telephone. What we found with the telephone was that we had a chat for half an hour and then we rang off, thinking that was the end and then we had a question and had to ring back. It wasn't convenient, whereas we felt when we had the person in the house, you got two hours of their time."* Male, 45-54, £250k+, Advised (FA)

A quarter (24%) said they had meetings over the phone. Where phone conversations do take place, our qualitative respondents reported these were supplementary to the annual face to face meeting, rather than a substitute. Very few felt comfortable having a telephone-only relationship. To illustrate this point, one respondent had moved to a new

[44] **ADV_D7D.** How easy or difficult was it for you compare different advisers or firms? **Base:** All UK adults who have received regulated advice in the last 12 months, and adviser/ firm used for around 2-3 years or less, and did compare different advisers when choosing the adviser/ firm (2020:185)

[45] **C1D.** Thinking about the services that the adviser provides you on an ongoing basis, after they have provided you with their initial recommended actions and/ or arranged an investment for you… Which of the following services does your adviser provide you with? **Base:** All UK adults who have received regulated financial advice in the last 12 months and have an ongoing advice relationship (2020:911)

[46] **Adv_D3_mc.** Thinking of this advice you received from ... how was the advice delivered? **Base:** All UK adults who have received regulated advice in the last 12 months and the most recent advice was from an IFA, adviser at bank/bsoc, or adviser from insurance, investment or pension company (2020:1,350)

adviser when he moved house specifically because he felt he could not get the same level of trust from a telephone-based relationship.

Just 2% conducted their most recent advice session in the last 12 months by video call (such as using Skype, GoToMeeting, WebEx or Facetime), while 13% have been offered the option of a video call meeting.[47] It is important to note that this data were collected before the COVID-19 lockdown came into force, and these proportions are likely to have changed considerably as both advisers and their clients have had to adapt their working practices.

When asked about the nature of the advice needed in their most recent advice session in the last 12 months, most were receiving an annual review of their general financial situation rather than addressing a specific advice need: almost half (48%) of all UK adults who received regulated advice in the last 12 months said this was the nature of their last advice session, increasing to 66% for adults with an ongoing advice relationship.[48]

This very much ties in with our qualitative findings.

> *"It's pretty top level. You'll review what they did last time, and then they'll look at the results of the overall portfolio and the performance of the individual components and look at how they did vs their benchmarks – to give you some point of comparison for your returns. They talk about your lifestyle and changes, to try and keep up with what you're doing and to make sure that what they're doing corresponds to your lifestyle needs."* Male, 55-64, £250k+, Advised (FA)

That said, some of our qualitative respondents reported that they did not always need an annual review, especially if their financial situation was stable, but felt that they were given no option to ask for something different. That said, they had not approached their adviser to see if this was possible, typically assuming an annual review is the 'legal requirement'.

> *"I know there is a requirement for them to ask for an annual review and that's kind of good business practice. But my feeling is that any review should be down to me. They can send you a letter to say, are you interested in having a review? And I can say, yes or no. But they shouldn't be able to put my hand down my pocket and say you're having a review whether you like it or not."* Male, 55-64, £100-250k, Advised (FA)

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[47] **ADV_D3A (REBASED).** Has your financial adviser ever offered you the option of alternative ways of meeting, for example using Skype, GoToMeeting, WebEx or FaceTime? **Base:** All UK adults who have received regulated advice in the last 12 months and the most recent advice was from an IFA, adviser at bank/bsoc, or adviser from insurance, investment or pension company (2020:1,350), excluding 'don't know' responses (3%)

[48] **Adv_D4_mc.** Still thinking about the most recent regulated advice you received in the last 12 months, what did you want advice about? **Base:** All UK adults who have received regulated advice in the last 12 months (2020:1,459)

Trust, confidence and satisfaction levels are high, but are based on the strength of the relationship rather than any objective metrics

It is perhaps not surprising, given the dominance of long-standing relationships, that six in ten (60%) of all adults who have received regulated financial advice in the last 12 months have high levels of trust in their adviser/ firm, and a further three in ten (30%) have moderate levels of trust.[49] Trust levels have changed little since 2017.

The 2020 Financial Lives survey asks adults who have a moderate or high level of trust in their adviser to say to what extent certain factors have contributed to this trust. 68% of those with moderate to high levels of trust reported that the fact their adviser is regulated is a driver of trust. Beyond that, brand, reputation, and recommendations are as important as professional credentials.[50]

Trust is a complex concept, and perspectives on trust and confidence have been explored from many different angles in various disciplines such as sociology, psychology, economics and management. This body of research can be synthesised into a simple framework that describes the three conditions that are necessary for trust: Alignment, Benevolence and Competence.[51] Our advised respondents recognised that the switch from commission to fees had improved levels on benevolence in the market as a whole, but did not feel that this had had much impact on their long-standing relationship. For them personally, trust had been built through the adviser demonstrating his competence over an extended period of time. They very much felt that the adviser understood, and was aligned with, their interests.

Adults who have received regulated advice in the last 12 months were asked how confident they were in the advice given in the most recent advice session and how clear and understandable that advice was:

- Almost six in ten (57%) have high levels of confidence in the advice they were given and a further three in ten (31%) had moderate levels of confidence[52]
- Six in ten (59%) say the advice received was completely clear and understandable, while a further three in ten (30%) said it was mostly clear and understandable[53]

Those who have an ongoing advice relationship are much more likely to say they are highly confident in the advice given in the most recent advice session than those who do not, and a lot less likely to say they have little or no confidence in the advice given. Likewise, those

[49] **ADV_D18 (REBASED).** How much did you trust this adviser/ firm? Answer on a scale of 0 to 10, where 0 is 'do not trust at all' and 10 is 'trust completely' **Base:** All UK adults who have received regulated advice in the last 12 months (2020:1,459), excluding 'don't know' responses (3%)

[50] **Adv_D19_mc.** Which, if any, of the following contribute to the level of trust you have in your adviser? **Base:** All UK adults who have received regulated advice in the last 12 months and say they trust the adviser they used in their most recent advice session highly (2020:854) or moderately (2020:434)

[51] Mind the Gap: Restoring Trust in Financial Services, FSCS, 2015.

[52] **ADV_DNEWA (REBASED).** How much confidence did you have in the advice given? Answer on a scale of 0 to 10, where 0 is 'not at all confident' and 10 is 'completely confident'. **Base:** All UK adults who have received regulated advice in the last 12 months (2020:1,459), excluding 'don't know' responses (3%)

[53] **ADV_DNEWB (REBASED).** To what extent would you say the advice you received was clear and understandable? Answer on a scale of 0 to 10, where 0 is 'not at all clear or understandable' and 10 is 'completely clear and understandable' **Base:** All UK adults who have received regulated advice in the last 12 months (2020:1,459), excluding 'don't know' responses (3%)

who have an ongoing advice relationship are more likely to say the advice was clear and understandable than those who don't.

Overall levels of satisfaction in 2020 remain high, and have not significantly changed since 2017, with around six in ten (56%) of the advised population reporting that they are highly satisfied with their adviser/ firm and a further one in three (32%) saying they are moderately satisfied.[54]

However, our qualitative research suggests that satisfaction levels are largely driven by the strength of the relationship rather than any objective metrics. Respondents in our qualitative research were mostly very satisfied with the service they were receiving, but they freely admitted that they had no idea how well their adviser was doing against others in the market, and they were not even sure how they would go about doing that assessment. Similarly, few were comparing net investment performance against any benchmarks to understand whether their investments were performing well.

What do consumers value from the advice services they receive?

Against this backdrop of longstanding relationships, ongoing advice models and limited comparisons between one advice provider and another, we asked our advised qualitative research respondents what they value most about the financial advice services they receive.

Peace of mind was the strongest and most consistent theme among all of our advised respondents; knowing that someone you know and trust is looking after your financial interest was hugely reassuring and difficult to put a monetary value to.

Most were relieved that they were able to delegate the responsibility for making these decisions to an expert.

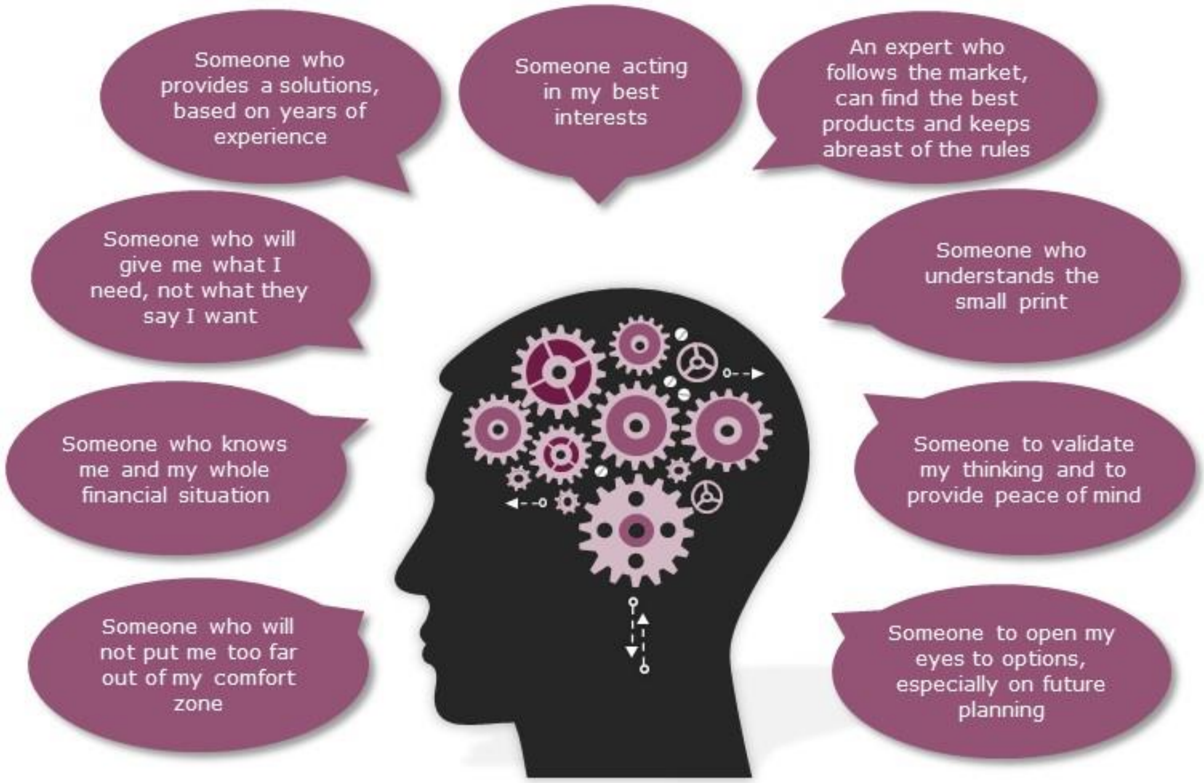
> *"I think it's the peace of mind and I believe they are working for me and my best interest. You can't put a price on that."* Male, 45-54, £100k-<£250k, Advised (FA)

> *"Peace of mind. That is probably a massive value. Overall, the reassurance and peace of mind you get from sticking with someone whom you trust and they have earned that trust by consistently delivering what you expect with them."* Male, 55-64, £250k+, Advised (FA)

Beyond that, respondents gave a variety of reasons, which are summarised in Figure 6.2.

[54] **ADV_DNEW (REBASED).** Still thinking about the (most recent) advice you received from (type of adviser), overall how satisfied were you with your adviser/ firm? Answer on a scale of 0 to 10, where 0 is 'not at all satisfied' and 10 is 'completely satisfied'. **Base:** All UK adults who have received regulated advice in the last 12 months (2020:1,459), excluding 'don't know' responses (3%)

Figure 6.2 Perception of 'value'



Qualitative consumer research.

Base: All qualitative respondents who have had advice in the last 12 months from a Financial Adviser (14)

Note: Base on moderator impressions.

Most of our advised respondents felt that making investment decisions are outside of their comfort zone, and they were happy to delegate these decisions to their adviser. Respondents recognised that they were vulnerable to making short-term, knee jerk reactions to falls in the market, which ultimately might not be the right decision. Advisers can add value in falling markets by providing reassurance and helping clients avoid consolidating losses by selling at the top of the market.

> *"When things did happen, I think it was last year when there was a big decrease in the pot and he said just wait, where if it was up to me, I might have cashed it in. Sure enough, after the next six months it was back again with interest."* Male, 45-54, £100k-<£250k, Advised (FA)

Having an adviser provides peace of mind

Jared, 55-64, investible assets £100k-£250k

Jared on his financial situation

Jared retired seven years ago, taking voluntary redundancy and accessing his DB pension. He used his lump sum to help his daughter onto the housing ladder. He owns his house outright and sees himself in a comfortable financial position. Jared is a widower and lives by himself.

Jared's situation
Employment status: Retired
Housing: Owned outright
Last used a FA: Currently has an IFA
Automated advice: No awareness
Investible assets: £100k-£250k
Investments: £100k-£250k
Cash savings: £10k-£20k
Financial position: Comfortable
Private pension: Yes (Defined Benefit)

For the majority of his financial decision making Jared relies on his financial adviser, while using MoneySavingExpert.com to help him save money.

Jared on the relationship with his adviser

Initially Jared used advisers referred to him by his bank, but when they shifted their service from face-to-face meetings to telephone calls, Jared felt he wasn't getting the service he needed.

At the time, he bumped into a local financial adviser, whom he has been using since and has become a friend.

> *"We started using an IFA for the reassurance and to take away the stress of investing. They're investing money on your behalf and keeping an active look out, moving it around if needed.*

Jared on the value added by his adviser

Jared is aware of the charges he pay for advice and feels that his IFA is value for money, because he provides reassurance, 'takes away the stress' of making investments and is available on call no matter what time of day it is. He has also provided "invaluable" support when dealing with his wife's estate and the investments in her name.

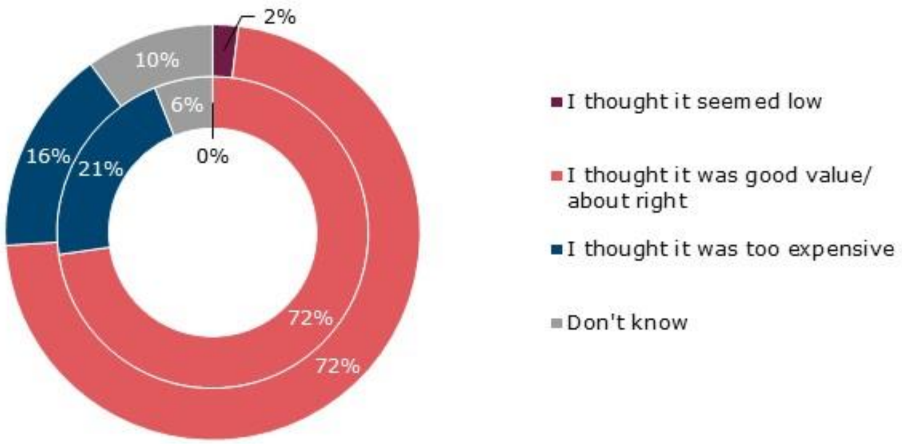
However, Jared's views of value for money were also driven by investment performance and by the performance achieved compared to keeping the money in the bank.

> *"I do feel it is value for money especially on what he has done recently and also the investments are doing well… Their results have proved us right; last year we could get a new kitchen from what he made us."*

Generally, advised adults feel they are getting value for money – but many are not aware of how much they are actually paying, suggesting they place more emphasis on quality/service than price

We asked adults who have received regulated advice in the last 12 months and paid an ongoing charge or a one-off fee for their most recent advice session[55] how they felt about the fee that they paid. As shown in Figure 6.3, almost three-quarters (72%) felt the price they paid represents good value, unchanged since 2017. One-sixth (16%) thought it was too expensive, while one-tenth (10%) don't know.

Figure 6.3 Perception of the fee paid for advice among adults who paid a one-off fee or ongoing charge for their most recent advice session, 2017 vs 2020



ADV_D10. What was your perception of the fee you paid for your (most recent) advice from (type of adviser)?

Base: All UK adults who have received regulated advice in the last 12 months and paid a one-off fee or ongoing charge (2017:363 /2020:1,095)

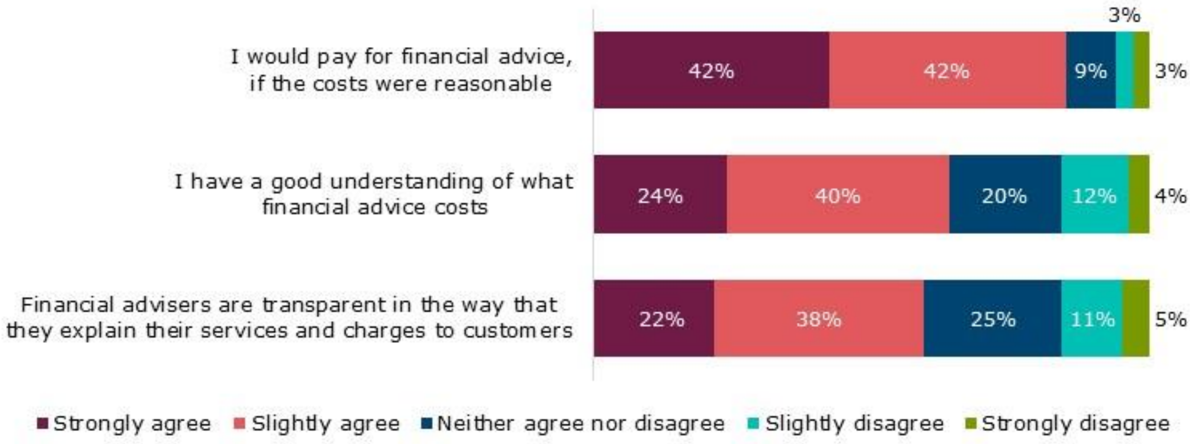
However, there are some important caveats to these data.

First, Figure 6.4 shows that only a quarter (24%) of all adults who have received regulated advice in the last 12 months say that they have a good understanding of what financial advice costs, and 4% have very little idea.

Transparency appears to be an issue, with just over one in five (22%) strongly agreeing that financial advisers are transparent in the way they explain their services and charges to consumers.

[55] i.e. All adults who received regulated advice in the last 12 months, excluding those who said they did not pay a fee, because payment was dependent on taking out an investment or pension product and they didn't do so and those who don't know how they paid.

Figure 6.4 Attitudes about fees and charges held by adults who have had regulated advice in the last 12 months, 2020



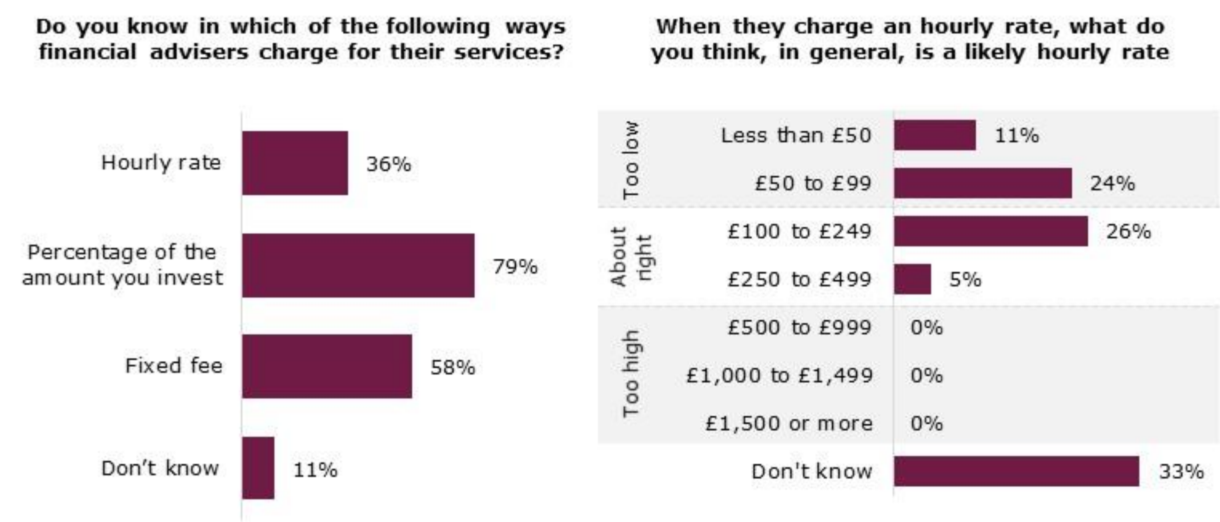
A2H/I/L REBASED. How much do you agree or disagree with each of the following statements? A2H. I would pay for financial advice, if the costs were reasonable. A2I. I have a good understanding of what financial advice costs. A2L. Financial advisers are transparent in the way that they explain their services and charges to customers.

Base: All UK adults who have had regulated advice in the last 12 months (2020:1,459), excluding 'don't know' responses (A2H:1%/ A2I:3%/ A2L:3%)

Figure 6.5 further demonstrates this confusion. The majority (79%) of adults who have received regulated advice in the last 12 months are aware that advisers can be paid a percentage fee, but just over one in ten (11%) did not recognise any of the options presented.

Furthermore, when asked to say what an adviser's typical hourly fee might be, a third (33%) could not answer this question, and a similar proportion (35%) gave an under-estimate. Advised consumes were no better at this than their not advised counterparts (see Figure 5.9 in Chapter 5).

Figure 6.5 Awareness of adviser charging structures and charging levels among adults who have had regulated advice in the last 12 months, 2020



A2n_mc. Do you know in which of the following ways financial advisers charge for their services? **A2O.** Financial advisers charge for their services in different ways. When they charge an hourly rate, what do you think, in general, is a likely hourly rate?

Base: All UK adults who have had regulated advice in the last 12 months (2020:1,459)

Our qualitative discussions also raised several important caveats to the data shown in Figure 6.3, which showed that advised adults feel the fee they paid for advice represents good value.

Our advised respondents did not shop around for their adviser, nor have they subsequently benchmarked services and fees against other advice providers to find out if what their adviser is offering is in the line with the market or not. Their assessment of value for money is, therefore, often based on their impressions, rather than any hard evidence.

The frame of reference for whether or not their adviser is delivering value for money is often assessed against how much their investment has grown. If the value of the fund has grown a lot, they are getting value for money. If the fund has not grown or has fallen, they are not so sure.

> *"It's like all of these things, you never know whether you are getting value for money until you have had a couple of years. Maybe I am a little less happy with the value now, because in the first year the fund performed brilliantly and in the second year it went down."* Male, 55-64, £100k-<£250k, Advised (FA)

In the cases where comparisons where made against some form of benchmark, respondents tended to compare fund growth to what they could have made by putting their money in the bank, whereas comparisons against investing in an index or ETFs may be more appropriate. However, the problem with performance benchmarks is that performance is largely out of the advisers' control, as very few actively manage their clients' money.

> *"Value for money is knowing that our money is working for us. So, when we do come to travel or retire, we will have funds well into our retirement. I feel that they will hopefully still continue to grow it at a greater rate than if we had kept it in savings. I guess it is quite a bit of money that he has invested and it has returned a lot more than it would have done had it just sat in a building society. We're talking 5% as opposed to 1%."* Female, 55-64, £250k+, Advised (FA)

Finally, perceptions of value for money are somewhat distorted by a common misconception among our advised respondents that all advisers are picking stocks and funds and moving their money around regularly. However, when probed, this was rarely the case. Many of our respondents were in their providers' risk-rated funds, and one was using a DFM. This suggests that their views on 'value for money' are perhaps based on a somewhat over-inflated perception of their adviser's expertise.

Once advised respondents became aware of their actual advice cost in pounds and pence some questioned whether this was value

Many of the advised adults in our qualitative research did not have a good idea of how they were paying for the advice; they knew a fee was being charged, that it was typically a percentage of the assets being managed by their adviser, but they could not give any further information.

When told by the moderator that the typical fees for a financial adviser's services range from 0.5%-1% of their funds under management, they initially felt that this was reasonable for the service they were getting.

The moderator then translated this percentage into a figure in pounds and pence based on how much money their adviser was managing on their behalf. At this point, some respondents were visibly shocked and started to question whether they were getting value for money from the service.

Unaware of the advice fee; now questioning value for money

Hal, 55-64, investible assets £25k-£100k

Hal on his financial situation

Hal lives with his partner in her house, while renting out the flat he owns outright. His partner's children are grown up and have moved out. Hal's partner may retire in the coming months with a good DB pension. Hal loves his job and plans to continue working for the foreseeable future, although he could afford to retire.

Hal's situation
Employment status: Full-time
Housing: Owned outright
Last used a FA: Currently has IFA
Automated advice: No awareness
Investible assets: £25k-£100k
Investments: None
Cash savings: £20k-£50k
Financial position: Comfortable
Private pension: Yes (DC, >£250k)

"We are comfortable financially; we've got no mortgages and we each have a property.

We could retire today, but we both like doing things and keeping busy. Myself, I don't know if I want to retire, I love my job working for a friend of mine, who owns the company…"

Hal on the relationship with his IFA

Hal started using his IFA about a decade ago, because he was moving job and needed some advice. They have since become friends, and he has not consider switching.

While Hal is happy to take some risk, he has had his 'fingers burned in the past' with investments and relies on the advice from his IFA. He had two DC pensions that his IFA has combined and is 'looking after'. The reason for using an IFA is 'peace of mind'.

The reason for the IFA is peace of mind, having someone looking after your finances who knows what's going on. Somebody who has a picture of the whole thing, rather than wondering what to do with this and that.

He comes to the house every year for a couple of hours and we have some food. When I need advice I can ring him up."

Hal is sure that fees have been discussed, but doesn't know how much he is paying as he has never looked at it. He doesn't feel it can be much, as his IFA doesn't do a lot for him. He is very surprised to learn from the moderator that he is likely paying more than £2,000 per year.

"I'm guessing it's a fee that comes out of the investment… I'm confident we've discussed this, but I've never paid upfront… He doesn't do lots and lots for me. I haven't looked at my statement to be honest."

[Learns from the moderator that it's likely £2,000+ p.a.] "I didn't know it was that much… I never noticed that! I wasn't aware that is was that kind of money!"

It was clear from these discussions that framing costs in percentage terms versus pounds and pence has a strong impact on how our respondents felt about fees.

Although they had not previously paid much attention to the amount they pay, this rough pounds and pence number would make some (but not all):

- Want to check what they are paying with their adviser
- Look more critically at the annual meetings to make sure they are getting value for money from that interaction
- Think about having a conversation with their adviser to see if they could reduce the fees by having fewer interactions
- Look at whether some form of performance-based fee is possible

Respondents felt that there is an asymmetry of power and they would not be able to move away from the current advice model

When faced with the cost of advice in pounds and pence, some of our advised respondents started to think about how they could lower the price. Thoughts typically centred around whether an annual review was entirely necessary or whether this review could be done every couple of years instead.

Others felt that they would be happy to pay this amount now, but once they stopped accumulating into pensions and the 'difficult' retirement decisions had been made, they would have less need for ongoing services and would like to transition to an on-demand/pay-as-you-go service.

> *"My financial future shouldn't be paying for his financial future. There's got to be a line where it's worthwhile advice, but not to the detriment of your financial future. I think some of these ongoing charges are leaning the wrong way. I can understand someone who has got money to put into their pension on a monthly basis and has to achieve a certain return on that fund to fund their lifestyle going forward, they would need a level of advice and monitoring and risk management that is totally different to what I would need. Paying for their services when you use them – like you do with a solicitor – that would work for me. If you want to professional a service you have a scale of fees and you work off them."* Male, 55-64, £100k-<£250k, Advised (FA)

However, there was a general sense that the adviser may not be happy to have these sorts of discussions, nor would they feel comfortable 'bargaining' in this way. They were also worried about disturbing the trust-based relationship for the sake of saving 'a few hundred pounds per year'.

> *"I don't know what I would say or what ammunition I'd have to negotiate his fees. I don't think I'd understand the answer or what to do about it. I understand that I might be able to save a few hundred quid but the pain of worry of going to someone else... I like what he's doing for me."* Female, 55-64, £250k+, Advised (FA)

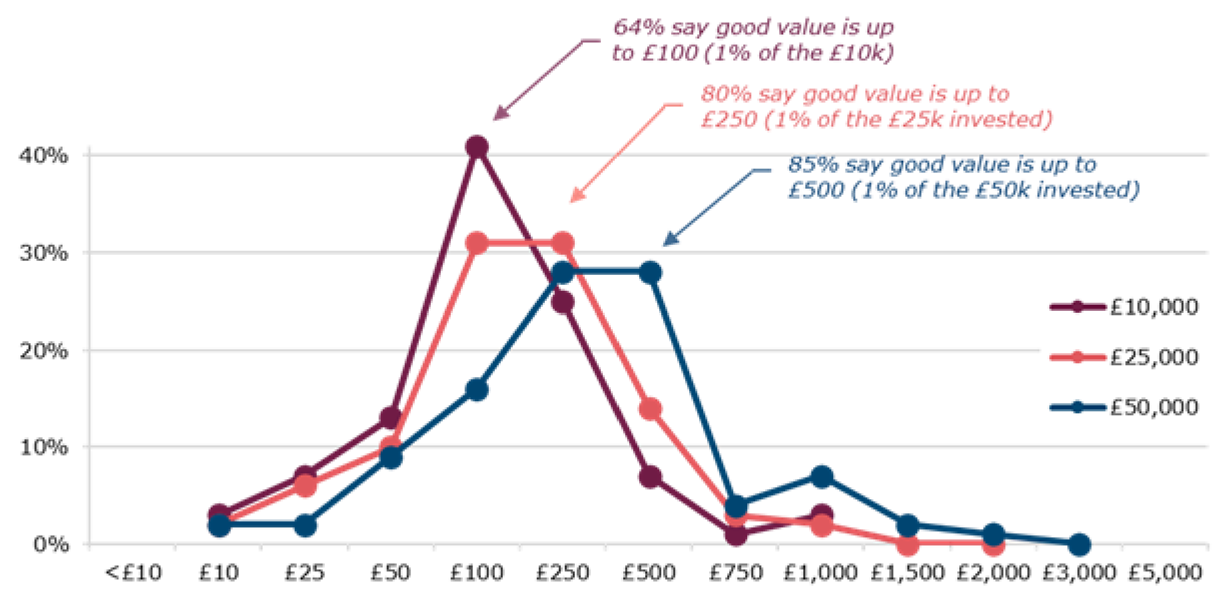
Not advised consumers simply cannot access the ongoing, face to face advice that firms offer at what they perceive to be a 'reasonable' or acceptable price

Turning our attention now to adults who have not had regulated advice in the last 12 months, but could benefit from support. Chapter 5 demonstrated that this group would be willing to pay for advice if the costs were 'reasonable' (see Figure 5.8). To get a more explicit understanding of what 'reasonable' means in practice, this group were asked to say at what price they would be willing to pay for advice from a regulated financial adviser, such as an IFA, at what price point they would consider such advice to be too expensive, and at what price such advice would feel 'too cheap'.

To ensure that this question was equally meaningful for everyone, respondents were asked to think about how much they would pay for regulated advice on one of three different levels of investment – either £10,000 invested, £25,000 invested or £50,000 invested - depending on the level of investible assets they actually have.

26% said they would not be willing to pay anything at all for regulated advice in the future, even if it was priced at as little as £10. Of those that would be willing to pay, Figure 6.6 shows that the majority would want to pay less than 1% of the amount invested.

Figure 6.6 Amount of money not advised adults who may need support would be willing to pay, and see as good value for money, for advice from a regulated adviser in the foreseeable future, 2020



ADV_E8a_1 (REBASED). Think about how much you might be willing to pay, in the foreseeable future, for advice from a regulated adviser, e.g. an IFA, about how you might invest [£10,000/£25,000/£50,000]. At what price would advice seem good value?

Base: All UK adults who have not had advice in the last 12 months and may need support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,009), excluding 'I would not pay' responses (26%)

In pounds and pence, 1% of the amount invested equates to no more than £100 on a £10,000 investment, £250 on a £25,000 investment and £500 on a £50,000 investment.

Furthermore, the amount adults would see as good value for money does not increase by much as the amount invested increases; most would expect to pay no more than £250 regardless of the amount invested. This does not align particularly well with adviser business models, which are based on percentage fees rather than a fixed or capped amount.

When we asked our not advised qualitative respondents how much they think regulated advice costs, we heard a range of answers. Some were simply guessing; others had heard costs were roughly around 1% of their pot (but sometimes could not translate this into a monetary amount) and a minority had a good understanding of the work and time involved in onboarding a new client.

> *"Not too much for one-off advice. If I was to employ an IFA on a regular basis then that is different. As a one-off maybe a couple of hundred pounds; maybe £350 tops."* Female, 55-64, £100k-<£250k, Not advised

> *"For me, I would expect to pay a couple of hundred. It depends how much I'm getting back I suppose."* Male, 18-34, <£10k, Not advised

> *"It would partly depend on how much I was investing. So, say it was £30,000, I would probably be happy to pay around £100. I don't know if that's way off the mark because I have never had any advice."* Female, 45-54, £25k-<£100k, Not advised

When asked to consider at what price advice to be too expensive and they would not pay it and at what price advice would feel 'too cheap', Figure 6.7 shows that very few would want to pay more than £1,000. On the other hand, most would question the value of a service costing less than £50.

Figure 6.7 Price at which advice from a regulated adviser would be too expensive or seem too cheap for not advised adults that may need support, 2020

ADV_E8a_2-3 (REBASED). Think about how much you might be willing to pay, in the foreseeable future, for advice from a regulated adviser, e.g. an IFA, about how you might invest [£10,000/£25,000/£50,000]. At what price would the advice be too expensive and you would not pay it? At what price might the advice seem too cheap and you would not pay it?

Base: All UK adults who have not had advice in the last 12 months and may need support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,009), excluding 'I would not pay' responses (26%)

Note: To make the question as applicable as possible, the amount of money to invest quoted in the question was varied according to the wealth of each respondent. Respondents with £10,000-£20,000 investible assets (or those who don't know or refused to say) were asked to think about investing £10,000, those with £20,000-£50,000 investible assets were asked to think about investing £25,000, and those with £50,000 or more investible assets were asked to think about investing £50,000.

Their answers demonstrate that what these consumers are willing to pay and what advice actually costs rarely tally. This highlights a fundamental gap in the advice market, particularly for consumers with smaller pots, as they simply cannot access the ongoing, face to face, advice that firms offer at what they perceive to be a 'reasonable' or acceptable price – although they would not necessarily need an ongoing service anyway, as their needs could be simpler and met by one-off transactional support.

There is a mismatch between not advised consumers' preferences for one-off advice and adviser business models

When thinking about their willingness to pay for advice, we consistently heard our not advised respondents in the qualitative research refer to their desire for one-off advice. Once they had had an expert review their situation and make recommendations, they felt they would be well equipped to continue without advice. They focused on the point in time decision, and few considered whether or not they would need ongoing support investing their money.

> *"If I were to pay for advice, I would pay £150 for an adviser but I would expect about two hours of talking through all my finance and been given advice. I don't think I would take all the advice but it will give me a direction to research."* Female, 55-64, £25k-<£100k, Not advised

> *"For retirement support, I'd be willing to spend £500 for a one-off. I wouldn't particularly want to pay for ongoing support. I think it's OK to pay for sound advice."* Female, 55-64, £25k-<£100k, Not advised

> *"IFAs are more knowledgeable about investments and what works or not; what money is tied up and the tax implications. How the money will best work for you and how you would avoid paying certain taxes. When to retire. I would hope they would know all of that. Once I have been given the advice, I think I could do it by myself."* Female, 45-54, £25k-<£100k, Not advised

Most of our not advised respondents were unaware that advisers would want to offer them an ongoing service. When informed of this by the moderator, they felt that this did not necessarily fit with what they wanted and would be a key barrier to them accessing support in the future.

7. Perceptions and use of automated advice

The automated advice market is still developing and it is difficult to predict what impact these services will have in the future. Such services may largely be a substitute for traditional regulated advice (i.e. adults who have a traditional advice relationship switch to automated advice for some or all of their advice needs).

Financial Lives survey respondents were provided with a list of automated online investment and pension providers. They were then asked to say which they are aware of, and which, if any, they had used in the last 12 months. Encouragingly, awareness has nearly doubled in three years, rising from one in ten (10%) adults in 2017 to just under one in five (19%) in 2020.

As yet, increased awareness has not translated into a significant uptake in usage compared to the overall market potential. Just 1% of UK adults have used an automated advice service in the last 12 months. Automated services are more likely to be used by men than women, by adults aged 25-44, by high-income households, and by adults with investible assets of £10,000 or more.

The majority of UK adults say they would not be comfortable making retirement decisions or completing financial advice without any human intervention. Most would want to speak to a human (at least in the initial onboarding process) to make sure they were not making any mistakes in their use of the automate service. The market is evolving to recognise this fact; the last few years have seen further developments in the market to move away from fully automated and towards hybrid services.

As the market for automated advice matures, more household names are starting to launch propositions. This is reassuring to novice investors who are fearful of financial scams and of investing their money with companies that they had not heard of before.

In our qualitative research, we found that simply hearing more about automated advice services would not necessarily encourage adults who are unwilling to invest (that hold all of their money in cash savings) to invest. But those consumers who are open to the idea of investing would consider using automated services in the future.

Willingness to pay for automated advice is very low. Around half of UK adults would not be willing to pay at all at any price. There is no material difference between the advised and not advised populations. For those that would pay, good value for money is around £100 for investing a small sum (£10,000) to around £200 to £300 for investing £50,000.

In this chapter we look in-depth at automated advice, using both the Financial Lives survey and our qualitative research to explore awareness, perceptions and usage. The last few years have seen further developments in the market to move away from fully automated and towards hybrid services, reflecting our observations in Chapter 2 that human intervention is usually needed to help consumers feel confident to invest.

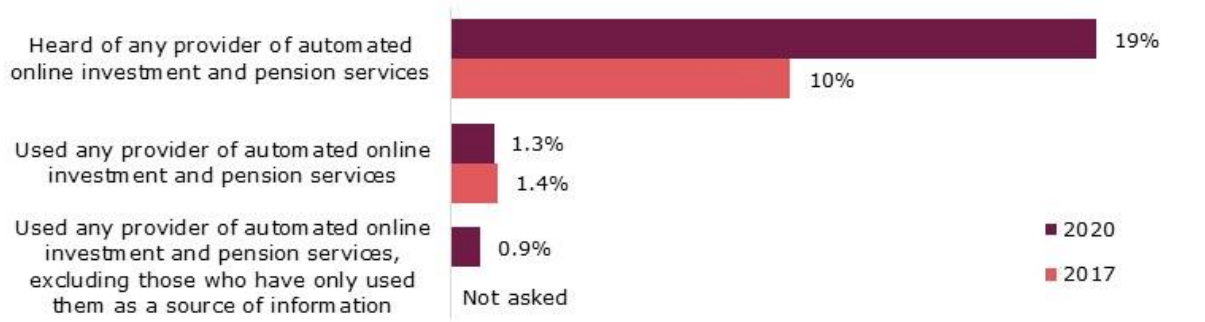
Awareness and use of automated advice are growing fast, albeit from a small baseline

Financial Lives survey respondents were provided with a list of automated online investment and pension providers. They were then asked to say which they are aware of, and which, if any, they had used in the last 12 months. The list of providers changed between the 2017 and 2020 surveys to reflect changes in the market over time.

Figure 7.1 shows that, while prompted awareness levels are still quite low, there has been a marked increase in awareness in the last 3 years, rising from one in ten (10%) adults in 2017 to just under one in five (19%) in 2020.

In the 2020 survey, we also asked how they had used these providers in the last 12 months. For example, had they invested money in an ISA, a pension or a general investment account or received retirement planning advice. A small number of 'users' had only looked at the information on their websites or used their websites or tools to explore their options; they had not invested any money or received any advice about their investments, pensions or retirement planning. This is also shown in Figure 7.1 below.

Figure 7.1 Proportion of adults who are aware of or have used any provider of automated online investment and pension service in the last 12 months, 2017 vs. 2020



B2A_mc. Which of the following providers of automated online investment and pension services have you heard of? **B2B_mc.** Which have you used in the last 12 months? **B2C_mc.** In which of the following ways have you used this provider(s) in the last 12 months?

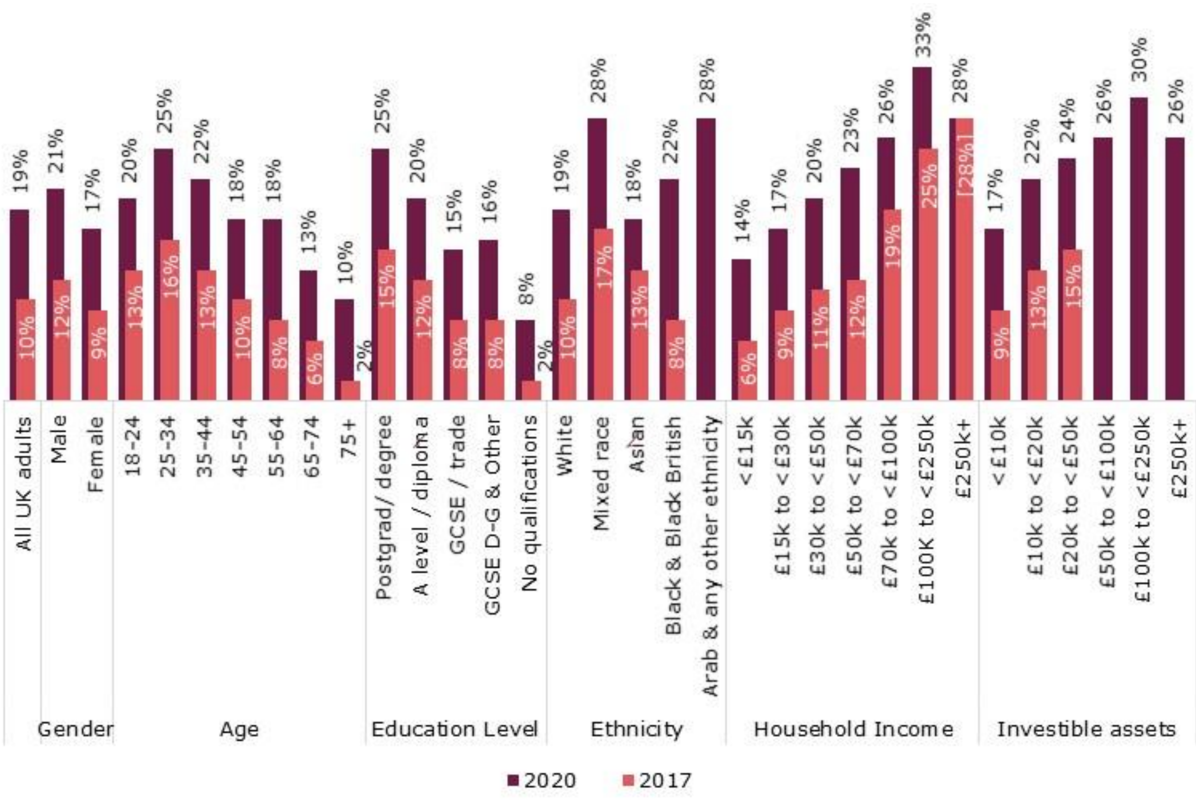
Base: All UK adults (2017:12,865/ 2020:16,190)

Looking in more detail at prompted awareness levels among different demographic groups in Figure 7.2, we see that awareness is higher for men than women, for younger adults than older adults and for adults with higher household incomes or wealth levels.

Looking at our target groups, a quarter (24%) of those with between £10,000 and £100,000 in investible assets have heard of at least one of the providers tested.

Prompted awareness levels have increased since 2017 across most demographic groups.

Figure 7.2 Proportion of adults who have heard of any provider of automated online investment and pension services in the last 12 months by gender, age, education level, household income and investible assets, 2017 vs. 2020



B2a. Which of the following providers of automated online investment and pension services have you heard of?

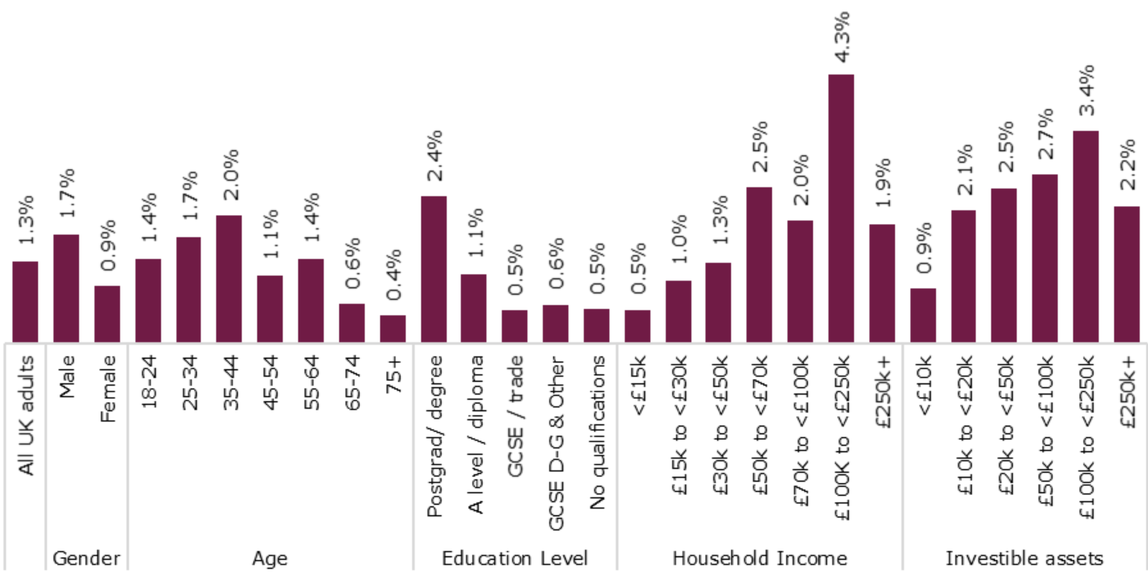
Base: All UK adults (2017:12,865/ 2020:16,190)

Note: 2017 data for investible asset has a maximum band of £50k+ and, therefore, we cannot show data above this level. 14% of adults with investible assets of £50k+ were aware of any provider.

Looking at the characteristics of users in a little more detail, Figure 7.3 shows that:

- men are more likely to use automated services compared to women
- automated services are most popular among those aged 25-34 and 35-44
- adults with a household income of £100,000 to <£250,000 are the most likely to use automated services
- adults with investible assets of £10,000 or more are more likely to use automated services than those with less than £10,000, but there are no significant differences in usage patterns for those with investible assets over £10,000 (up to £100,000)

Figure 7.3 Proportion of adults who have used any provider of automated online investment and pension services in the last 12 months by gender, age, education level, household income and investible assets, 2020



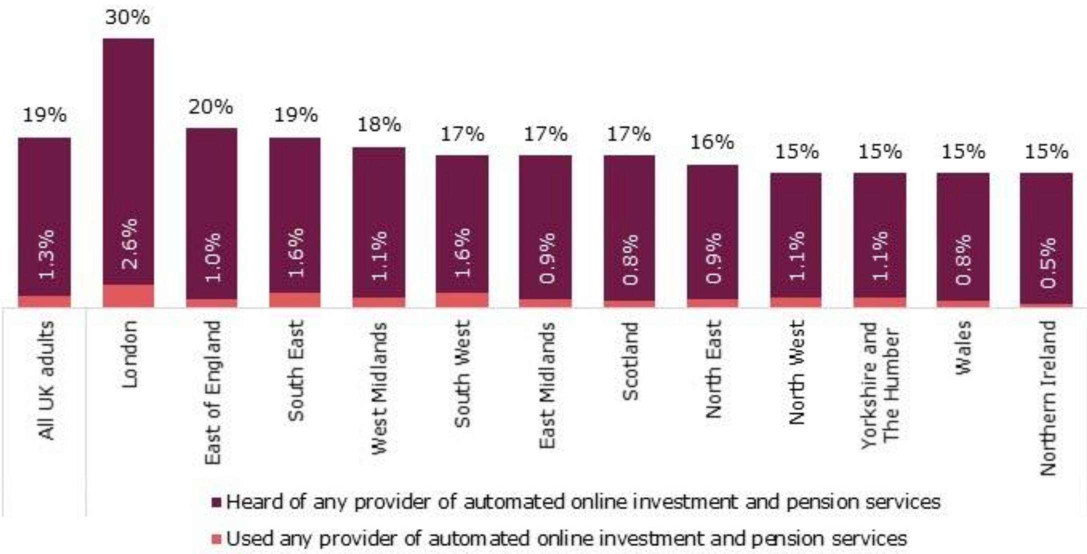
B2B_mc. Which of these providers of automated online investment and pension services have you used in the last 12 months?

Base: All UK adults (2020:16,190)

In the qualitative research, we observed some regional variations in awareness levels, with those in urban conurbations more likely to report awareness than those in more rural locations. London respondents, in particular, had a higher level of brand awareness due to seeing adverts for automated advice services on the tube and in stations.

This observation is supported by the Financial Lives survey, which shows that awareness levels and usage levels in the capital are double that of some other UK regions.

Figure 7.4 Proportion of adults who have used any provider of automated online investment and pension service in the last 12 months by Government Office Region, 2020



B2A_mc. Which of the following providers of automated online investment and pension services have you heard of? **B2B_mc.** Which have you used in the last 12 months?

Base: All UK adults (2020:16,190)

A personal recommendation is a key trigger for automated advice users who are investing for the first time

Our qualitative sample included seven people who were currently (within the last 12 months) using automated online investment services. In all cases, our respondents had started investing with small sums, usually around £500, to try out the service. If the investment performed well, they planned to transfer more onto the automated advice platform over time.

When probing to understand their motivations for use, we found that our users fell into two distinct segments:

- those who were already investing online, perhaps through platforms, who were looking for an alternative, lower-cost solution
- those who had not invested before but who were persuaded to 'dabble' to see if they could make more money than keeping their money in cash savings

The first group were more likely to have conducted some research on the market and compared several providers. Here price, performance and functionality are key. They were also more likely to have opened accounts with multiple providers.

The second group typically said they had been triggered to use the automated advice service following a personal recommendation from a family member, friend or trusted colleague who they felt had more investment knowledge and experience than them. Without this recommendation, most would not have been confident enough to even start investing, let alone choose a solution for themselves. All reported that the onboarding process was very easy, and they particularly valued that they could start with a small sum of money which they could afford to lose. The choice of provider was primarily driven by this personal recommendation. Most did not shop around, although some sought to independently validate the recommendation, seeking out reviews on sites such as Trustpilot. Price was not a factor in most decisions.

Group 1: Used automated advice after comparing several providers

Mo, 25-34, investible assets £25k-£100k

Mo on his financial situation

Mo is software developer. He has a mortgage on a flat in London, renting out his second bedroom. Mo has some savings, disposable income and feels financially comfortable. He is happy to take some risk with his money and feels like he is a savvy consumer. Mo does all of his research online, relying on forums and best buy lists, e.g. Martin Lewis. He is happy to try out new financial providers.

Mo budgets and calculates all of his income and expenditure (e.g. interest and tax rates), and it makes him anxious when his own sums don't add up to the amount billed or credited to him.

Mo's situation
Employment status: Full-time
Housing: Owned with a mortgage
Last used a FA: Never
Automated advice: Used Nutmeg for ~18 months
Investible assets: £25k-£100k
Investments: £50k-£75k
Cash savings: £10k-£15k
Financial position: Comfortable
Private pension: Yes (DC)

Mo on his investments

Mo has a myriad of accounts, savings and investment vehicles. He is a bit of a dabbler and opened a trading account when he ran out of equity ISA allowance. The objective for most of his money is for 'the later stages of his working life', 55 plus – he doesn't think he will ever be able to afford retirement.

Mo is confident and happy about his investment decisions, but does feel that more support would be more helpful, but wouldn't want to pay for it.

Mo on using automated advice

Mo began investing using Nutmeg. He found it online by himself as he was looking for a way to save a mortgage deposit. He has since moved onto a new trading platform, which is cheaper and has more investment options. He came across the platform via Kickstarter and helped fund them.

"I used Nutmeg for about 1.5 years and then stopped and moved to self-managed investments. Initially, I was overwhelmed with choice and I wanted some guidance on investing. I then learned how they make their choices and realised that what they invest into is limited in scope and that there are other things that are more suitable for me... Ultimately, I have tried to pick the cheapest platform with the widest choice. I have ISAs and a trade account with a new company... I also have accounts with Vanguard and also with HL."

Group 2: Using automated advice based on a recommendation from a friend

Beth, 25-34, investible assets £10k-£25k

Beth on her financial situation

Beth lives with her two sons and no partner in a house she owns with a mortgage. She works as a teaching assistant, while training to become a teacher. Although she is managing to save regularly, she feels that they are managing rather than comfortable. Beth relies on Martin Lewis and any impromptu advice from friends for her financial decisions. While she is aware that she is not particularly financially savvy, she is unlikely to use a financial adviser as she doesn't believe they're particularly independent.

Beth's situation
Employment status: Full-time
Housing: Owned with a mortgage
Last used a FA: Never
Automated advice: Currently using Moneyfarm
Investible assets: £10k-£25k
Investments: £1k-£5k
Cash savings: £10k-£20k
Financial position: Just about managing
Private pension: Yes (Defined Benefit)

"I use Martin Lewis for everything and tend to follow what he says.

I am sure I could be more savvy and earning more on my savings, but I'm not convinced that FAs are the way to go. Perhaps this goes back to my experience with mortgage advisors. They give you advice tied to a certain product; what's the point of paying £250 to be told about products the Halifax could tell me about for free. I think they're portrayed as being independent, but they probably get a percentage."

Beth on investing with automated advice

Beth describes herself as 'a little bit' of a risk taker. She usually shops around for the best cash ISA rates annually and wants her money to work harder. Some of her friends were investing using Moneyfarm, which prompted Beth to 'have a look online'. She came across Nutmeg, but decided to go with her friends recommendation. She initially 'tested the water' with a minimum investment, which she then doubled. She does feel that it is risky and wouldn't have done it without the reassuring experience of her friends.

This is the first time Beth has invested and she does not have a specific objective for this money. She has kept most of her savings in cash and only invested c.10% of her investible assets.

"I have a couple of chums who are doing fairly well and they recommended Moneyfarm, so I had a little go at that.

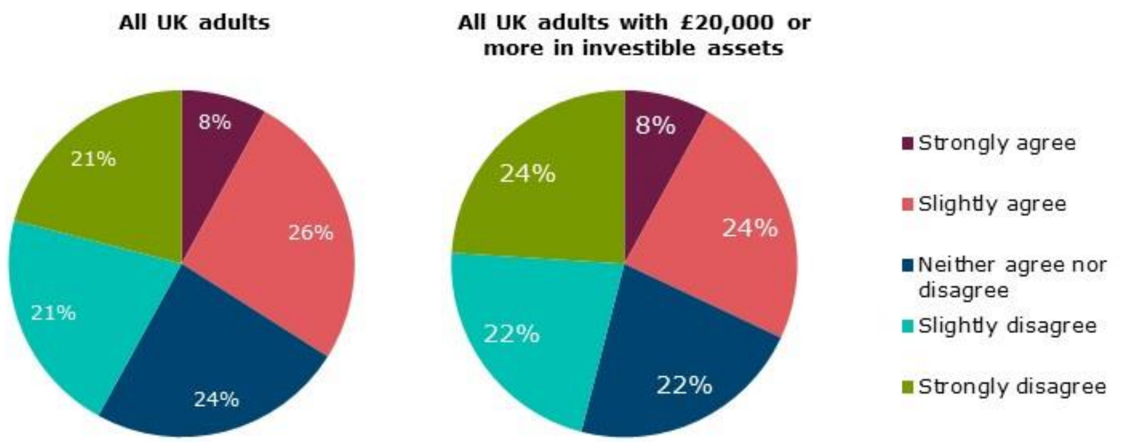
I started with £500, which you had to put in. It's been going about 10 months now and I did put in extra money, I have about £1.2k in there now."

"It was a risky thing for me to do, that's why I didn't put all my money in. If my friends hadn't invested with them, I wouldn't have either. There are so many things you can do now, like premium bonds, price bonds, ISAs… it's enough to give you a headache. I'm not a massive fan of banks, so I probably wouldn't have gone with a mainstream bank. The idea with this investment was to try a different route than traditional investments."

Automated services rarely overcome any inherent reluctance to invest, but those open to investing would consider using automated services in the future

We asked adults in the Financial Lives survey the extent to which they would be happy to get advice online, without talking to anyone. As Figure 7.5 shows, 8% of UK adults strongly agreed that they would be happy to get advice online without speaking to anyone, significantly higher than the 1% of UK adults who are currently using automated advice services. A further 26% of UK adults slightly agreed with the statement, suggesting that there is further potential for growth in the market if non-users can be persuaded to act on these sentiments.

Figure 7.5 Extent to which UK adults agree or disagree that, if they wanted financial advice, they wouldn't need to talk to someone as they would be happy to get advice online, 2020



A2G (REBASED). How much do you agree or disagree with each of the following statements: If I wanted financial advice, I wouldn't need to talk to someone - I would be happy to get advice online?

Base: All UK adults (2020:4,469), excluding 'don't know' (10%) and 'not applicable' (3%) responses/ All UK adults with £10k+ in investible assets (2020:3,083), excluding 'don't know' (2%) and 'not applicable' (2%) responses

Our qualitative research gives more insight into non-users' perceptions. To ensure consistency, all respondents were given a brief description of automated online advice and what it can do by the moderator.

Hearing more about automated advice had no impact on those who were averse to investing. Whether online advice propositions are lower cost, more convenient or offer more functionality is of no relevance to them. The proposition as it stands does nothing to solve their fundamental barrier to investing, namely that they are unwilling to take any risks with their money and are unwilling to lose any capital. For them to feel comfortable investing, they would need a trusted source to persuade them it was the right thing to do.

> *"Just having it app-based and investing a little bit of money and putting more in feels like gambling to me. If friends or family advise me and tell me what has worked for them then I'm more inclined to try it. If the Post Office told me, I wouldn't. If Martin Lewis told me, I will do it."*
> Female, 35-44, £10k-<£25k, Not advised

On the other hand, respondents who were open to investing were more positive about automated advice services after reading our description, and said that they would think about using such a service in the future. Here, poor awareness of the services on offer would appear to be the key barrier to take up, although they would probably still need a push to take the initial step out of the comfort of cash-based savings. They would still be frightened of losing money, and see this more as a gamble and not as an investment, so would 'have a punt' with small amounts of money to see how it went. Again, this is not unique to auto-advice but is more a function of their general discomfort with equity-based investing.

> *"I think it would be a punt with new savings, to see what would happen."*
> Female, 55-64, £250k+, Advised (FA)

Respondents who were already investing without advice were the most open to testing automated advice as a lower-cost alternative to their existing solutions. Here, price and functionality are key. They are willing to try brands which they have not heard of before, and this was particularly the case among those aged under 60.

It was more difficult to disentangle the views of our advised respondents, mostly because they had a strongly entrenched view that their advisers were personally picking their investments and moving money in response to market fluctuations.

On probing, we found that the vast majority were on-platform in model portfolios and risk-rated funds. Where this was the case, the moderator explained that automated advice propositions were doing pretty much the same as their adviser, but often at a much lower cost. As a result, a small number of advised respondents were open to an experiment to compare the two, but the majority still felt that the value of the adviser went beyond cost and that they simply would not trust themselves to make investments themselves.

Lack of human interaction, and whether or not they could trust the algorithm, would be key barriers to use for many non-users

Across all age groups, our qualitative respondents consistently wanted support on the more complex decisions to be with a person, ideally face to face, so that the adviser could ask them questions to understand fully their wants and needs and they could look the adviser "in the eye" to build trust.

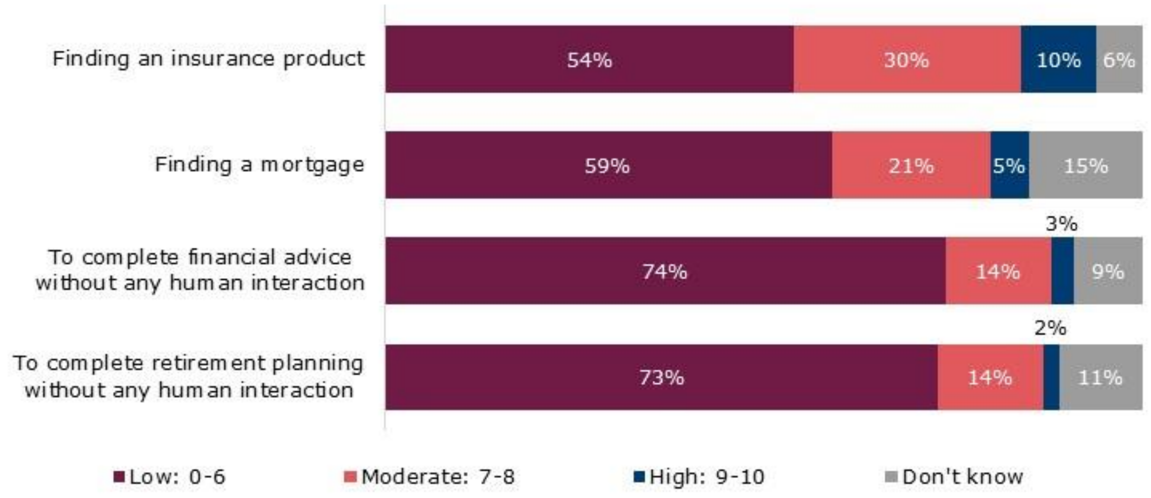
When asked whether they could substitute this human interaction for an online tool, they were not sure they would trust themselves with an algorithm. This is often driven by the fear that they could make errors when providing their data (e.g. filling out online forms that they may not fully understand) which would harm their finances later on, and which could be readily avoided by speaking to a person.

As a result, the majority of our respondents would want to speak to a human (at least in the initial onboarding process) to make sure they were not making any mistakes. Again, this was particularly marked in the over 40s.

> *"Personal recommendation or someone sitting down with me would encourage me to make the start. I know I don't prioritise things and the thought of looking at all those firms just puts me off, to be honest. If someone said this is what I did, and I only put in this amount of money and this is how much I've made. Something like that I would go with."*
> Male, 55-64, £25k-<£100k, Not advised

This sentiment is very much reflected in the wider population. Figure 7.6, drawing on the Financial Lives survey, shows that the vast majority of UK adults would not be comfortable to make retirement decisions or complete financial advice without any human intervention.

Figure 7.6 Willingness to trust computer decision-making to provide financial support, 2020



AT15. As digital technology evolves, the way that we manage our finances is changing too. Technology has the power to make managing our money simpler, faster and less expensive. To what extent would you trust computer decision-making to complete the following tasks without any human interaction? Answer on a scale of 0 to 10, where 0 is 'do not trust at all' and 10 is 'trust completely'.

Base: All UK adults (2,308)

Better known firms entering the advice market provide more reassurance to novice online investors

Our qualitative respondents were very aware of financial scams and many were fearful of investing their money with companies with that they had not heard of before. This was particularly the case among respondents who had not invested online before. Furthermore, respondents were concerned that unknown brands might not survive in the market, or that they would have less robust security than the large established players.

This sentiment was particularly marked among the over 40s in our qualitative research.

> *"I would never go with a company called [automated advice provider]. I would steer clear of any company with stupid names. They are going to be here today and gone tomorrow. Don't seem sincere. They usually buy other companies and then in 2-3 years someone buys them out."* Male, 65+, £25k-<£100k, Not advised

> *"I would feel more comfortable with maybe [automated advice service provided by a high street bank], as it is my local branch and I could go in and talk to somebody there. Just for me, [automated advice provider] and [automated advice provider], just the names make me feel like it's a money-making scheme to get rich quick."* Male, 18-34, <£10k, Not advised

Unprompted, those qualitative respondents who were not currently using any automated advice services tended to favour the bigger brand names on our list, at least until they become familiar with the market.

> *"I would probably go with [automated advice services provided by two high street banks], to be honest with you, just because I know the brands. Because to me, they are the big and credible ones. I think at first, I would go with the ones I recognise, but once I was more clued up, I might see about these other companies and maybe they would be a bit more specialised and offer a better product. I would probably take that approach."* Male, 35-44, £10k-<£25k, Not advised

Among our qualitative research respondents, a couple had used their own bank's digital investment services.

Using automated advice, triggered by a pop-up ad from her bank

Marie, 35-44, investible assets <£10k

Marie on her financial situation

Marie lives with her partner. Her two children have left home. She is 'enjoying life a bit more', now her boys have moved out, she has paid her mortgage off and has more money to spend. Marie feels comfortable financially. They have some savings and no debt

Marie's situation
Employment status: Full-time
Housing: Owned outright
Last used a FA: Never
Automated advice: Yes, Santander
Investible assets: <£10k
Investments: <£1k
Cash savings: £7.5k
Financial position: Comfortable
Private pension: Yes (DB & DC)

She is not particularly financially savvy, but is aware her money could be working harder. She knows she should start saving more for her future, but also wants to enjoy life now. She is fairly risk averse and lacks the confidence to invest.

"I am confident about budgeting and managing what comes in and what goes out, but I am no expert on where to put money or how to save money. I try to be on top of it, but I wouldn't say that I know exactly what is going on.

I don't really know what interest it is earning at the moment, it is probably more about putting it away each month, rather than the return on it."

Marie on automated advice

Marie sticks to her bank for savings and sometimes uses Martin Lewis for information. She really wants some support about planning for the future.

She banks with Santander, and saw a pop-up about their Digital Investment Adviser. Marie though, 'that's us' and decided to give it a go. She did not shop around. She found the application process straightforward and is happy with it so far. She can't recall whether there was an initial charge but is aware that the equity ISA comes with charge of 'half, or a quarter percent or something like that'. Marie feels like it was somewhat value for money, as it does not cost much, but isn't sure whether she would recommend it. She does not feel like it really addressed her support needs and would be 'comfortable putting much more into that type of savings plan'.

"It's really around the question of money for the future that we would want support with. Just to make the best use of our salaries. So that maybe we can retire in 20, instead of 25 years and maybe also have something for the kids as well."

"It did not really help with that. It was more about how much we wanted to save, rather than our objective. A lot of questions that could have been weren't raised, like what's the amount you need to achieve? It was just; whatever comes out, comes out. Whereas someone might say, realistically you need to have £50k in 20 years and for that you need to do this and this… it didn't address things like that."

Willingness to pay for automated advice is low, both among advised and not advised adults

As the automated online advice market is still developing, it is difficult to predict what impact these services will have in the future. Such services may largely be a substitute for traditional regulated advice (i.e. adults who have a traditional advice relationship switch to automated advice for some or all of their advice needs).

Automated online investment advice is a relatively new service, and we have seen that awareness of the exact nature of what it can and cannot do is quite low. Persuading people to invest in the first place, and building trust in this type of service, are significant hurdles for this nascent industry to overcome. But once people have made the decision to invest, and are aware that this type of service exists, does the lower cost associated with automated advice look attractive compared to the other options available to them? And how low would that price have to be for it to been seen as value for money?

Data from the Financial Lives survey can shed some light on both of these questions.

Not advised adults who have £10,000 or more in investible assets[56], were asked to consider a scenario where they receive an unexpected inheritance of £100,000 and decide to invest the money in the FTSE 100. They were given the following support options, with associated example prices, and asked to say which they would consider using:

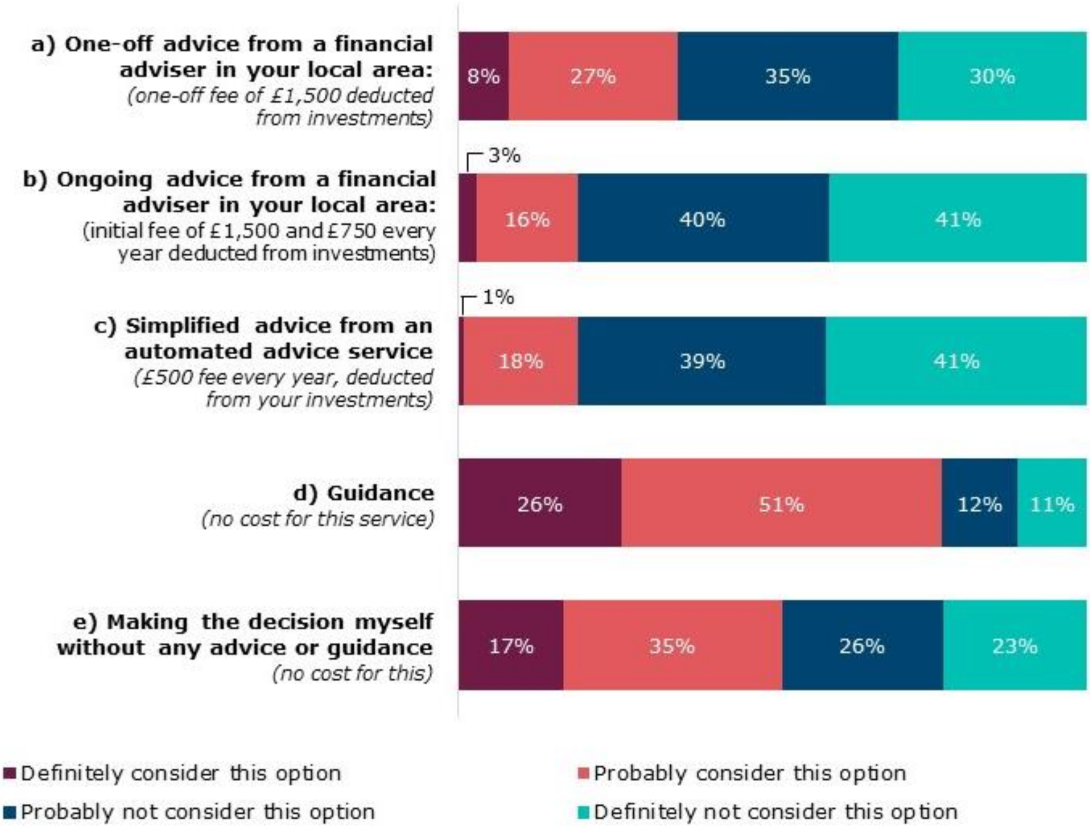
- **One-off advice from a financial adviser in your local area**: The adviser will meet with you to understand your needs and financial goals and advise you how to invest the money. They will set up the investments for you. They will charge you a one-off fee of £1,500 for the advice, which can be deducted from your investments.
- **Ongoing advice from a financial adviser in your local area**: Similar to one-off advice, but the adviser will also manage your investments for you over time and provide ongoing advice for as long as your money is invested. After the initial fee of £1,500, they will charge you £750 every year, deducted from your investments.
- **Simplified advice from an automated advice service**: A well-known financial services company is offering an online investment service. This online service asks you to enter some information about yourself and your attitudes to risk. Based on the information you enter, it will recommend a suitable investment. The service will charge you £500 every year, deducted from your investments.
- **Guidance:** A well-known money advice website provides some information to help you identify your options and narrow down your choices, but will not tell you what to do or where to invest; the decision is yours. There is no cost for this service.
- **I would make the decision myself without any advice or guidance**: There is no cost for this.

Options that did not incur a cost were the most popular. This is perhaps not surprising given that our not advised qualitative respondents were often reluctant to pay for advice. For example, guidance was the most popular support option among this cohort: 26% would definitely consider this option and 51% would probably consider it, while 17% would definitely consider making this decision themselves without support and 35% would probably consider it.

[56] Or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years.

Of the support options given where some cost was involved, this cohort was least interested in automated advice. As Figure 7.7 shows, just 1% said that they would definitely consider automated advice and 18% would probably consider it. The vast majority showed little or no interest in this service. This compares to 8% who would definitely consider and 28% who would probably consider one-off advice from a financial adviser.

Figure 7.7 Willingness to consider different support services to invest a hypothetical £100,000 inheritance, 2020



ADV_E11A-E (REBASED). Imagine, again, you receive an unexpected inheritance of £100,000 and decide to invest the money in the FTSE 100, which is the main UK stock market index, and need to decide what investments to make. You have done some research and have found a number of different options are available to help you make a decision. To what extent would you consider … ?

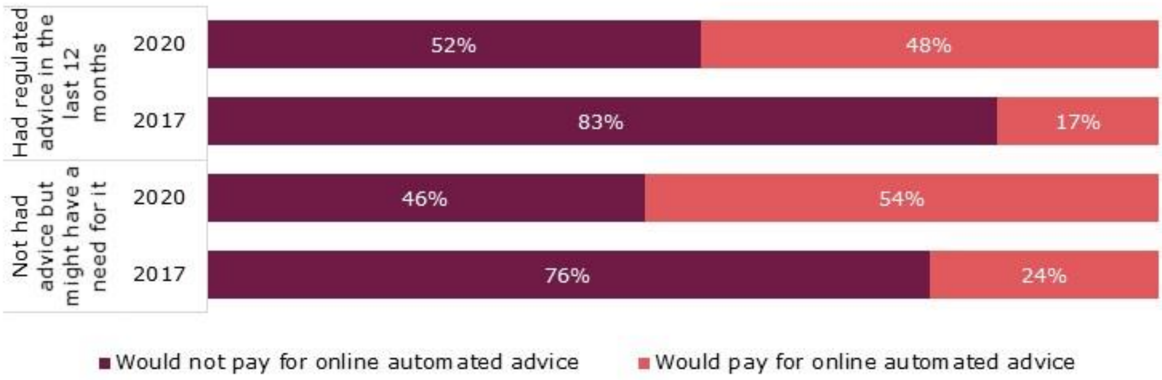
Base: All UK adults who have not had advice in the last 12 months and may need support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:1,906), excluding 'don't know' responses (A:7%/ B:7%/ C:8%/ D:7%/ E:8%)

Of course, the previous example explicitly frames the cost of automated advice at £500 and the amount to invest at £100,000, which is probably significantly more than most adults would be willing to invest on an automated advice platform if they had not used one before.

When asked explicitly what price would constitute 'good value' and given a range of prices starting from just £10, Figure 7.8 shows that 46% of not advised adults who have £10,000 or more in investible assets[57] would not be willing to pay at all at any price. It is interesting to note that this figure is not hugely different for the advised population (who have had regulated advice in the last 12 months but not automated advice).

Although there would appear to be a marked drop in the proportion who would not be willing to pay at all in 2020 compared to 2017, minor changes were made to the question-wording in 2020 to explicitly include very low amounts (e.g. £10, £25) in the scale. This means that we cannot be sure if the results are genuine, or are influenced as a result of re-framing the question.

Figure 7.8 Proportion who would not be willing to pay for automated online investment advice in the foreseeable future



ADV_D23a and **ADV_E9a.** Think about how much you might be willing to pay, in the foreseeable future, for online automated advice about how you might invest [£10,000/£25,000/£50,000]. At what price would advice seem good value?

Base: All UK adults who have received regulated advice in the last 12 months, but not from an automated advice provider (2017: 652/ 2020:1,328); All UK adults who have not had advice in the last 12 months and may need support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2017:1,213/ 2020:2,009)

Note: Respondents were provided with a range of monetary amounts to choose from and an option to instead select 'I would not pay for online automated advice'. The proportion of respondents who selected this option is shown here. The 2017 and 2020 results may not be directly comparable due to the addition of answer options in 2020. In 2017, respondents could select monetary values ranging from £50 to £5,000. In 2020, additional options of £10 and £25 were added.

Further analysis of those who would be willing to pay something, given in Figure 7.9, shows that few not advised adults who have £10,000 or more in investible assets[58] felt that prices beyond £250 were good value for money and the average (mean) amount that would represent good value was just £140. The results were slightly higher for adults who have had regulated advice in the last 12 months but not automated advice (mean of £230).

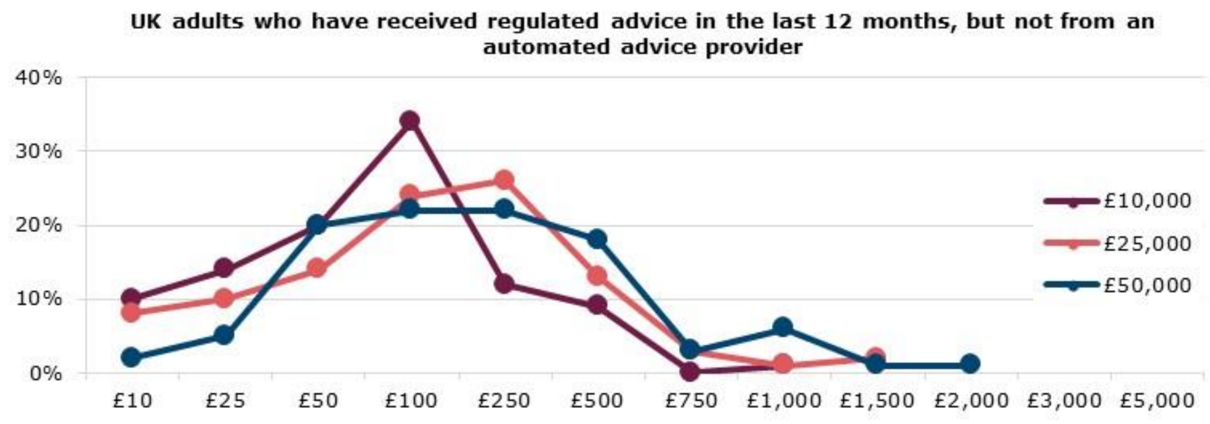
[57] Or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years.
[58] Or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years.

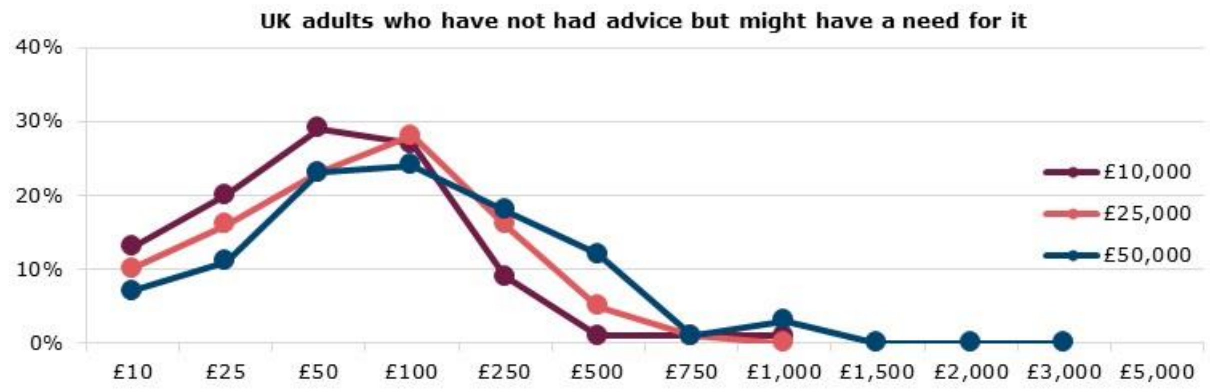
To make this question as applicable as possible, the amount of money to invest quoted in the question was varied according to the amount of investible assets held by each respondent:

- For adults with £10,000-£20,000 investible assets[59] who were asked about investing £10,000, the average (mean) amount that would represent good value for automated advice was just £90 for not advised adults and £130 for advised adults
- For adults with £20,000-£50,000 investible assets who were asked about investing £25,000, the average (mean) amount that would represent good value for automated advice was £120 for not advised adults and £220 for advised adults
- For adults with £50,000 or more in investible assets who were asked about investing £50,000, the average (mean) amount that would represent good value for automated advice was £190 for not advised adults and £300 for advised adults

[59] Or those who don't know their investible assets or refused to say.

Figure 7.9 Amount of money adults would be willing to pay, in the foreseeable future, for online automated advice, about how they might invest £10,000, £25,000 or £50,000, 2020





ADV_D23a_1 (REBASED) and **ADV_E9a_1 (REBASED).** Think about how much you might be willing to pay, in the foreseeable future, for online automated advice about how you might invest [£10,000/£25,000/£50,000]. At what price would advice seem good value? At what price would the advice be too expensive and you would not pay it? At what price might the advice seem too cheap and you would not pay it?

Base: All UK adults who have received regulated advice in the last 12 months, but not from an automated advice provider (2020:1,328), excluding 'I would not pay for online automated advice' responses (52%); All UK adults who have not had advice in the last 12 months and may need support because they have £10,000 or more in investible assets, or have £10,000 or more in their DC pension and intend to access it/ retire in the next 2 years (2020:2,009), excluding 'I would not pay for online automated advice' responses (46%)

Note: To make the question as applicable as possible, the amount of money to invest quoted in the question was varied according to the wealth of each respondent. Respondents with £10,000-£20,000 investible assets (or those who don't know or refused to say) were asked to think about investing £10,000, those with £20,000-£50,000 investible assets were asked to think about investing £25,000, and those with £50,000 or more investible assets were asked to think about investing £50,000.

8. Methodological Appendix

Financial Lives 2020 overview

A full Technical Report for the 2020 survey will be published in early 2021, together with the questionnaire.[60]

Some methodological points to note are:

- The survey was conducted between late August 2019 and mid February 2020. The majority (71%) of the interviews were conducted in 2020 – hence we can refer to the survey as the Financial Lives 2020 survey. After data cleaning, the survey comprises 16,190 interviews, 15,217 completed online (by the National Centre for Social Research) and 973 interviewer-led and completed in respondents' homes (by Ipsos Mori). The in-home interviews ensured representation of non-internet users and of more adults aged 70 and over.
- The survey design is highly robust. It is based on random probability sampling of addresses, for both the online survey (invitations are issued by post, throughout the UK) and the in-home survey (interviewers recruit among randomly selected and clustered areas, throughout the UK).
- While the questionnaire is very long (over 1,300 questions), the overall average interview length is controlled, and large enough sample sizes for each part ensured, by allocating each respondent only to some parts of the survey. Everyone is asked questions about the products they hold, including pensions and investments; about the amount they have in savings and investments; and whether they have had regulated financial advice. This means that some respondents, representing, for example, those who have had regulated financial advice in the last 12 months, or those who have £10,000 or more in investible assets but have not had regulated financial advice in the last 12 months, can be routed to parts of the survey that are relevant for them.
- Bespoke weighting is used to ensure that all results are representative of all UK adults, or of all relevant adults such as those who have had regulated financial advice in the last 12 months.

[60] The technical report for the 2017 survey can be found at: www.fca.org.uk/publication/research/financial-lives-survey-2017-technical-report.pdf

Reporting conventions

Table and chart conventions

In tables and charts, the following conventions are used when displaying results from the Financial Lives 2020 survey:

*	An asterix is used, and percentage results are not provided, where the unweighted base is too low, ie fewer than 50 observations.
[x%]	Percentage results based on 50 to 99 unweighted observations are caveated through the use of square brackets.
0%	No observations.
–	Category not applicable.
unp	An unprompted response. The answer codeframe for many survey questions includes an 'Other (write in)' response option. This allows respondents to give a response which has not been prompted. These unprompted responses are not directly comparable to the selection of pre-existing, or prompted, response options.

Rounding

In tables, charts and report text, percentages are rounded upwards or downwards to the nearest whole number. For x.5%, the convention is to round upwards, e.g. 56.5% is shown as 57%. Totals in tables may, therefore, not add to 100%.

Treatment of 'don't know' and 'prefer not to say' responses

Findings are usually rebased to exclude respondents who refuse to answer a question by selecting a 'prefer not to say' code. We also rebase results to exclude respondents who say 'don't know', where their 'don't know' response is not a meaningful result.

The base information below the figures and tables gives the details on the weighted proportion of respondents excluded because they selected 'don't know' or 'prefer not to say'.

Statistically significant differences

We have tested all of the survey results to a confidence level of 95%. Where we pick out results in the report text, they are **always statistically significant** to a confidence level of 95%, unless we explicitly say they are not. This applies to comparison of results both for different consumers in the 2020 survey (e.g. men and women), and for the same consumer group between the two surveys (e.g. results for women in 2017 compared with results for women in 2020).

For example, if we say that 'retirees are more likely than the population as a whole to have had regulated financial advice in the last 12 months', there is less than 5% chance that this difference would have been observed in the survey, if there was no significant difference in the population.[61]

The same is true for time series data. For example, if we say that ‘more UK adults have received regulated financial advice in 2020 than in 2017’, there is less than 5% chance that this difference would have been observed in the sample, if there was no significant difference in the population.

Qualitative reporting

The report makes use of three types of qualitative illustration to support the findings:

Verbatim comments

These are respondent quotations, based on interview recordings, reported word for word with only minor editing. The quotations are labelled by the respondent’s gender, age, amount of investible assets and by whether or not they have received regulated advice in the last 12 months.

The respondent quotations demonstrate their views and perceptions and may not always be factually correct.

Case studies

Short case studies providing more information about a respondent’s financial situation and attitudes towards support and/or financial advice to illustrate the research findings.

Graphical representations

Graphical representations are used in some sections of the report to indicate the spread and balance of different behaviours or views among consumers who participated in the research. Typically, these representations are based on the moderator’s interpretation of the responses given by respondents. They should not be interpreted as providing any quantitative measures; only 70 qualitative interviews were conducted in total, with quotas imposed only to achieve sufficient observations for qualitative, indicative analysis.

[61] By ‘chance’ we technically mean the chance of errors associated with sampling.

9. Glossary

In the table below, we list a number of terms that are referred to regularly in this report and describe how these terms were explained to Financial Lives 2020 survey respondents.

Research with consumers consistently shows that they struggle to understand industry terminology, and so, wherever possible, we have tried to use words and definitions which people can relate to and understand. This means these definitions are neither industry standard nor found in the FCA's Handbook Glossary.

Although we have tried to make terms easier for our respondents to understand, and pre-survey cognitive testing of terms was undertaken to that end, it remains possible that some respondents will not have understood terms fully or at all. This reflects a limitation of consumer research, particularly when relatively complex concepts are involved.

Term	Definition used
Accumulation/ in accumulation	The process of building pension savings before retirement. In the Financial Lives survey, DC pensions that have been partially accessed (for example, via UFPLS) are no longer considered to be in accumulation.
Adult	Aged 18 or over.
Advice	Shorthand for regulated financial advice.
Advised/ Advised adults	Those who have received regulated financial advice in the last 12 months.
Annuity	An insurance product that can be purchased with pension savings, an annuity provides a guaranteed income for life or for a fixed number of years. There are several different types, including single life annuities that are paid just to the policyholder; joint life annuities that continue to pay out to a spouse or partner after the policyholder dies, and enhanced or impaired annuities that pay more if the policyholder smokes or has any medical conditions.
Decumulation	Pension decumulation is the process of converting pension savings into retirement income. Adults may access a DC pension by buying an annuity, entering into income drawdown or UFPLS, or taking cash from it.

Term	Definition used
'Defined Benefit' pension scheme (DB)	A type of workplace pension that promises to pay an income in retirement; the income is calculated using a formula based on the employee's salary and how long they have worked for their employer. Also known as a final salary or career average pension.
Defined Contribution (DC) pension	A type of pension where the value of the pension is determined by the amount paid in by the individual (and/or their employer) and any investment returns. The value of the pension can go up or down depending on investment performance. The pension may be set up by an individual or by an employer. When respondents have an employer-arranged private pension, the Financial Lives survey prompts them with descriptions of a defined benefit and a defined contribution pension. If they do not recognise these, we assume they have a defined contribution pension.
Equity release/ lifetime mortgage	This is a long-term loan secured on your property and is often known as equity release. The usual arrangement is that the loan is not typically repaid until death or moving into care.
Higher qualifications	Postgraduate and first degrees, and diplomas or other Higher Education qualifications.
Income drawdown	Income drawdown allows you to take an income directly from your pension fund. Your pension fund stays invested, so its value can go up and down.
Information or guidance	We explained to respondents that sources of information or guidance about investments, saving into a pension or retirement planning included government, financial service industry and other private sector websites and services; the media; the workplace and friends and family. Where we refer to information in this report we mean material that is purely factual. Where we refer to guidance this means material that provides an opinion about the relative merits of products generally as opposed to specific products, but does not involve a personal recommendation. Respondents were, however, asked about their experiences of information or guidance, without being given these definitions.
Investible assets	The total amount of money held in savings only, in investments only, or, if both held, in savings and investments combined.

Term	Definition used
Investments	By ‘investments’ we mean retail investment products including stocks and shares ISAs, insurance bonds, investment funds and endowments, shares and equities, corporate bonds, gilts or government bonds, crowdfunding and peer-to-peer lending, and structured investments/ deposits. We do not mean investment in property or in collectables like wine, art or jewellery.
Not advised	Adults who have not received any regulated financial advice in the last 12 months.
Ongoing advice relationship	The Financial Lives 2020 survey asked adults about the nature of their advice relationship and whether they have an ongoing advice relationship with any of the advisers they use. To qualify as having an ongoing advice relationship, adults must firstly say that they have an ongoing relationship with their adviser because their adviser does one or more of the following regularly: provides a regular session (every year or every few years); monitors and researches funds or changes funds within their investments when necessary; notifies them of any changes in tax or other legislation, with advice on how these changes affect them and their investments; sends them updates or newsletters about topical issues, changes in the market, or new legislation; provides access to view and update their investments online themselves; gives them a regular report or ‘balance sheet’ showing, for example, the current value of their investments; or is available to answer any questions as and when needed. Second, they must confirm they have paid their adviser in the last 12 months for the ongoing services they provide (ignoring any one-off or initial charges they may have paid when they first started using their adviser), fees which they are told could be deducted from their investments.
Pension freedoms/ Pension freedom & choice	In April 2015, the tax rules were changed to give people greater access to their pensions. Consequently, individuals now have much greater flexibility in how and when they access their defined contribution savings regardless of pot size. Pension savers can now choose to withdraw their entire pension pot as cash, either in one go or in smaller sums over time; draw an adjustable income from their pension; purchase an annuity to deliver a guaranteed income, or choose to leave their pension untouched.

Term	Definition used
Regulated financial advice	By 'regulated financial advice' we mean advice that is paid for, or would be paid for if you took out a product, from one of the following advisers: • An adviser from a financial advice firm such as an IFA (Independent Financial Adviser) • An adviser from a bank or building society • An adviser from an insurance company, investment company or pension provider • Automated advice available online, app-based through a smartphone or as downloadable software. This is personalised advice which usually incurs a charge, where you input information about yourself and your objectives and this information is used to generate suitable recommendations in relation to your financial affairs. It does not include simple online tools, apps and calculators In this report, regulated financial advice is always restricted to advice related to investments, saving into a pension or retirement planning.
Retirement planning	By 'retirement planning' we mean the choices you need to make when starting to take money from your pension savings to fund your retirement. This could include buying an annuity or entering into income drawdown or taking cash from your pension pot.
Saving into a pension	By 'pension' we mean a pension arranged through an employer or one you have arranged yourself. Please do not think about State pensions.
Savings	Money that is held in deposit-based accounts, including current accounts, savings accounts, Post Office card accounts, NS&I bonds, credit union savings accounts, e-money accounts and cash ISAs.
State Pension	The State Pension is a regular income paid by the UK Government to people who have reached State Pension Age (SPA). For people reaching the SPA before the 6 April 2016, there are two parts to the State Pension - the Basic State Pension and the additional state pension (SERPS/ State Second Pension). For people reaching the SPA on or after 6 April 2016 the two-tier system has been replaced by a new single-tier system.

Term	Definition used
Support	In this report, where we talk about 'support', we mean support related to investments, saving into a pension or retirement planning. This could be received in the form of regulated financial advice, information or guidance and could be on a one-off basis or ongoing. Usually when we talk about the proportion of adults who have received support, we mean the proportion who have received support in the last 12 months.
Uncrystallised Funds Pension Lump Sum (UFPLS)	A way of taking a cash lump sum or sums from a pension without purchasing an annuity or going into income drawdown (i.e. crystallising the pension). Normally, 25% of each withdrawal is received tax-free, with the remainder added to the individual's taxable income and taxed accordingly.
Unprompted response	The answer codeframe for many survey questions includes an 'Other (write in)' response option. This allows respondents to give a response which has not been prompted. Where more than X% of respondents for a given question have, unprompted, written in the same response, that information is made available for report authors. These unprompted responses are not directly comparable to the selection of pre-existing, or prompted, response options.

10. Abbreviations

Abbreviation	Definition
BAME	Black, Asian and Minority Ethnic
CI	Confidence intervals
DB	Defined benefit
DC	Defined contribution
DFM	Discretionary Fund Manager
DK	Don’t know
ETF	Exchange Traded Fund
FAMR	Financial Advice Market Review
FA	Financial Adviser
FCA	Financial Conduct Authority
FLS	(The FCA’s) Financial Lives survey
IFA	Independent Financial Adviser
ISA	Individual Savings Account
MAS/ MaPS	Money Advice Service/ the Money and Pensions Service
NS&I	National Savings and Investments
PNTS	Prefer not to say
RDR	Retail Distribution Review
TPAS	The Pensions Advisory Service
UFPLS	Uncrystallised Funds Pension Lump Sum
UK	United Kingdom
unp	Unprompted response

11. The authors

This report has been authored by Ed Ripley, Research Director of Ignition House and Janette Weir, Managing Director of Ignition House.

Edward Ripley, *Ignition House Research Director*, has over 15 years' experience working in the market research and advisory industry as Research Direct at Ignition House, Director for Corporate Strategy and New Business Development at the Corporate Executive Board and Lead Analyst for the Retail Banking team at Datamonitor.

Janette Weir, *Ignition House Managing Director*, has more than 25 years' experience in the pensions sector and brings a broad range of research and consultancy skills and experience from her previous roles as Chief Economist of the ABI, Economist at the DWP, and Head of UK Financial Services Research at McKinsey and Company. Janette is an expert on pensions and retirement saving. Her work spans behavioural research into retirement journeys through to more technical research into Third Way products.

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