Advice Guidance Boundary Review

Targeted Support for Non-Advised Defined Contribution Pensions

Consumer Research for the Financial Conduct Authority

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Authors and Acknowledgements

This document reports the findings of a qualitative research study carried out for the Financial Conduct Authority (FCA) in July to September 2024 by NMG Consulting.

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The research findings represent the views of the 74 participants who took part in the research, and we would like to thank them for their time in providing invaluable insight for this Study. The interpretation of the findings and additional observations are the authors', based on the research findings and NMG's knowledge of this market.

Contents

1. Glossary

Term	Meaning
Accumulation	The asset-building stage of pensions.
Accessing pension	For the purposes of this research, the point of first access to a Defined Contribution (DC) pension. Also called 'at-retirement' in this research.
Advice	Advice is offered by qualified, regulated individuals, who recommend a specific product or course of action based on someone's circumstances and financial goals. This is personal to the client and based on information they provide. Advisers usually charge a fee for advice. Advice is used throughout this report as shorthand for regulated financial advice involving a personal recommendation.
Advice Guidance Boundary Review (AGBR)	The FCA and the Government's joint review to examine the regulatory boundary between advice and other forms of support. Discussion Paper 23/5 sought views from a range of stakeholders on the proposals to help close the advice gap.
Adviser	A qualified, professional financial adviser who provides advice to consumers including both independent advice and restricted advice.
Approaching retirement	For the purposes of this research, the period when someone starts thinking about withdrawing their DC pension savings in the short-to-medium term (next 1-3 years).
At-retirement	For the purposes of this research, the point of first accessing a DC pension. Also called 'accessing pension' in this research.
Consolidation	Combining multiple DC pensions into one.
Consumers	The potential audience for targeted support. Used when discussing insights, implications and conclusions that may apply to the broader market.
Customer segment	Under targeted support, groups of consumers the firm assesses share the same high-level characteristics based on the limited data considered by the firm.
Decumulation	The asset-withdrawing stage of pensions, ad hoc or regular. For the purposes of this research, it only refers to those who are in income drawdown.
Defined Benefit Pensions (DB Pensions)	A pension that pays out a 'defined benefit' (DB)' or 'guaranteed' specific amount based on factors such as the number of years worked or salary.

Defined Contribution Pensions (DC Pensions)	A pension that pays out a non-guaranteed and unspecified amount depending on the 'defined contributions' (DC) made and the performance of investments.
Guidance	An impartial service which helps to identify options and narrow down choices but will not tell consumers what to do or which product to buy. Guidance is usually free.
Inbound	Interactions that are initiated by the consumer to their pension provider.
One-off advice	Where someone receives and pays for advice once, with no ongoing relationship.
Ongoing advice	Where someone maintains a relationship with an adviser over a longer period. This will include ongoing management fees alongside an initial set-up fee.
Outbound	Interactions that are initiated by the pension provider to the consumer.
Participants	The individuals who took part in this research. Used when research findings are being described.
Providers	FCA-authorised firms offering DC personal or stakeholder pension schemes, either used by an employer for their employees under a workplace arrangement or set up by a retail customer directly.
Suggestion	The outcome(s) from a targeted support interaction, given by the provider of targeted support which is a generic suggestion based on high-level characteristics.
Targeted support	A concept for a new type of support going further than guidance, which is based on generic, factual information, but short of the provision of holistic advice which considers all of a consumers' financial circumstances. Based on limited information about the customer, the pension provider suggests a course of action or product that it considers appropriate for consumers with the same high-level characteristics. It would be provided by the pension provider as part of the ongoing service they offer. It is free at the point of use. It does not offer a personal recommendation and does not consider individual bespoke needs and circumstances.
Tax-Free Cash (TFC)	Used to describe the value of the pension benefit that can be taken tax-free (typically 25%). Formally known as a Pensions Commencement Lump Sum.

2. Executive Summary

This chapter provides an overview of key findings from a consumer research study undertaken for the FCA's Advice Guidance Boundary Review. It is based on qualitative explorations with 74 non-advised customers of Defined Contribution (DC) pensions, through focus groups and 1:1 interviews in the summer of 2024.

Participant profiles reflect the different stages of engagement and needs that consumers experience with regards to their pension: accumulation, approaching retirement, accessing their pension for the first time, and decumulation.

This summary describes key learnings across:

- The DC pensions context
- Responses to the concept of targeted support, its key principles and variables
- Considerations for a successful implementation of a service like targeted support

As a qualitative study, the findings should be treated as indicative of consumer views.

2.1. DC pensions context

Engagement with and understanding of pensions is low. Inertia-based accumulation journeys, low financial literacy, and psychological barriers mean many non-advised participants are ill-equipped to manage complex pension decisions confidently.

This lack of ability to manage complex pension decision-making is most striking around retirement, when participants must make a decision about how to access their pension. They worry about tax penalties and longevity; risk warnings make them aware of what can go wrong, but not how to mitigate against that. Misconceptions (such as having to take all one's Tax-Free Cash at once) exacerbate this problem, and many factors such as investment suitability are hardly considered at all. The risk of scams means they treat (unexpected) communications warily.

Pensions apathy and inertia-based accumulation journeys create a risk of poor outcomes into decumulation. Reliance on defaults (where consumers are defaulted into a pension by their employer, trusting in the default contribution rate and default fund) or previously made decisions prevent (re)examination of pensions. Few participants consider ongoing investment management, risk appetite, and product suitability, or even think that they should consider this.

Guidance leaves many feeling like their key question goes unanswered: *What does this mean for me?* Many assume that they will need, want, and seek advice for the complex decisions at retirement. However, real and perceived costs put this out of reach for many, who want the additional support but question the value-add of paid-for advice.

This means **participants have high expectations from their pension providers to help them with key decisions**, especially when they feel overwhelmed by the information required or suspect there is a real risk of making the wrong decision, e.g. when they access their pension**.** However, participants note providers' commercial nature and the limitations this poses on the products and services they might offer. Trust in their providers impacts the weight participants place on these commercial motives when they assess the validity of support.

These challenges are important to consider as they will affect targeted support's initial engagement and ongoing uptake, in the same way they currently affect pension engagement and education efforts.

2.2. Responses to the concept of targeted support: key principles and variables

Participants see targeted support as a welcome, or even overdue, type of help for pensions, that offers greater benefits than guidance alone can.

All audiences see its value at retirement, where targeted support offers the level of aid that they already expect but are not able to receive under current guidance boundaries. This type of support would be a valuable and possibly leading contribution to decision making, but not always a final answer that they implement immediately: most participants expect to take a step back and consider the targeted support suggestion alongside their other research findings before they make a full decision.

Alongside inbound questions around pension withdrawal, **participants expect this type of support via outbound communications from their provider in cases where there is a risk of harm**, such as unsustainable withdrawal rates or unsuitable investments. They assume providers have a duty of care to warn them *and* guide them towards a better solution.

Interest is less strong for accumulators, for whom retirement feels too far away to have any questions they want answered, and decumulators, who feel largely settled in their decision, with no desire to revisit this unless circumstances change. However, **both these groups also expect harm-preventing communications and see the benefit of this type of support**.

Being free is a key driver of the interest: it means consumers have nothing to lose in adding this to their research. As targeted support is seen as an extension of customer service from providers, it being free does not affect consumers' quality perceptions.

Participants are happy to receive this type of support from their providers as **existing relationships, established levels of trust, data shared, and accepted communication methods make providers the most obvious source for targeted support**. However, many note providers' commercial motives in cross-selling, consolidating, or growing pensions; trust levels impact how much scepticism is applied to the suggestions providers put forward.

Participants see the limitations of a consumer segment suggestion, compared to fully personalised advice. However, it still provides a helpful steer that moves clearly beyond the information-only approach of guidance, and aids participants in understanding how the different risks and rewards might play out for people with similar characteristics. Showing the (semi-)personalised nature and urgency of the suggestion is crucial to stand out from existing marketing communications, especially where a commercial benefit to the provider might seem more evident than the risk of harm to the consumer (e.g. increasing contributions, consolidation, annuitisation).

However, participants have unrealistic expectations of the data sophistication driving consumer segment suggestions; many assume providers have access to open-finance type data well beyond age, pension value, and normal retirement date. Participants often assume providers can access other savings and investments data, housing data such as property value and outstanding mortgage, and much more. However, even without the inclusion of this type of data, getting a sense of what suits people of a similar age and pension wealth is a good starting point; further data can only improve the suggestion. Generally, participants are willing to share that additional data if the process feels secure and they see how it contributes to a more relevant and targeted suggestion.

Although participants express a preference for a range of suggestions, NMG believes this approach will likely maintain guidance's psychological limitations, such as decision inertia and analysis paralysis. Showing a single preferred suggestion instead, even among a shortlist of suggestions, with explanations about the underlying data, can address the need for understanding and control, while supporting good outcomes.

2.3. Considerations

Targeted support is welcome and can make a positive difference, especially when consumers are approaching and at retirement. However, fundamental engagement and understanding issues mean targeted support will not completely resolve the support gap.

Targeted support fills the gap between customer support expectations and reality. Distinguishing it from guidance might help as an industry distinction, but matters little to participants: instead, this is the type of 'advice' they expect from providers, particularly at retirement as part of their duty to inform, guide, and support decision making. Building this into existing journeys and ensuring seamless transitions will land better than creating this as a wholly separate service category.

Participants seek clarity and simplification to feel empowered and autonomous about their pension. Reduced jargon, access to additional information including tools and case studies, and honesty about data points all contribute to consumers gaining the confidence to make their own decisions. Targeted support, which shows not *all* factors to consider but the ones most relevant to people in similar circumstances, can make a powerful contribution to pension decision making.

However, outbound suggestions will face the same barriers as existing engagement campaigns: lack of pensions literacy, fear of scams, immediate financial priorities, and affordability will affect uptake, even when participants say they want to receive these messages. This will prove especially difficult for consumers in accumulation and when consumers expect the suggestion to bring bad news, for example when it calls for higher contributions. Balancing required and appropriate intervention will be a challenge and opportunity for providers.

3. Background

3.1. Regulatory context to the research

In December 2023, the FCA and HM Treasury published a Discussion Paper (DP23/5) on the regulatory boundary between financial advice and other forms of support. This is known as the Advice Guidance Boundary Review (AGBR). The Review gives the FCA the opportunity to rethink the way advice and support are delivered to consumers, leveraging advancements in technology to optimise their experiences and outcomes. The Review encompasses general consumer investments, pensions accumulation and pensions decumulation. Advice on Defined Benefit pensions is out of scope.

A core component of the AGBR is the concept of ‘targeted support’. This is a potential new model that would empower firms to offer consumers more personalised and directive assistance than is feasible under existing guidance services, while stopping short of full financial advice. Targeted support aims to help bridge the growing advice gap, providing consumers with more meaningful support to make informed financial decisions, delivered in an accessible and cost-effective manner. It would enable firms to suggest products or courses of action based on a consumer segment the consumer has been identified as belonging to, rather than fully individualised support.

This primary research assesses consumer demand for and receptivity to the targeted support concept as it pertains to Defined Contribution (DC) pension decision-making across the entire pension lifecycle: accumulation, approaching retirement, accessing pensions, and decumulation.

When we refer to ‘targeted support’ throughout this report, we mean the concept of this new type of support, not a fully completed and designed new service.

3.2. The need for support

As raised by the FCA in the AGBR discussion paper, one of the key risks of harm to non-advised DC pension savers is their ability to make well informed decisions. This is due to several behavioural, cognitive and structural constraints:

- **Auto-enrolment**: while AE has been a huge success in expanding pension provision to the UK workforce (88% of workers have a workplace pension in 2022, up from 55% in 2012[1]), the structure of AE means that the vast majority of members do not need to engage or make active decisions in their accumulation pensions journey.

- **Pension Freedoms**: the introduction of Pension Freedoms by the government in 2015 provided consumers greater flexibility in how and when they can access their DC pension savings. This greater flexibility also means consumers have more complicated choices to make about how to draw on those savings.

- **Shift from DB to DC**: As the prevalence of DB schemes declines, consumers grow more reliant on their risk-based DC savings as their main source of income in retirement (alongside the State Pension). Combined with Pension Freedoms, consumers are becoming much more reliant on their own decisions.

[1] Office for National Statistics, Annual Survey of Hours and Earnings

- **Advice gap**: despite improvements to the quality of advice provision since the 2012 Retail Distribution Review, and more recently with the implementation of Consumer Duty, awareness, affordability, trust, and capacity issues limit the numbers that can benefit from advice to support DC pensions decision-making and ongoing management. Guidance services are limited in their impact, given regulatory constraints on its scope and consumers' capacity to engage with complex financial information.
- **Pensions literacy**: while out of scope of the AGBR, the long-standing issue of financial literacy and comprehension of core concepts relating to DC pensions impacts consumers across the pensions journey and is a key risk to optimal decision-making both in accumulation and decumulation.
- **Blurred retirement lines**: The 'at retirement' moment becomes increasingly blurred in a post-Pension Freedoms world. Instead of a single moment of retirement, many phase into it and will consequently need strategies for bridging the gap between full employment and full retirement, as well as separate strategies once in retirement. Additionally, non-advised drawdown suggests a lifetime of decisions, though little support is available for non-advised consumers requiring ongoing drawdown management.
- **Income sustainability**: While adequacy of pension contributions is beyond the scope of this study, there are widespread industry concerns at the sustainability of income withdrawals and risk of consumers depleting their funds by later life, heightened by recent inflationary conditions. Without ongoing review of their drawdown decisions, non-advised consumers are at risk of over (and even under)-spending their pension income through retirement. Alongside this looms the risk of consumers choosing a method of access that is not appropriate for them, for example choosing income drawdown when they need certainty of income, and vice versa.

These issues pose risks during accumulation, but especially at- and increasingly in-retirement, as consumers juggle current needs, limited financial capability, and uncertain life expectancy.

Considering these issues, the FCA wishes to enable the development of a mass-market consumer support model for non-advised consumers throughout their pensions journey in relation to their DC pension, encompassing pensions accumulation as well as pensions decumulation. The FCA, as signalled in its Discussion Paper, considers that targeted support has the best chance to fulfil this aim.

3.3. Research objectives

The main aim of this research study is to assess consumer demand for targeted support as it pertains to DC pension decision-making. The research provides insight into the appeal of this type of support among key segments of non-advised pension savers and spenders, particularly the mass market invested in default funds/strategies who tend to be less engaged and informed. Crucially, it aims to uncover how drivers for demand may vary based on an individual's stage in the pensions journey and the specific decision points they face.

Additionally, the research seeks to understand how the key principles and variables of this new model of support are likely to influence consumer demand. This includes the use of limited personal information to provide tailored suggestions, the lack of explicit fees for the service, and suggestions for a consumer segment, based on a set of general characteristics the provider has identified, rather than fully bespoke recommendations.

The consumer research is not intended to provide conclusive answers on all issues and will be considered alongside other analysis being conducted by the FCA, including further consumer research and consumer testing.

3.4. Methodology and sample

Given the above objectives, a large-scale qualitative approach was considered most appropriate in delivering depth of insight and understanding at this stage in the development of targeted support. This approach ensures participants understand the concept being discussed and allows multi-faceted reflection particularly suitable in early exploratory phases. Careful prompting by moderators helped to mitigate against behavioural biases like overstated understanding and the 'say-do' gap, where people's stated intentions often differ from their real-world action: in qualitative discussions, researchers can dive deeper into actual use cases and barriers.

The research design encompassed a combination of 8 focus groups and 20 depth interviews, reaching a sample of 74 participants between July 30th and September 3rd, 2024. Use case scenarios were developed for testing across the different pension lifestages. One day of pilot sessions (3 depth interviews and 1 focus group) was held in London for the FCA to be able to view, and for the project team to be able to refine the materials ahead of the full fieldwork programme. The stimulus and discussion guides were updated in accordance with findings from the pilot, with changes to language and examples used where appropriate.

Groups and depths were split primarily by pension lifestage and DC pensions wealth. Viewing the concept of targeted support through the lens of pension lifestage was considered important, given the differing needs and potential for harm across each of these stages.

A breakdown of the sample composition is shown below with fuller details in the Technical Report in the Appendix.

Figure 1: Sample structure

Pension Lifestage	Lower DC Pensions Wealth (total combined DC pot size)	Higher DC Pensions Wealth (total combined DC pot size)
Pension accumulation (25-52)	Group 1: £5k-£30k / Younger (25-40)	Group 2: Medium total DC pot size (£30k-£100k) / older (41-52) 2 depth interviews
Approaching retirement, not yet accessed at all (52-64)	Group 3: £30k - £100k 3 depth interviews	Group 4: £100k-£200k 3 depth interviews
Accessing pension (for the first time) – any means (TFC/ UFPLS/drawdown/annuity) (55-64)	Group 5: £30k - £100k 3 depth interviews	Group 6: £100k-£200k 3 depth interviews
In decumulation – ad hoc or regular withdrawals from income drawdown, not annuities (65-74)	Group 7: £30k - £100k 3 depths interviews	Group 8: £100k-£200k 3 depth interviews

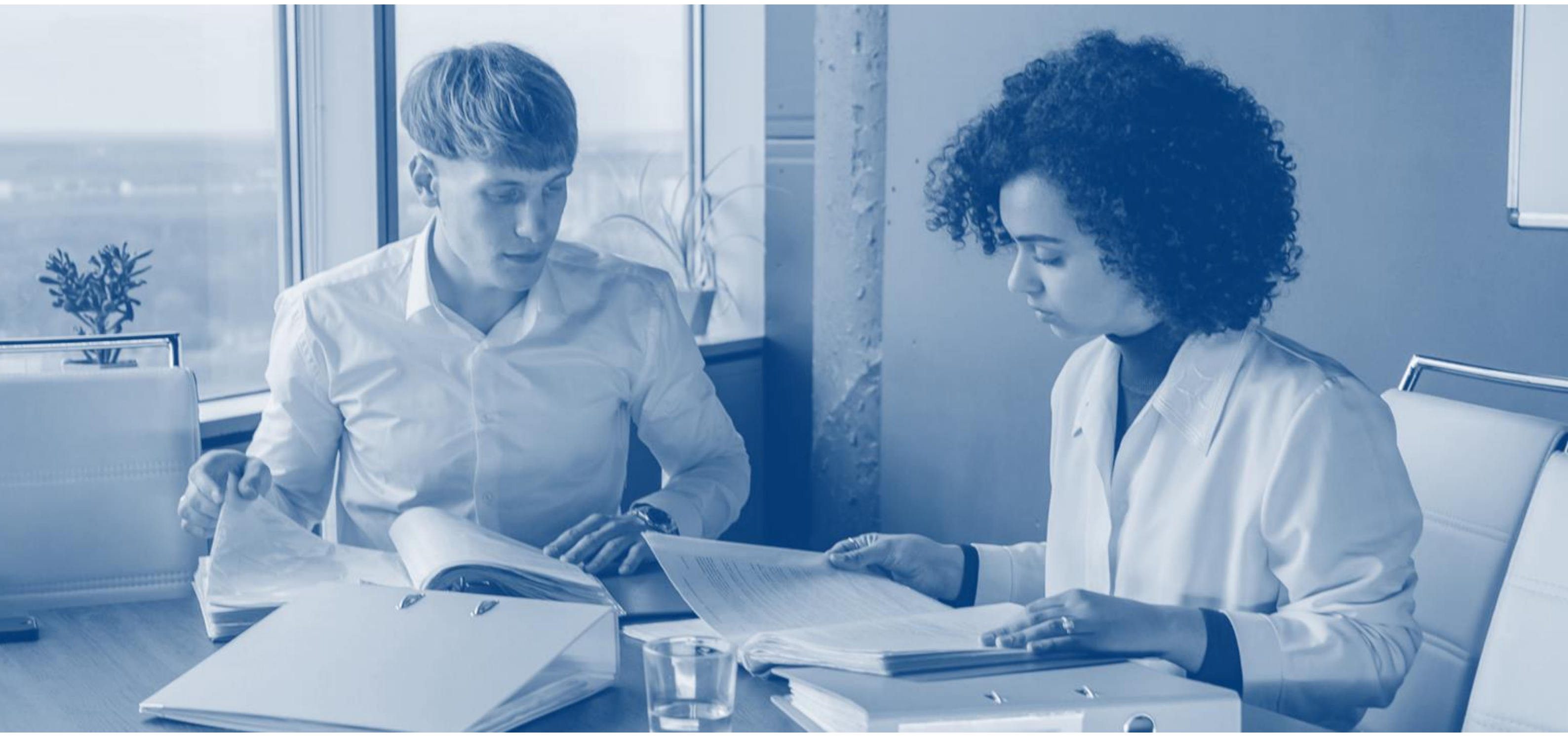
Several criteria were used to achieve the sample of participants for this research:

- All **non-advised** (defined as no regulated advice in the last 3 years)
- All with **at least one DC pension** (workplace or personal – majority workplace)
- **Affluence** primarily determined by combined total of DC pension assets (excluding individuals whose primary retirement income source is DB pension, but DB permissible alongside a DC pension), plus overall investible asset values and household income levels (excluding anyone with over £500,000 of overall investible assets)
- **Mix of financial confidence levels**, natural fall out among those with low to medium confidence levels in respect of pensions
- **Natural fallout of vulnerability** spread across the four categories (low financial resilience, low financial confidence, health and understanding difficulties, negative life events)
- **Gender:** Mixed but with a broad 50/50 target
- **Geographical spread:** North, Midlands and South

3.5. Limitations of the research

Given this research used qualitative-only methods, NMG has not been able to size or quantify in any way the level of demand and how it varies by different consumer cohorts. The results are therefore indicative of likely sentiment.

Please note that participants in this research were recruited to match a particular profile that the FCA and NMG considered as the likely primary target market for targeted support, i.e. all non-advised DC pension customers within certain wealth parameters. As such, we are not able to comment on the views of consumers that fall outside this profile, for example advised consumers.



4. Demand Dynamics: Engagement and Trust

Key findings of this chapter

- Pension education efforts are hampered by low understanding and engagement with pensions. Barriers are structural (e.g. use of defaults), cognitive (low pensions literacy) and psychological (bad news avoidance, present bias).
- Pensions first withdrawal is the key point of interest in pensions. Too long before, and pensions seem too distant and unrewarding; too long after, and participants are largely settled in their decumulation choices. Engagement and proactivity spike when taking Tax-Free Cash and when choosing retirement income.
- A participant's trust in their provider shapes the value they place on provider help, but the current support regime falls short: guidance rarely answers the key question (what should I do?), while cost and trust issues pose barriers to advice.

4.1. Why engagement matters for targeted support

Any initiatives intended to improve consumer knowledge and understanding of pensions must first get their attention. This applies especially to outbound, proactive efforts from providers: even the best materials in the world can only help consumers who use them. Alongside this, inbound queries will only happen if consumers know they need to question something and make the effort required to find out.

Encouraging engagement with pensions is a well-known challenge.[2] Key barriers evident throughout the research include:

- **Low pensions literacy:** Participants struggle to understand pensions. Despite efforts to reduce jargon and simplify communications, many feel overwhelmed by the complexity and amount of information they need to master. Misunderstandings – about contributions, taxes, charges, fund choices, Tax-Free Cash, longevity risk and protection – are rife.
- **Low financial confidence:** Confidence and belief in their cognitive abilities (often linked to higher wealth and comfort with numbers) encourage participants to dig deeper into pensions until they feel they understand. Conversely, low confidence often prevents engagement: understanding feels so far out of reach that it is not worth trying to bridge the gap. It is a vicious circle: low engagement leads to low understanding, and low understanding to low engagement.
- **Low financial resilience:** Lack of immediate safety nets means participants prioritise current spending and short-term savings. Recent periods of high inflation have made this more pressing across audiences.
- **Communications overload:** Participants receive a plethora of marketing messages every day, each vying for their attention. Pension communications compete against these other distractions, but rarely

[2] FCA Occasional Paper 65, *Is timing of the essence? Testing when to engage UK pension customers*

seem important or urgent enough to get opened, let alone read in detail. Even printed annual statements often get only a glance (value, difference from last year); much of the copy passes participants by. Pensions are simply not sufficiently interesting to the majority to warrant the time needed.

- **The Ostrich Effect:** A cognitive bias where people 'bury their head in the sand' about potentially negative information to avoid psychological discomfort. Older accumulators and approaching retirement audiences appear most at risk of the Ostrich Effect. They worry about whether their pension will be sufficient in retirement and believe it would be useful to put more in – but without the additional space in their budget, this creates tension. This can cause a negative spiral where they know they should engage but don't. That fear of bad news becomes an even stronger barrier to engagement.
- **Present bias:** Present bias means people attach more value to short-term rewards, even if they are smaller than potential long-term rewards. This barrier is most evident with younger accumulators, for whom the benefits of pensions are decades in the future, with no guarantee that they will reap the benefits. Current priorities – from essentials like housing to lifestyle decisions like holidays – take precedence. However, this bias also applies to those approaching and at-retirement: planning for later life versus enjoying benefits today is a difficult trade off.
- **Moving goalposts:** Participants cite that pension saving can feel thankless or even risky, not only because the rewards are in the distant future, but also because the benefits seem to move further away or may change.
- **Decision closure:** After making a difficult decision (such as setting up income drawdown or choosing an annuity in retirement), consumers often experience decision closure: they mentally 'close' the choice, avoiding further deliberation. This protects them against negative emotions like regret, loss, or fear, but also makes it difficult to re-engage. This is often seen in the decumulation cohort in the research.

These barriers pose challenges to engagement and education throughout the pension lifecycle and across demographics. They are important to understand given the potential impact on the extent of demand for and actual usage of a service like targeted support.

“

Mine doesn't feel distant and it makes me slightly anxious: I really ought to be more involved rather than ignoring it. Have I got enough?

Approaching, lower wealth

I did read [my Retirement Options Pack], but not the whole thing because it's a bit boring

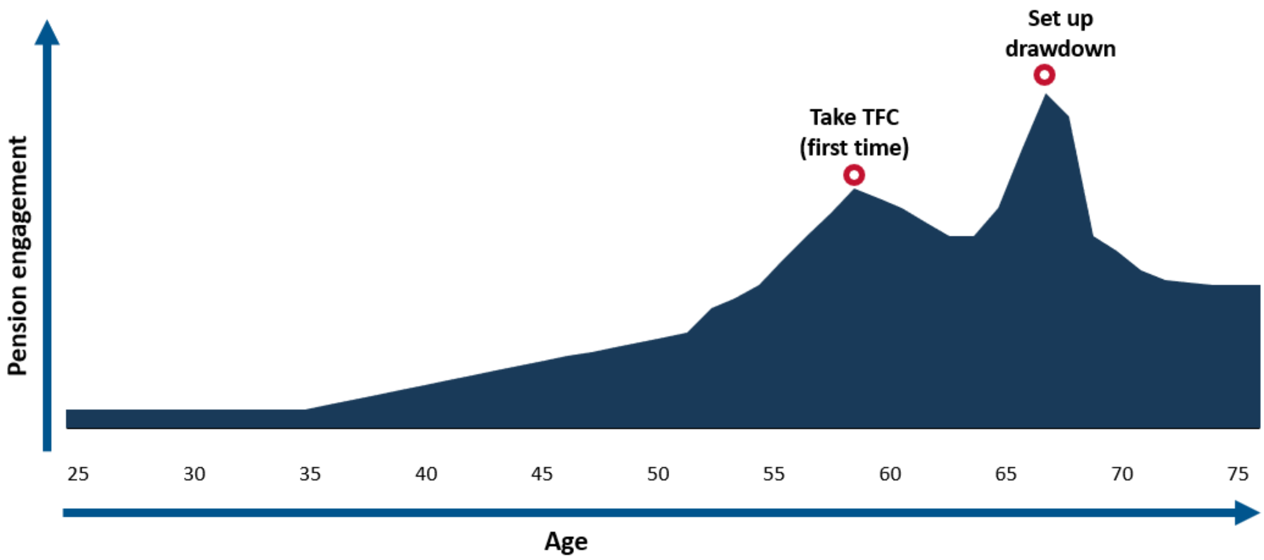
Accessing, medium wealth

”

4.2. How engagement differs throughout the pension lifecycle

Alongside these barriers, a participant's stage in the pension lifecycle has a significant influence on their pension awareness, interest, and engagement, as their need for knowledge changes. Engagement is not static but ebbs and flows over time.

Figure 2: Typical pension engagement curve



During accumulation, pensions seem distant, dull, complicated, and uncertain. Participants prioritise other financial and personal goals. Engagement with and knowledge of pensions is low: even annual statements struggle to break through. Employer-led communications seem more relevant and trustworthy than communications from a pension provider with whom younger accumulators feel little affinity. Interest increases as participants age, when pension calculators, tools and apps become more interesting – but potentially off-putting if accumulators feel they are told to save an unrealistic amount.

When participants **approach decumulation,** knowledge of retirement income options remains limited until first withdrawal becomes a reality, although some do look to simplify their arrangements ahead of retirement through consolidation. The information in Retirement Options Packs received at 50 often seems too distant to justify in-depth analysis and is likely to be skim-read and forgotten. Employer seminars, friends, family, and colleagues are prominent information sources at this stage, especially for Tax-Free Cash information, which has become an interesting topic of conversation; participants often consider taking this as a decision separate from their main retirement income.

When participants **first access their pension** (Tax-Free Cash, retirement income, other ad hoc withdrawals), interest spikes. These moments prompt time-limited, proactive research, which consists of a blend of providers, friends, family, and employers. Participants also look towards informal sources like Money Saving Expert. Take-up of government-backed services like Pension Wise is mixed, due to a lack of awareness and relationship. This time of first access is also when participants receive most communications from providers and scammers. Distinguishing between the useful and the harmful, the relevant and the superfluous, can be tiring when there are so many factors to consider. Despite the increased interest and awareness of how important and difficult the choices at retirement are, many still show significant knowledge gaps and misconceptions that pose a severe risk of substandard retirement outcomes.

Once **in decumulation**, engagement decreases again for many. Participants show limited appetite to revisit their decision once they are settled in retirement. They check regular statements but don't instigate more research: they are interested in the tangible amount being paid into their bank account, not what drives this (the investments, their performance...). The annuity forecasts in providers' annual statements are unwelcome prompts to revisit a choice that they consider already made. Only serious life changes – illness, partner death, financial hardship – might prompt a review. Also, as consumers age, the cognitive effort required to re-engage only increases.

> *I can't pay towards it at the moment: I have two young kids, and we go on holidays and trips, so I don't prioritise it*
>
> ***Accumulation, lower wealth***

> *It's really hard because you have to think about short-term and long-term plans; you don't know how long you have and what your health will be like.*
>
> ***Accessing, medium wealth***

> *Since I hit 50, I've started to think more about it. Especially after the last few years when inflation was really high, I started getting a bit panicky: will we have enough?*
>
> ***Approaching, medium wealth***

> *I am quite happy with the decision I have made and don't want any messing about, being told I should be doing this or that.*
>
> ***Decumulation, lower wealth***

4.3. The importance of trust

Although stage in the pension lifecycle affects overall engagement more strongly, trust in providers is an important factor in how participants assess the *value* of suggestions and support from them, which in turn impacts the likelihood of them engaging with targeted support and following its suggestions. Four key factors appear to most influence trust levels:

- **Relationship length:** Long relationships with providers build trust over time. Participants often feel that providers owe them support in exchange for their loyalty over many years or even decades. Younger accumulators' trust is notably lower, possibly because these relationships have not had time to grow. Their exposure to a provider's reputation in the market is lower and often indirect (may only have heard of a pension provider before if used by their parent). Trust in employers is often stronger. Those at- or in retirement generally have higher trust in their providers, especially if they are with well-known and long-established pension brands, as participants have had longer to build familiarity and positive associations.
- **Past engagement and support**: Participants who have engaged with their provider (e.g. through guidance or taking their pension) have higher trust in the support they receive. Assuming there were no issues, these touch points display providers' willingness to help without pushing products.
- **Broader financial experience:** Poor experiences in financial services – PPI, pensions mis-selling, poor advice – affect trust even years later and have a negative halo effect across the industry; participants are not aware of changes like RDR and Consumer Duty. Fear of scams also impacts overall trust levels, and some participants display wariness towards pensions communications. Others know the industry is regulated and assume providers have to act in their best interests (especially if they have engaged with their providers).
- **Incentives to sell:** Some participants are open to any communications that get them a better deal or a discount; others are wary of marketing or sales efforts and are unwilling to share data or be contacted

outside of what is absolutely necessary. They can be distrustful of a provider's reason to contact. However, they still expect formal and secure communications for properly servicing their products, especially if there is a risk of harm.

These factors affect how open participants are to receiving (outbound) targeted support, the data they might be willing to share, and the weight they place on any suggestions given.

Additionally, other factors like pension wealth, financial confidence and literacy, are also likely to impact engagement. However, pension lifestage and trust appear more impactful and relevant based on this research's qualitative observations.

4.4. Gaps in current provision for non-advised participants

4.4.1. Guidance

Sources

Providers are a natural first port of call for participants seeking support with their pensions: they are seen as expert, trusted brands that have a duty to look out for their customers. Participants use their websites, tools, call centres, and outbound communications to learn about pensions and their options. They expect that providers' support is limited to the products and services they offer and will try to lead them towards those solutions.

By contrast, government sources such as Pension Wise are less well-known: participants don't have an existing relationship, and signposts from providers are often missed, given the engagement issues raised earlier. Their impartiality is seen as a meaningful distinction compared to providers.

Alongside these sources, employer communications offer relevant support with clear moments for engagement. For accumulators, this is a trusted source whose communications they are more likely to engage with, as they are more familiar and are perceived to be less biased than providers.

Participants top up their information with Google searches, which often take them to provider websites, newspaper money pages, and trusted websites or personalities like Money Saving Expert.

Experiences

Participants expect high-quality support from their providers, especially at the point of retirement. They see this as part of a provider's responsibility and as a reward for many decades of participant loyalty: now that the moment has come to make a decision, participants seek and expect help as part of good customer service.

Guidance, both from providers or Pension Wise, can teach less confident participants about some of the factors and risks to consider. However, beyond that early educational stage, guidance often falls short of expectations. When participants are faced with making a decision like consolidation or retirement income options, guidance increases familiarity with features, generic warnings, and the pros and cons to consider. But it does not go far enough for participants into the next stage they want help with: weighing these different risks and rewards as they relate to their *own* circumstances, so they can take action (confidently).

The amount of information participants need to go through to feel like they have 'done the homework' can be disheartening, overwhelming, and even add to their confusion. In the end, many participants know about what can go wrong and what might affect their outcome, but feel uncertain about the answer to their key questions: should *I* do x, y, or z? What do options a, b, or c mean for *me*?

Guidance leaves them with choice paralysis: out of all these different options, they don't feel confident how to choose the right one for them.

> *Pension Wise didn't say: 'You could put it in this or that and this will give you x.' I felt I had to do that work: where I could put it and the pitfalls of doing this one or that one*
>
> ***Accessing, lower wealth***
>
> *I went to a workshop about pensions, but I could make neither head nor tail of it. I wanted to merge all my pensions and wanted to know if I am going to be better off, but I didn't get a straight answer out of them. It was all: 'It depends on the market and depends on this, etc.' I came out feeling more confused!*
>
> ***Accumulation, medium wealth***

4.4.2. Financial advice

Non-advised participants have either chosen not to engage with advice to date or have not yet considered that it may deliver benefits to them. Some are unsure on how they would go about accessing it; they hope recommendations from friends and family will help them separate good from bad actors. Others are sufficiently confident and comfortable with making their own decisions around pensions and investments and see no need to pay for advice.

Regulated advice is understood to be different than generic, information-based guidance. It is expected to help with those key questions and remove uncertainty. Its value is most obvious at the point of retirement: this is a big financial decision with many unknowns. If possible, participants look for someone to guide them through this unscathed.

They see advisers as having access to more expertise, which participants think will give them the peace of mind that the right product has been selected and not been overlooked, and that any factors consumers don't know might impact their retirement (such as taxes) have also been taken into account. Additionally, they assume that advisers have access to more products and better returns.

The benefits of personalisation and expertise lead many participants to assume they will access advice when they need their retirement income. However, real-life barriers complicate this picture:

- **Costs**: Participants rarely know how much advice costs or how charging structures work. While they assume it is expensive, they often estimate the cost to be in the low hundreds of pounds. Upon discovering the real cost of advice, participants waver: they feel overwhelmed by retirement choices but don't know if advice will be affordable or worth it.
- **Control**: Participants fear handing over the control of their life savings, even as they seek reassurance about the right decision. This is both a practical concern (can they still make decisions over their money if they have an adviser?) and an emotional one (if they have paid for advice, they feel as if they should follow its recommendations, or they will have wasted the money).
- **Trust**: Despite industry initiatives like RDR and Consumer Duty, historic trust issues still cloud perceptions of advice, which means consumers might expect commissions to drive advisers' recommendations. A lack of knowledge of the distinction between tied and independent advisers further contributes to the confusion and distrust around independence.

I would probably want some advice. I am no expert, so I am in their hands. I could make a mistake and find out I have done something wrong and my pension crashes

Approaching, lower wealth

I imagine Financial Advice would give me a broader set of options and talk me through the pros and cons. They would do the leg work. I understand that they get remuneration from whoever they push me towards; so does that mean that if it is more lucrative for them but not the best outcome for me, would they still push that product or would legislation protect me from them doing that?

Accessing, lower wealth

5. Targeted Support: Response

Key findings of this chapter

- Participants see targeted support as a welcome or even overdue extension of providers' support offerings
- All audiences see at-retirement as the key moment for this type of support: they welcome additional, free support for these decisions. Some wonder if targeted support goes far enough to address the complexity of these choices.
- Accumulators don't see much need yet but expect this level of support once they start thinking about retirement. Decumulators recognise the value a service like targeted support would have had at retirement, but do not expect to have much need for it now that they have made their decisions.

5.1. Overall response

5.1.1. A welcome extension of the support available

During the research, participants were shown the following working concept definition of targeted support:

Based on limited information about you, your pension provider suggests a course of action or product that it considers to be broadly appropriate for people in similar circumstances to you. It would be provided by your pension provider as part of the ongoing service they offer. It is free at the point of use. It does not offer a personal recommendation and does not consider all your individual needs and circumstances.

However, moderators stated upfront that 'targeted support' was not necessarily the final form of this support; throughout the sessions, phrases like 'the concept' or 'this type of support' were used where possible to emphasise the exploratory phase of the concept design.

Participants' initial response to targeted support is largely positive. They see it as a useful additional tool to aid decision making, either alongside or instead of guidance. As it is free, they see little downside in adding it as another source of support. Participants who have experienced guidance particularly see the value of this type of support as the happy medium between guidance and advice, i.e. offering more than simply generic information but not going as far as personalised advice.

Most expect to use targeted support as part of their fact-finding when they start thinking seriously about their pensions and want to 'do their homework'. A service like targeted support can be a valuable and possibly leading contribution to these efforts, though rarely the only factor: participants believe they would take any suggestion and consider it in more depth, with potential further research to confirm the decision, before they act.

The perceived benefit of targeted support is so strong among some participants that they express surprise or even dismay that it is not something providers are already obliged to offer. This level of support is what they expect from providers at key moments such as choosing retirement income options: with so many complex and unfamiliar factors, participant feel their needs go beyond guidance's information-only services. Especially participants approaching retirement wonder what prevents providers from offering this and are eager to see this type of support go live sooner rather than later.

Nevertheless, participants show concerns around commercial motives affecting the suggestions, and more sceptical participants would take the suggestion with a grain of salt. They also note the limitations of a suggestion not including all one’s circumstances: especially at the point of retirement, when there are many factors at play, they wonder whether targeted support goes far enough to be of real value.

Despite this desire for more tailoring to their circumstances, some show hesitancy to share more personal data than necessary, as they fear it being used for sales or marketing purposes.

Targeted support is free? How long would it be before it comes into force? At least it is on the table and imminent for someone like me

Approaching, lower wealth

I might just forget Guidance and go straight into targeted support: expert advice from people who know what they’re talking about, rather than me fumbling my way and maybe getting misinformation

Approaching, lower wealth

5.1.2. A stepping stone to advice?

Some participants think that targeted support will leave them fully equipped to make their own decisions, negating the need to pay for advice. However, many suspect they will still want or need advice at the point of retirement and would use targeted support to prepare for conversations with an adviser. Participants speak of their fear of the ‘unknown unknowns’ around pensions; the run-up to retirement often reveals the extent of their knowledge gaps. In these instances, a service like targeted support may lead participants to better appreciate the value of and need for advice.

However, among some lower wealth participants, the initial response to targeted support reveals some fundamental misunderstandings about the mechanics of advice. A minority consider using targeted support to narrow down their options, in the hopes that discussing only annuities or only drawdown (for example) would mean lower charges from an adviser. Others expect to be able to access one-off rather than ongoing advice or believe they would not have to pay ongoing charges. There are no considerations that their wealth level may not match the minimum requirements of some advice firms.

Note: While a service like targeted support might improve participants’ awareness of their own need for advice, the barriers highlighted in section 4.4.2 will still apply.

5.1.3. Targeted support is largely understood, but care on scope is needed

Most participants grasp the distinctions between targeted support, guidance, and advice when explained. The more experience participants have with the support currently available, the more clearly they understand how the concept of targeted support extends beyond guidance without straying into the holistic, paid-for support given by advice. Especially for participants who think that guidance services such as Pension Wise do not go far enough, targeted support clicks immediately. However, some aspects are at risk of misinterpretation:

- **Free 'at the point of use':** A minority interpret this as meaning the suggestion is free but becomes paid for if they follow it. However, most conclude that targeted support would be wrapped up in providers' wider customer service/product offerings and associated costs.

- **Consumer segment vs peer comparison**: Some participants, especially accumulators, assume that this type of support will show what people with similar characteristics do, rather than what would be good practice for them, i.e. it will provide a benchmark to compare against (e.g. average contribution rates for people in your industry or region of the UK). While many show interest in that type of social proof and it can improve interest and engagement, communications should be clear about the distinction and how suggestions are reached.

- **Limited information:** It is not always clear how far limited information will go in defining a consumer segment. A small minority of participants assume age bracket and little more. However, many assume the data points include high levels of detail, like expected outgoings.

- **Personal support:** Some older participants (accessing pension and in decumulation) assume this support will come from a consistent, dedicated person within a pension provider, with whom they build up a relationship over time, akin to an adviser. They expect phone-based services or even home visits, to reflect the complexity of the topics at hand. While most broaden their perception of what targeted support might look like after seeing case studies, this mode of human-centric delivery remains as a desired feature.

However, these misunderstandings arise among a minority of participants. The delivery of targeted support will need to address these assumptions through design of customer journeys, language used, and communication strategies.

5.2. Response by pension cohort

As discussed earlier, a participant's stage in the pension lifecycle impacts their engagement with pensions, and as such, also impacts targeted support's perceived relevance and likely uptake.

5.2.1. Accumulation: useful for later

Likely uptake:	Low
Overall sentiment	Accumulators see how their retirement decision making can benefit from targeted support, but currently have little need for help and inbound questions are likely to be limited. Some have questions about pension consolidation, but a lack of urgency can delay their likelihood to seek support or take action, especially among younger accumulators. Outbound prompts for higher pension contributions are seen as already present and (to some) unwelcome. Inbound prompts are likely to be limited, but accumulators would respond to alerts around risk of harm, for instance if they were to opt out or reduce their contributions. Additionally, younger accumulators show some interest in seeing how they do compared to their peers, to help them understand if they are on track. Where possible, communicating through employers will seem more legitimate, impartial, and relevant.
Possible needs	• Should I consolidate my pensions? • Am I on track? • What are my peers doing? • Are there quick wins, e.g. better funds? • Are there risks to pausing/reducing my contributions?
Key caveats	• Low engagement means reduced likelihood to open provider communications. • This support must stand out from generic marketing urging higher contributions. • Present bias and distant horizon will remain barriers to increasing contributions.

“

It would be better coming when you’re looking at how you’ll draw down: almost at the end of the product life

Accumulation, medium wealth

You’d be more likely to look, because it’s tailored to your age group, rather than thinking: ‘pensions are just for older people, and I don’t need to do that now’

Accumulation, lower wealth

”

5.2.2. Approaching retirement: will this be live by the time I access my pensions?

Likely uptake:	Medium
Overall sentiment	Those approaching retirement are most positive about targeted support and see it as a valuable support tool when it comes to making their retirement income decisions. Not only can this type of support help with the questions they know they are facing, such as how and when to take their pension, but also with questions they might not even know they should be asking. However, spurring action in the years before retirement when engagement is most crucial for optimising pension outcomes will be difficult: without mandatory engagement, creating the trigger to think about questions like consolidation, contribution levels, or fund selection will be as challenging for a service like targeted support as it is for current engagement campaigns. Many still express a desire to seek Financial Advice after targeted support, to validate their decision or find the right provider.
Probable needs	• Have I got enough? • Anything I can do to improve my pension? • Should I consolidate my pensions? • When can I retire?
Key caveats	• Engagement with outbound communications can still be low. If targeted support is included in the annual statement or Retirement Options Pack, it needs to be prominent and obviously (semi) personalised for participants to take note. • This audience already experiences a sudden increase in comms after 55 as providers and scammers seek to get their attention: breaking through requires very impactful and purposeful messaging, sent at the right time.

I would start off with targeted support. Then, when it got more serious, I would still want some proper independent Advice

Approaching, medium wealth

At the point of retirement, you might still need a little bit more, but I like it

Approaching, lower wealth

5.2.3. Accessing pension: can this go further?

Likely uptake: High

Overall sentiment

As participants decide what to do with their pensions, the complexities of the decision begin to reveal themselves, such as the suite of options available, how much to take, impact on their taxes, or other sources of income. Additionally, retirement is no longer a 'one and done' moment: many approach it in stages, accessing Tax-Free Cash, ad-hoc or regular withdrawals to top-up their salary while they continue working part time, et cetera. Consequently, they wonder whether targeted support goes far enough in addressing these complexities

While they see the value this type of support can add at retirement, they have higher demands for the personalisation required to make it useful. However, they acknowledge that targeted support provides a useful starting point for further research and would take the suggestion on board, alongside other sources of information. Flagging any risks to their circumstances, rather than generic risks, would be incredibly valuable.

Despite the complexity of personal circumstances, targeted support is likely to meet at-retirement participants' needs and expectations more fully than guidance does: it helps them see not only the different risks and factors, but also what these mean in practice for people with similar characteristics. Weaving targeted support into the journeys for withdrawing a pension will increase awareness of the *relevant* options and risks, instead of overwhelming them with *all* possibilities.

Probable needs

- How should I take my pensions?
- Should I take Tax-Free Cash?
- How much should I withdraw?
- Can I retire now? Should I?
- What are the tax implications?
- How long will my pot last?
- What risks do I not know about?
- What do peers with similar pot sizes do?

Key caveats

- Many already expect this level of support from providers when they contact them about their retirement options; targeted support fills the gap that they are surprised to encounter, instead of going above and beyond their expectations.
- This audience has very high wariness of scams – showing legitimacy is crucial.

I think it is a good idea; I don't know if it would go far enough

Accessing, medium wealth

I would go for that to start with, use that to see what they say.
I would sit there and chew on things

Accessing, lower wealth

5.2.4. Decumulation: would have been good to have

Likely uptake: Low

Overall sentiment

Retired participants have made their decisions and feel content with them: decision-making is largely ‘closed’. Assuming their pot value doesn’t plummet, and they keep receiving their income, they show little consideration for the ongoing management required for a drawdown plan, such as investment performance and withdrawal rates. Consequently, they see little need for targeted support unless prompted by life events like ill health or spousal death.

However, when prompted with a variety of scenarios, they are very open to (and indeed expect) duty-of-care-type communications that prevent foreseeable harm. To an extent, they expect this to be part of a provider’s current responsibilities. Additionally, they think this type of support would have been very valuable at the point of retirement.

Probable needs

- Tell me if something goes wrong.
- Tell me if I will run out.
- What happens if I fall ill or my circumstances change?
- I’m worried about the cost of living / adequacy of my pension income.

Key caveats

- Targeted support needs to stand out from current generic communications like annuity forecasts: what makes it clear that this is a suggestion, not merely information?
- Cognitive decline will mean engagement with their pensions will become harder over time and any support communications will need to accommodate these increasingly vulnerable customers.

“

This would benefit new people retiring. Most of us are settled, quite happy that it’s plodding on. Unless something changes in my setup, I can’t see me needing that type of advice

Decumulation, lower wealth

It’s a bit late for us

Decumulation, medium wealth

I’ve already made the decision that I want to draw down, so I don’t really want the alternatives; it just gives me the worry that I’m not doing it right

Decumulation, lower wealth

”

6. Targeted Support: Principles

Key findings of this chapter

- Being free at the point of use is a key driver of the concept's appeal: it makes targeted support a low-threshold, low-commitment support route, with no perceived implications for its credibility or quality.
- Participants expect this type of support to come from pension providers, who have the expertise and existing relationships. It is seen as a provider's duty of care or extension of customer service, with commercial motives clearly acknowledged.
- A recommendation for people in similar circumstances is seen as a real step up from current guidance. Participants largely understand the limitations but think this will still help them make decisions.

6.1. Free at the point of use

Being free is a great advantage and a key driver for interest.

A free service is seen as 'low threshold', as participants have nothing to lose but their time. It removes what would otherwise be a probable blocker – cost – and gives this type of support a real advantage over advice, while still offering more tailored help than guidance, a factor participants pick up on immediately.

Being free also makes targeted support seem 'low commitment'. Unlike with advice, where participants can feel obliged to follow a recommendation that they have paid for, participants feel free to disregard suggestions from targeted support if these don't align with their wishes or circumstances.

If it's free, there's no harm in trying it; then you can make a decision based on how that ends

Approaching, medium wealth

If I have paid for a financial adviser, I feel as though I am tied in with them and have to go along with what they say, whereas this, being free, gives me freedom of choice

Approaching, lower wealth

Participants have no concerns about the quality or credibility of this type of support as a consequence of it being free. Rather, the concept of targeted support meets the customer service expectations they already have of providers. They do not consider it an additional service for which they should have to pay extra.

With providers' commercial incentives in mind, participants acknowledge that there is 'no such thing as a free lunch'. They expect providers to earn back the cost of targeted support through greater customer retention and loyalty, rather than explicit charges or cross-sales. However, many also suspect providers' commercial motives may colour the suggestions offered, and would keep this in mind when assessing any suggestion put forward (for more detail, see section 6.2.3).

6.2. Provider as origin

6.2.1. Targeted support is an extension of duty of care for providers

Participants see providers as a natural source for targeted support. Providers' information and guidance form the logical first port of call for pension-related questions: providers are pension experts in participants' minds. Additionally, their existing relationship creates a baseline of trust. Trust is even higher where participants have previously experienced support from their providers or where relationships are long-standing – as they are for many once they are near retirement.

Many participants already expect a service like targeted support from their providers, as part of the duty of care they owe to their customers. This is most visible in cases of preventing foreseeable harm, which can include:

- The impact of taking Tax-Free Cash on the income they will be able to receive later
- The risk of high levels of drawdown for pot sustainability, especially when taking into account life expectancy
- Unsuitable investments, especially high-risk ones
- Triggering additional tax

Alongside this duty of care sits the expectation that a provider will help them choose their options at retirement. The fact that this is not something providers currently (can) do comes as an unpleasant surprise to many.

Giving a guideline for decision making is seen as basic good service for a moment that participants know little about. Many feel entitled to this support after years or decades of customer loyalty; expanding the support offering to include a service like targeted support merely means that current expectations will be met, not exceeded.

> *I'd like the Financial Conduct Authority to stipulate to providers that when you give a yearly statement, you should automatically give Targeted Support to your pension holders*
>
> ***Accessing, lower wealth***
>
> *Part of the service isn't just selling you a product; it is after care. They should support you*
>
> ***Accessing, medium wealth***

6.2.2. Existing relationships offer natural route into targeted support

Existing provider relationships bring two further benefits beyond the existing baseline of trust:

- **Communication entry point**: Existing communication routes, such as annual statements or apps, form a natural entry point to start a targeted support journey. Through leveraging known channels, providers can also reduce the risk of a targeted support communication being viewed as a scam.
- **Existing data:** Providers already hold pension-related information about their customers, which allows for more relevant and timely communications. Participants expect providers to know when it might be relevant, especially for risk of harms that participants might not be aware of, like unsustainable withdrawal rates or investment risk.

6.2.3. Risks and drawbacks arise from providers' commercial motives

Although most participants consider providers the natural source for this type of support, they flag some risks posed by commercial biases:

- **Product limitations**: Participants worry that providers will only suggest their own products. This risks both missing out on better features or rates offered by other providers, and ignoring solutions (e.g. annuities) if these are not within the provider's range.
- **Cross-selling:** The risk of being cross-sold feels high; any sales pressure is a turn-off. Participants note this particularly when it comes to consolidation. Sceptical customers think providers will always tell them to consolidate, and to consolidate with them, even if they could find a better deal elsewhere in the market. This fear is lower among participants who have tried to use guidance for consolidation and know how difficult it is to get providers make a firm suggestion.
- **Asset growth/retention:** Participants are not surprised to hear providers might suggest higher contributions or lower withdrawal levels. This feels to be in providers' best interests and can land more like a personalised marketing suggestion than a risk-based intervention.

> *If it is specifically your pension provider, are they going to skew it because they want you to keep paying into them so they can get money off the back of it?*
>
> ***Approaching, lower wealth***
>
> *Every year you'd get projections saying you are miles behind again!*
>
> ***Accumulation, medium wealth***

The level of trust shapes how much weight participants place on the concerns versus the benefits. Those with longer and more active relationships with established pension providers are generally more trusting of their providers' desire to do what is best for them, since a good service translates to better customer retention. Those with shorter or more distant provider relationships worry more about providers' commercial motives, which impacts willingness to engage with this type of support. However, most would still consider the suggestion when doing further research, applying some degree of scepticism: these suggestions form part of the retirement puzzle, not the final answer.

6.2.4. Alternative sources for this type of support can supplement but not replace providers

Despite the risks posed by providers' commercial motives, few participants could see any alternative sources that might be *more* suited, as most will lack the data and existing relationship. Nevertheless, they would appreciate a non-commercial additional source, in a similar vein to Pension Wise's free pensions guidance service or Citizens' Advice or Age Concern's support lines. In an ideal world, they would value this as an additional, more objective source to complement providers' more data-led suggestions.

Figure 3: Participant response to sources for this type of support

	Own pension providers	Government-backed services and charities[3]	Employers	Financial Advisers
Benefits	Existing relationship, which includes trust, data, and comms Ability to reach out proactively Product and market knowledge	Unbiased Support more likely to be in participants' interests	Trusted source of information, especially in relation to scams Unbiased support likely to be in employees' interests	Expertise, esp. for complex cases Human point of contact Personalised
Risks	Commercially motivated so not unbiased May pay for indirectly e.g. through higher pension charges	Lack personal data: no proactive comms Perceived limits to expertise Government may try to get more taxes	Lose connection after leaving job, especially once in retirement	Cost Perceived limits to independence No existing relationship

6.3. Consumer segment

6.3.1. Participants understand the value of a consumer segment suggestion

A suggestion suitable for 'people in similar circumstances' is a welcome step up from guidance and goes a long way to address the biggest problem participants have with guidance: that it does not tell them which action is right for them.

At the same time, participants acknowledge the limitations of a consumer segment suggestion. Many see their individual circumstances as unique. This applies especially at-retirement, when factors like caring responsibilities, phased retirement, health, rental property, inheritances, and current/expected outgoings will vary even across relatively similar audiences.

[3] Examples mentioned include Pension Wise, MAPS, Citizens Advice, Age Concern

However, targeted support being free means that participants still feel it is worthwhile to receive this type of support, rather than merely guidance. The additional information guides participants' thinking and provides rules of thumb or benchmarks that they can apply to their own circumstances. For instance, they might also consider additional savings, income from part-time work, or inheritance not included in generic pension calculations, and assess the suggestion based on how relevant it still feels. Instead of offering generic risk warnings and factors to be considered in the abstract, participants can see how these factors weigh for people in similar circumstances.

Openness about which data points constitute the 'people in your circumstances', and why they matter, will help participants with the assessment of the suggestion's usefulness and suitability. They then have the framework needed to assess how such an action suits or affects their individual circumstances.

This openness has several benefits:

- **Trust**: When participants feel wary of being sold something, seeing objective reasons for the suggestion puts their minds at ease. Suggestions no longer come out of a black box, but are linked to parts of their circumstances that they understand.
- **Limitations**: Transparency about the data points used will also make it clear what is not included. If participants feel their own circumstances deviate too far from the assumptions, they can either ignore the suggestion, validate through additional research or, if possible, provide more data for a more granular type of consumer segment.
- **Control**: Current guidance leaves participants feeling unsupported: they are told what areas to worry about but not what good looks like for people in their circumstances. It is overwhelming and makes them feel out of their depth. Showing which data points lead to which suitable outcomes puts the suggestion into perspective. This better equips participants to make their own decision, even if that is not the necessarily the suggestion targeted support provides.

You could heavily caveat it and say: 'Based on this very limited information, these are the outcomes, but this is only based on £30k pot, we are not taking into account anything else'

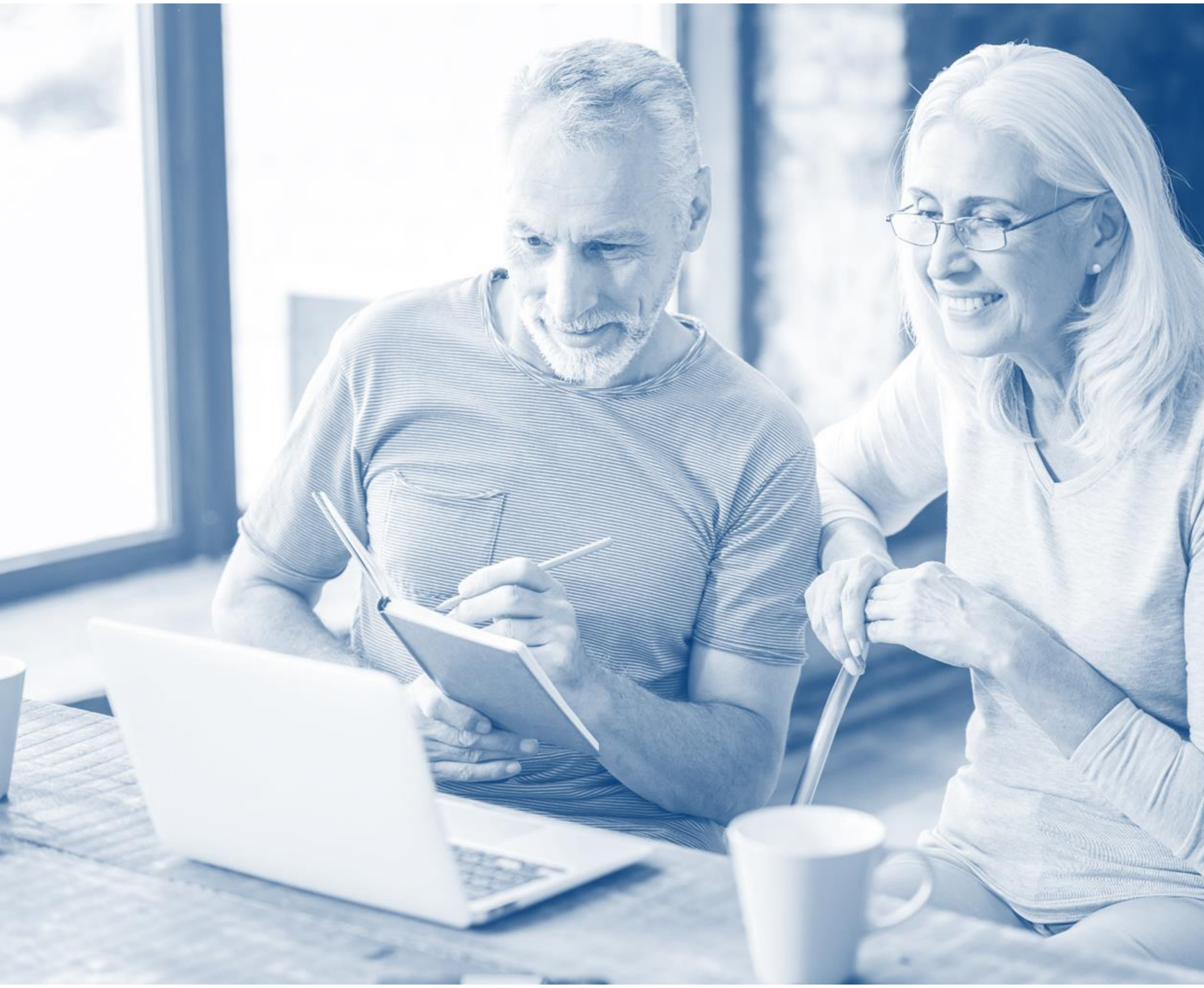
Accessing, lower wealth

If they don't know what you have, it's very hard for them to suggest everything you want to hear about. If you start off not giving so much information and then you think: 'With just that one, I can get this amount in drawdown, what happens if I have got a lot more?' This is just the start; it is up to you to dig deeper for your own circumstances

Accessing, lower wealth

6.3.2 'People like you' vs 'People in your circumstances'

In the pilot, the language used to test consumer segments was 'people like you'. This landed badly with participants, who saw it as condescending with potentially classist or racist undertones, and so was changed for the remainder of the fieldwork. 'People in your circumstances' or 'People in similar circumstances' reduces negative associations by making the question about the situation, with less risk of personal judgement. It also raises the question what those circumstances are, which helps participants identify how close or far from their own experiences the assumptions are.



7. Targeted Support: Variables

Key findings of this chapter

- Participants want both inbound and outbound targeted support. Providers' existing strengths and challenges in customer communications and service will shape how effective this delivery is
- Participants express a preference for a range of suggestions, to then make their own choice. However, showing or prioritising one is more likely to meet their actual need for support and overcome guidance's limitations
- Participants see how sharing more data allows for more tailored suggestions. The extent to which they prioritise personalisation over privacy depends on their openness to marketing, trust in their provider, and perceived benefits

7.1. Instigator (provider vs participant)

Participants see a case for both outbound (from the provider) and inbound (to the provider) targeted support. They would like both to be offered, to meet different needs throughout their pension journey.

7.1.1. Harm-reducing outbound communications are welcome but must stand out

Participants are most open to receiving outbound targeted support where they see it prevents harm. This is clearest in cases where participants believe they might not realise the consequences of their decisions – at which point, they expect providers to step in. This applies in particular to unsustainable withdrawal rates, unsuitable investments, opting out of workplace pensions, and making poor retirement income decisions (e.g. withdrawing too much at once and incurring additional tax). Communications with less urgency but likely participant benefits (such as consolidation, annuitising at age 75, or fund choices for better returns) are also welcome to most.

However, any outbound support faces an attention battle, even for messages participants would consider valuable. Targeted support suggestions need to stand out from existing marketing or servicing communications, with clarity that this is a semi-personalised suggestion with a certain level of urgency behind it.

This risk is most prominent when participants feel they already receive such communications: accumulators are familiar with outbound campaigns for increasing contributions or consolidation. Similarly, many at retirement and in decumulation assume annuity projections in annual statements already amount to the suggestion they take one out, rather than an informative illustration.

> *That is what everybody says: pay more in*
> ***Accumulation, medium wealth***
>
> *They keep saying to me: do I want an annuity, we advise that you have an annuity*
> ***Decumulation, lower wealth***

7.1.2. Limited but important use cases for inbound targeted support

This research identifies two different types of inbound targeted support:

A. Participant to provider: When a participant contacts their provider (through whatever channel) to ask questions. This is most likely to be part of their retirement preparation, similar to the way they use guidance today. This includes questions like:

- Which retirement income option or investment solution is best for them
- How much they can withdraw through income drawdown
- Whether to consolidate disparate pots and any consequences to be aware of

In these cases, participants are open to their providers' suggestions and would like to see this integrated into the existing support journeys (e.g. a seamless phone transfer to a support specialist or obvious link to an online questionnaire), where more data can be collected for a more targeted solution where relevant.

B. Prompted provider to participant: When a participant's pension-related action prompts a provider.

This is often when participants have already decided but might not understand the full implications of their decision and there is a risk of harm. When discussing case studies, participants note scenarios that concern them, including:

- The impact of taking all their Tax-Free Cash at once
- Cashing in a significant proportion of their pension during a market downturn
- Triggering a significant tax event, e.g. taking the full pension in one go
- Setting up unsustainable withdrawal rates
- Pausing contributions during accumulation
- Consolidating pensions where benefits may be lost

In these instances, targeted support interventions might allow both provider and participant to better understand the purpose and risks and prevent unforeseen harm. Here, too, participants want it to be part of the journey they already follow, but in these scenarios, they place more value on a human touch. Although participants might start journeys digitally as the quickest way to complete an action, staying within a digital ecosystem of apps, websites, or phone notifications can seem too impersonal and cold, especially if there are emotional drivers like financial hardship or the shock of a market crash. Where an intervention comes in the form of a pop up, it can be improved by adding an offer of speaking to someone to explain the reasoning behind the suggestion.

> *If you were deciding what to do on your retirement and there is a chance that you run out before your time comes, they ought to advise you against making that decision at that time, not 10 years down the line*
>
> ***Decumulation, medium wealth***

7.1.3. Channel preferences and customer service standards matter

The channel used for communications can go some way to encourage take-up, but there are limitations:

- **Annual statements** are most likely to be (skim) read, but suggestions need to be prominently displayed on the first one or two pages to get noticed.
- **Letters** strike participants across cohorts as important. They generally get opened and scanned, and have provider-backed legitimacy. Participants want targeted support flagged in some way, e.g. marking a targeted support letter as 'important' on the envelope (but this could scare worried consumers into non-engagement).
- **Provider apps** can facilitate the entire journey from prompt to action. Participants like the security of the log-in, reassuring both against scams and data protection risks. Apps can provide access to provider tools and calculators to support interactions. However, app usage for pensions is often absent in disengaged accumulators; digital fluency and appetite cannot be assumed among those accessing their pension and older.
- **Emails are easily (dis)missed**. Subject lines need to engage and motivate. Where possible, coming from the employer will increase relevance and reduce the perception of scams.
- **Outbound phone calls** risk being perceived as a scam and are largely rejected as a viable channel.

Participants seek the same qualities for targeted support as they do for any engagement they have with their provider: empathy, control, and autonomy. They want to choose their channel, with individual preferences ranging from in-app, digital journeys, to impromptu phone calls with email follow-up or in-person appointments like those offered by banks or Pension Wise. Whichever route participants choose, a frictionless, warm transfer to targeted support will improve their engagement and likelihood to share additional data where needed. This type of support should fit into and add to those existing routes.

Regardless of route, participants want a written summary of the exchange, data shared, suggestion given, and data points used; many want to be able to refer to this later as they reflect on the entirety of their pensions research, as suggestions are probably not implemented immediately.

7.1.4. Engagement is likely to be low when participants expect bad news

Targeted support will struggle to cut through when participants fear it brings bad news or unwelcome suggestions. This risk is greatest for accumulators, where present bias impacts the value perception of pensions.

Targeted support accumulation use cases are limited. They centre around changing (often increasing) contributions. However, two strong psychological barriers are likely to prevent participants from opening such communications, and following through with the suggestion:

A. **Status quo bias**: People see the status quo as the baseline, and any deviation from it as a loss or a gain. They are unlikely to adapt their behaviour unless there is a clear incentive, especially if making that change leads to short-term (perceived) losses. Unless the suggestion reaches them at the right time (e.g. after a pay rise that makes them feel they have surplus money to spend), it will struggle to overcome the more psychologically appealing act of inertia.

B. **Loss/pain aversion**: If people know or suspect a piece of news will make them feel bad (which a reminder of inadequate pension savings can, especially as retirement approaches), participants are more likely to disengage entirely. Additionally, if participants feel judged for their decisions or circumstances, this adds another negative emotion to avoid.

The *how* of this support (phrasing of email subject lines, app notifications, letter design) matters as much as the suggestion itself. Both will be crucial in preventing a vicious cycle where participants expect bad news about their pensions, so disengage, thereby increasing the risk of a bad outcome, which makes them expect even worse news, and so on.

However, regardless of phrasing, suggestions that seem unrealistic will prevent participants from taking any action. What counts as 'unrealistic' will differ per participant – but many already feel stretched as a result of everyday living costs. Even a 'small' change in pension contributions might feel out of reach, without seeming large enough to make a difference in the long run.

Targeted support even makes some accumulators worry about their mental health. They see worrying communications as irresponsible, especially if they fail to consider all factors, like additional personal pensions or other savings. More empathetic, human-touch routes, e.g. coming from the employer, might be needed to overcome this strong emotional reaction, which could be beyond targeted support's reach.

It will be a fine line to tread to alert participants to the risk of insufficient contributions without risking complete disengagement.

"

I think the answer is: don't make it specific to that person, but make it close to her circumstances, so she doesn't feel that they are pointing the finger at her, but she can relate to it

Accumulation, medium wealth

You don't know what her commitments are: she will not be able to give that 4% you have suggested so she thinks she is going to be in worse trouble

Accumulation, medium wealth

"

7.2. Specificity (single versus several options suggested)

Participants feel anxious about their pension, which for many is something important that they do not understand fully. The amount of information can overwhelm, as does the suspicion that there are unknown unknowns that they should worry about. They feel vulnerable and at risk of being sold to. All these factors increase their fear of making mistakes with their life savings.

To combat this fear, participants want to feel in control – and often, feeling in control means making one's own decisions. This line of thinking means participants express a nearly unanimous preference for seeing a range of suggested options, instead of a single, best suggestion.

Participants seek the outcome that is right for them but that they feel in control of making. This means a suggestion that is not pushed and does not feel like a sell.

Being directed into a single option that they might not understand can feel like handing over control over their life savings to their pension provider or adviser. Currently, they try to mitigate against losing their sense of control by saying they want to do more research themselves.

We prefer a range, because more choice is better

Accumulation, medium wealth

If you just give me one, I'd think they're directing me towards that. I'd want them to show me all the options and it is up to me to make my mind up. They need to tell me what they think but also tell me: 'If you do this, it is this much; or take this one, it is this much'

Accessing, lower wealth

However, the 'choice paradox' means many suffer paralysis and struggle to make a confident decision: this is something seen clearly in consumer responses to guidance, where they receive an unbiased range of options when what many really want is a steer towards one over the other possibilities. The additional effort required in choosing from a range often leads to delays or lack of confidence in the routes pursued. Current limitations of guidance will likely remain unresolved if targeted support offers a range:

A. **Research inertia**: Consumers say they want to go away and research each option in detail to decide what is right for them, but often put off such large, complex tasks entirely.

B. **Weighing priorities:** When faced with long lists of pros, cons, risks, and considerations, consumers struggle to assess how much each affects them.

C. **Choice overload**: Having multiple options can make it more difficult to make a decision – especially when fear of getting it wrong is so great. This leads to inertia and delays.

Consumers' sense of control likely needs to be preserved while targeted support guides them through complex choice architecture towards a simple, preferred suggestion.

The way the suggestion is presented can encourage confidence and steer decision making. 'Anchoring' is a principle in behavioural economics that means people place more weight on the first piece of information they receive. Everything else is then assessed in relation to that starting point, or anchor.

Targeted support can use this by providing consumers with a single suggestion for people with similar characteristics, explaining which assumptions go into the suggestion. Further links to tools and calculators can then help consumers assess how useful this suggestion is and how changes to their assumed characteristics affect their outcome. This ensures continued autonomy and provides more direction than current guidance offerings do.

Alternatively, the suggestions could show a top three, but present one more prominently than the others and explicitly state that this route is often right for people with similar characteristics.

Making it clear that the decision is non-binding will help potential users feel confident in dismissing or following the suggestion. Directing consumers towards further information can also give the assurance that they can do more research, without presenting them with an overwhelming amount to read and understand now.

7.3. Limited data (provider-only or consumer-supplemented data points)

7.3.1. Participant expectations of provider-held data are unrealistic

Participants' high and arguably currently unrealistic expectations of data quality and availability contribute to their interest in targeted support. They assume provider suggestions will be based on types of open-finance data or the type of information found by credit agencies.

This extends far beyond the data most providers hold (e.g. age, pension value, contribution, gender, normal retirement date), and even beyond data providers might hold (family information via beneficiary information, up-to-date retirement date). Many participants assume providers know about pensions with other providers, non-pension savings and investments, outstanding mortgages and property value, health issues, tax status, and other sources of income alongside one's salary such as the state pension or second properties.

Alongside these assumptions, the rise in AI and personalised marketing makes younger participants especially think that providers will be able to profile them based on risk attitudes or other personality factors.

Making it clear in the suggestion what exactly it is based on should mitigate against the risk that it is seen as more sophisticated and personalised than it truly is. The arrival of pension dashboards and more widespread use of open finance within pension apps should improve access to data over time.

"

I presume they hold her background information: whether she has relatives or children or not, whether she has a mortgage. I presume they know all that?

Approaching, lower wealth

"

7.3.2. Even with limited data, targeted support offers greater benefits than guidance

For the key questions – whether and how to withdraw one's pension – participants feel that personal data is crucial for the suggestion. However, even suggestions based on minimal data like age and wealth already gives them a framework for making their own decision. This goes beyond guidance's generic information and risk warnings, and helps them better assess which additional factors come into play for them and how heavily they weigh.

Figure 4: Data requirements

Question	Minimum data required Which types of data do participants see as crucial to give a targeted support suggestion?	Data for optimisation Which types of data are most participants happy to share?
Should you change your contributions?	Age; pension value; contribution level	n/a – participants feel confident they can fill in the gaps from other pensions or savings, although they appreciate how tools and projections help them play with scenarios.
Should you consolidate your pensions?	Other pensions, including benefits, charges, investment performance	Participants are happy to have a pension tracing & consolidation service attached to this if the answer to the question is 'yes'. Expectation among sophisticated minority that dashboards will help.
Which retirement product is most suited to you?	Other pensions; working status; age (and linked life expectancy); pot size	**Important:** Relationship status; dependents; outgoings (now and anticipated). **Desired:** Mortgage or renting; other income, including from other savings or rental property (especially if it helps to calculate taxes); risk appetite and capacity for loss.
Should you change your investments?	Fund details; risk profile; age	Participants expect providers to know fund suitability far better – limited engagement with investments so happy to follow provider's lead.
Should you take your Tax-Free Cash/cash in your pension?	Tax implications, especially if there is other income	Participants feel like the purpose of taking the money is crucial – but not the provider's business. They show limited willingness to share this.
Should you change from drawdown to an annuity?	Age; pot size; relationship status; other savings; risk profile	Health, especially if it leads to a better annuity rate

7.3.3. Participants mostly happy to share data if they see the benefit

Willingness to share more data is generally high when participants see how the more targeted suggestion would benefit them.

This willingness is greatest among participants with high trust and those open to marketing. They look for the greatest level of support and personalisation they can obtain for free, and are willing to share the information required to achieve that.

Consequently, they are happy to share anything that might shape the suggestion: other income or savings, current or anticipated outgoings, purpose of Tax-Free Cash, family situation, risk appetite, mortgage, health, et cetera. Additionally, many are happy for providers to hold on to this data if it means opportunities for more support later in their journey, both prompted and unprompted.

As trust decreases, providers need to work harder to show how the data is being used. Participants value a process of data exchange, where initial suggestions are based only on the data providers hold. If participants see both the value and the limitations of this suggestion, they might share further information, often starting with pension-related information first, moving into wider financial circumstances, and, for choices like retirement options, perhaps moving into personal circumstances beyond finances.

GDPR and data protection regulations mean that most participants feel safe about sharing this data with respected brands like reputable pension providers. Nevertheless, clarity about the purpose of individual data points in relation to the question at hand will increase the trust in the data exchange, as will comfort in the security of the channel being used.

However, participants want to make their own assessment as to the trade-off between privacy and personalisation. They want to be free to refuse to answer any questions. Especially those who distrust pension providers feel wary of sharing more information than necessary, and they want to be the ones to decide what they tell their provider.

8. Implications and Considerations

8.1. Use cases: likelihood and limitations

Demand for both outbound and inbound targeted support appears highest among consumers approaching and at retirement: they already seek help with understanding their options and are, to a certain extent, forced to engage if they want to begin decumulation. Many will want to complete their own research before committing to any suggestion.

Figure 5: Possible Use Cases

Outbound	Likelihood to engage	Barriers, concerns, and limitations
Change your withdrawal rate	★★★	Those who have recently started taking their money are most engaged and likely to open communications. If this comes once they are settled in their habits, they might ignore the message, especially if they suspect it contains bad news
Change your investments	★★	Low financial confidence and a status quo bias contribute to the assumption providers' defaults remain suitable, which reduces engagement. This becomes a greater risk in drawdown if investments are not reviewed
Annuitise in later retirement	★	This will need to stand out from annuity projections and be clear as a semi-personalised recommendation, not just information
Consolidate your pensions	★★	The easier this journey is, the more likely consumers will complete it, especially older accumulators thinking about retirement; even those open to consolidation might be put off by the requirement to collect information about their other pensions Likely to be seen as marketing similar to what they already receive: how will targeted support emphasise its semi-personalised benefits?
Increase contributions	★	This will struggle to break through: for most, it will be unwelcome news similar to marketing campaigns, and may be perceived to be driven by providers' commercial benefits

Inbound	Likelihood to occur	Barriers, concerns, and limitations
Choose retirement income options	★★★	Clearly explain data points underlying the suggestion: everyone's circumstances are different. Consumers need to know which factors are not included, to assess the relevance of the suggestion
Reconsider taking full tax-free cash	★★	Alongside misunderstanding the tax implications, these actions might have emotional or triggering causes, including fraud, financial precarity, or market volatility. Language needs to strike the right balance between non-alarming sympathy and making the risks clear
Reconsider taking your full pension		
Reconsider crystallising your investment losses		
Consolidate my pensions	★	Likelihood medium just before retirement but otherwise low If citing additional factors consumers should keep in mind not included in the suggestion, this is likely to seriously limit usefulness and fall into the same category as guidance: not telling consumers what is right for them
Do not pause your contributions	★	Reasons for pausing contributions might be emotional (financial precarity, unexpected circumstances). Communications need to be empathetic and offer a human route where possible

8.2. Key considerations

Targeted support is welcome and can make a positive difference, especially in the run-up to and at retirement. However, fundamental engagement and understanding issues mean this new support model will not be a silver bullet to the issues raised in the AGBR. We encourage the industry to consider the following factors that have emerged from the research, and that will influence the extent of demand should targeted support be made available:

- **Engagement**: Existing pension engagement will shape take-up and effectiveness, largely following the pensions engagement curve. This means that interest and take-up are likely to be highest at-retirement, as consumers have to contact their provider to make a decision. Targeted support faces the same hurdles of low pensions literacy, fear of scams, immediate financial priorities, and affordability concerns. Its current concept is not suited to address these in their entirety. To make this type of support work despite these factors, providers will need effective, innovative and impactful communication strategies that work very hard to justify relevance and urgency, and to overcome the well-known issues of pension engagement.

- **Trust:** Consumers need to believe providers have their best interests at heart to take the suggestions seriously. Engaging with and acting on the suggestions rely on high levels of provider trust. Without this, demand will plummet. While many will apply healthy scepticism to suggestions, willingness to trust and therefore provide further information will also affect how targeted the suggestions can be, and therefore, how valuable the outcome can be. While even suggestions based on limited data points will go further than guidance currently does, more data is assumed to lead to a more targeted outcome.

- **Say/do gap**: If asked, participants will say they want more support, especially if it's free: the question is how much they will use it or act on the suggestion. This includes likelihood to read, do follow-up research, and pay for advice: participants say they will, but often other priorities (time, money, interest) supersede pensions. Especially for outbound support, prompting action will be hard**,** and hardest when participants don't want to hear the news.
- **Simplicity:** Targeted support can and should simplify: reduce decisions, avoid jargon, and explain clearly what the suggestion means for the recipient, without overwhelming. Especially for inbound, at-retirement questions, this is vital to improve decision making. Adding too many caveats about further factors to consider will deter usage, confidence, and understanding.
- **Autonomy:** Participants' apprehension about long-term retirement planning heightens their fear of mistakes, scams, or (unsuitable) sales. This is a particular risk for outbound support. Targeted support should strengthen their sense of control. However, giving participants multiple options will likely maintain the limitations of guidance. To feel in control, participants need to understand why this suggestion is preferred, including data points used and sources for further information, like tools or advice
- **Data expectations:** Participants have unrealistic expectations of what providers know about them and how tailored the recommendations are likely to be for free. Upfront clarity about what is and is not included in the suggestion (possibly alongside an invitation to give more data for a more targeted suggestion) is needed to show the support's limits. Participant likelihood to share that additional data will depend on trust and perceived usefulness of an improved suggestion
- **Free:** The concept's principle of being free at the point of use is crucial. It means users have nothing to lose. Conversely, a charge may make consumers question the value provided, create an administrative and psychological blocker, and raise questions about affordability.
- **Distinctive:** Any outbound support of this kind needs to be clearly distinguishable from both pension scams and normal marketing communications. Emphasising the urgency of the suggestion, especially where harm is evident, will be important in driving engagement. Timeliness and relevance are also critical to achieving stand-out.

9. Appendix A – Technical Report

9.1. Methodology

The FCA commissioned NMG Consulting to conduct a qualitative research study among non-advised consumers whose DC Pension(s) is expected to form their main source of income in retirement, with the purpose of assessing the appeal, use cases, and limitations of targeted support for DC Pensions.

Given the above objectives, a large-scale qualitative approach was considered most appropriate: it delivers depth of insight and understanding at this early stage in the development of targeted support. Splitting the sample across four pension lifestages – accumulation, approaching retirement, accessing pensions, and decumulation – allowed for analysis across these very different need areas.

A combination of focus groups and one-on-one depth interviews provided both reach and depth. In-person focus groups increase the number of participants included and give space for group discussions and interaction. Alongside this, individual interviews give participants the opportunity to be more open about the personal topic of finances and provide the time for more detailed discussion.

9.2. Limitations

While the participants were recruited to contain a wide range of people from across the target population, it is not a statistically representative sample and does not show how widely these views are spread across the population. It also does not allow for robust analysis based on characteristics such as gender or financial confidence.

Given this research used qualitative-only methods, NMG has not been able to size or quantify in any way the level of demand and how it varies by different consumer cohorts. The results are therefore indicative of likely sentiment. In a qualitative study, we are not considering the statistical significance of differences, but rather the emergence of differences in expressed views or differences through analysis that can be substantiated by evidence from the interview or observational data, and so are likely to exist in the wider population.

Please note that participants in this research were recruited to match a particular profile that the FCA and NMG considered as the likely primary target market for the concept of targeted support, i.e. all non-advised DC Pension customers within certain wealth parameters. As such, we were not able to comment on the views of consumers that fall outside this profile, such as advised consumers.

9.3. Recruitment process

Research participants for the study were recruited by a recruitment agency experienced in the recruitment of financial participants. Participants were sourced in targeted locations, entirely on a free-find basis using a detailed recruitment screener to ensure they matched the profiles sought.

Recruitment was carried out using a structured recruitment screener. It included a full set of questions asking about the participant's pension product holdings, employment status, financial confidence, and vulnerabilities. Explanations of products were provided to ensure that participants were clear about the type of pensions in scope. Excluded from the study was anyone who works for or had worked for an organisation in the pensions or investment industries, in financial advice, in journalism, media, PR or market research. This is to provide a more 'lay' view on the topic rather than one potentially influenced by professional experience.

Despite these precautions and multiple quality assurance checks, low pension awareness led to the recruitment of two participants with only DB pension provision among the accumulating and approaching retirement audiences who believed at time of recruitment that they held a DC pension. These were re-recruited to ensure proper coverage of the audience most at risk: DC pension savers.

9.4. Sample and participant profiles

The research design encompassed a combination of eight focus groups and 20 depth interviews, reaching a sample of 74 participants. All participants were non-advised (have not received paid-for advice about their pensions in the last three years but can be open to advice). They all had to have a DC Pension as their main personal retirement saving (although could be alongside smaller DB pensions). Most had workplace pensions; a small number had personal pensions. All were joint or sole financial decision makers in their household. Other criteria used included:

- **Affluence** primarily determined by combined total of DC pension assets, plus overall investible asset values and household income levels, excluding anyone with over £500,000 of overall investible assets
- **Mix of financial confidence levels**, natural fall out among those with low to medium confidence levels in respect of pensions
- **Natural fallout of vulnerability** spread across the four categories (low financial resilience, low financial confidence, health and understanding difficulties, negative life events)
- **Gender:** Mixed but with a roughly 50/50 target
- **Geographical spread:** North, Midlands and South

Figure 6: Sample structure

Pension lifestage	Lower affluence 7 participants per group	Medium affluence 7 participants per group
Journey 1: Pension accumulation Age 25-53	**Group 1** Age 25-40 Lower total DC pot size (£5k-£30k) *No depth interviews*	**Group 2** Age 40-53 Medium total DC pot size (£30k-£100k) *+ 2 depth interviews*
Journey 2: Approaching retirement Not accessed any pension but intend to make a decision in the next 3 years Age 53-66 Minimum of 3 per focus group and 3 across the depths who intend to access pension in next 12 months	**Group 3** Age 53-66 Lower total DC pot size (£30k - £100k) *+ 3 depth interviews*	**Group 4** Age 53-66 Medium total DC pot size (£100k-£200k) *+ 3 depth interviews*
Journey 3: Accessing pension Accessed pension in last two years through any means (TFC/UFPLS/drawdown/annuity) Age 55-70 Minimum of 3 per focus group and 3 across the depths who have accessed their pension beyond TFC	**Group 5** Age 55-70 Lower total DC pot size (£30k - £100k) *+ 3 depth interviews*	**Group 6** Age 55-70 Medium total DC pot size (£100k-£200k) *+ 3 depth interviews*
Journey 4: In decumulation Ad hoc or regular withdrawals but not just TFC – focus on income drawdown, exclude annuitants Age 60-74, have started withdrawal	**Group 7** Age 60-74 Lower total DC pot size (£30k - £100k) *+ 3 depth interviews*	**Group 8** Age 60-74 Medium total DC pot size (£100k-£200k) *+ 3 depth interviews*

These pension lifestage definitions were created to best reflect the differences in pension engagement curve, with a focus on the at-retirement decisions, where pension savers face the greatest complexity and need for support.

Journey 1 (Accumulators) comprises of participants for whom pensions are purely savings vehicles. As this phase can span over four decades, participants were split into younger accumulators, with a lower wealth threshold to reflect their limited time to save into their pensions; and older accumulators, for whom pensions are becoming more tangible but remain still a few years away.

Journey 2 (Approaching) looks at the help consumers need in the preparation for their retirement income. Actual intent to use one's pension relatively quickly was expected to be a more important driver of need and engagement than whether a participant had received a Retirement Options Pack (age 50+) or was eligible to access their pensions (age 55+). To improve the incidence rate and reflect the prolonged process of pension decision making, groups contained both participants with 1 to 3-year horizons. To prevent the influence of 'decision closure', this group excluded anyone who had started taking their pension.

Journey 3 (Accessing pension) also looks at the at-retirement needs, but with the added lens that participants have gone through the process and experienced its benefits and limitations. Giving a two-year window for this activity improves the incidence rate while maintaining a clear memory of the decision-making process. As taking Tax-Free Cash is often a standalone decision that does not guarantee consideration to the long-term nature of decumulation, at least half needed to have used their pension beyond Tax-Free Cash, such as an annuity, or ad-hoc or regular income drawdown.

Journey 4 (In decumulation) examines ongoing management of drawdown, both ad hoc and regular, (rather than the 'completed' decision of an annuity).

Alongside these lifestage and pension wealth requirements, a broadly equal gender split was sought, and a mix of financial capability, with most self-assessing as low to moderate confidence and experience. 19 participants had self-stated vulnerabilities, including financial shocks such as reduced income; negative life events such as bereavements and relationship breakdowns; and ill-health including arthritis. 23 slightly disagreed that they felt confident their sources of income would provide enough to meet their financial needs, suggesting low financial resilience.

9.5. Fieldwork

Before commencing full fieldwork, NMG conducted a pilot with three depth interviews and one focus group to ensure clarity of the stimulus and discussion guides for the full fieldwork, and to flag any immediate risks

The pilot included depth interviews each for Journey 2, 3, and 4 each, and a focus group for Journey 3. The pilot took place on July 30th in a London viewing facility, with members of the FCA in attendance.

Following the pilot, additional stimulus was created (showcard 5, see section 9.5) to clarify how targeted support differs from guidance and advice. The language was updated from 'people like you' to 'people in similar circumstances to yours', along with minor changes to the discussion guide.

Pilot results are included in the analysis of this report.

Full fieldwork took place between August 5th and September 3rd. All focus groups took place in person and geographically split, with sessions in Bristol, Birmingham, Leeds, and St Albans. Depth interviews took place via Microsoft Teams and included participants across Britain. All were video and/or audio recorded.

All research was conducted by a small team of senior NMG qualitative researchers familiar with the UK pensions market and consumer behaviour.

9.6. Discussion flow

Participants were taken through a semi-structured discussion using an interview guide tailored to the journey, albeit with a consistent flow:

Warm up:
Engagement with pensions
Support sources used
Guidance and advice (supported by showcards 1-2):
Familiarity with concept, likely sources
Likely use cases
Experiences, including questions asked, benefits, limitations
Barriers and concerns
Targeted support: Principles (supported by showcards 3-5):
Initial response, including anything that is unclear
Comparison to advice and guidance
Possible use cases and how/why it differs from advice or guidance
Limitations
Pension provider as source: benefits, concerns
Alternative organisations that might offer targeted support
People in your circumstances: limitations; circumstances where this might not be sufficient
Targeted support: Variables (supported by showcards 6a-6c)
Per case study, this looks at:
Relevance of the situation
Limited information: • What might be included? • What should be included for it to be sufficient to help make a decision? • What additional, non-crucial information would improve the suggestion? • Willingness to give additional information, incl. how the channel affects this

Specificity:
• Likelihood to pursue suggestion • If offered a range, process for choosing which to pursue, including next steps • Preference for range versus single option
Instigator:
• How welcome is outbound targeted support? • Likelihood of instigating inbound targeted support • Likelihood of sharing data for inbound versus outbound targeted support • Channel preferences
Focus group only: Build your own targeted support (supported by Exercise card 1)
When it comes to the delivery of targeted support, which options are preferred, and which hold no appeal at all?
Wrap-up
The potential impact of targeted support on their pensions, incl. confidence, next steps, likelihood to seek advice
Likelihood to engage
Likelihood to follow suggestions
Final words/comments

9.7. Stimulus

Showcards 1a to 5 and Exercise card 1 were consistent across the different journeys. These were shown on screens during the sessions, and shared around in physical copies, to ensure legibility and allow participants to refer to earlier material. Definitions of all services were agreed with the FCA.

Support options available to individuals

Showcard 1a

GUIDANCE

Guidance provides generic, factual information. It aims to help you identify options and consider your choices

It has no personalised recommendations so will not tell you what to do or which product to buy: the decision is yours

Guidance can be offered by government-backed services such as MoneyHelper and Pension Wise, or by your pension provider. This could involve speaking directly with your provider or looking up information on your provider's website

Guidance is usually free unless otherwise stated

Support options available to individuals

Showcard 1b

FINANCIAL ADVICE

Financial advisers look at your personal circumstances and financial objectives, and recommend specific products to help you meet your needs. They base this on information they collect about you, typically through a fact find where they ask you questions about your finances, goals, and needs

You can take one-off advice or see an adviser regularly

Advisers charge a fee for the advice they give. It may only be given by regulated individuals or firms. Advisers are responsible for the quality and suitability of the recommendations they make, and you are protected should the advice given to you be unsuitable

Support options available to individuals

Showcard 2

	GUIDANCE	FINANCIAL ADVICE
What is its **key purpose?**	Inform decisions and identify options	Personal recommendation
Is it **free?**	✓	X
Is it **personalised?**	X	✓
Does it recommend **what I, personally, should do?**	X	✓
Where can I **access this?**	Your regulated pension provider or gov-backed services (MoneyHelper, Pension Wise)	Qualified, regulated financial advisers only

Support options available to individuals

Showcard 3

TARGETED SUPPORT

Based on limited information about you, your pension provider suggests a course of action or product that it considers to be broadly appropriate for people in similar circumstances to you

It would be provided by your pension provider as part of the ongoing service they offer. It is free at the point of use

It does not offer a personal recommendation and does not consider all your individual needs and circumstances

Support options available to individuals

Showcard 4

	Guidance	Targeted Support	Financial advice
What is its **key purpose?**	Inform decisions and identify options	Suggest products and courses of action for people in circumstances similar to yours	Personal recommendation
Is it **free?**	✓	✓	X
Is it **personalised?**	X	✓	✓
Does it recommend **what I, personally, should do?**	X	X	✓
Where can I **access this?**	Your regulated pension provider or gov-backed services (MoneyHelper, Pension Wise)	Your regulated pension provider	Qualified, regulated financial advisers only

Support options available to individuals: an example

Showcard 5

“ How can I get a stable income in retirement? ”

Guidance

Annuities give a guaranteed income for the rest of your life, which can increase with inflation if you so choose. Once you have bought an annuity, you can't reverse your decision

Many income drawdown products also offer regular withdrawals, which you can increase, decrease, or stop as you see fit. However, your money remains invested, and you might run out

Targeted Support

For people in your circumstances, who have stopped work entirely and value certainty of income in retirement, and based on aspects such as your pot size and age, we would suggest a lifetime annuity

This will provide you with a guaranteed income for the rest of your life. Once you have made the decision, it is irreversible

We've made this suggestion based on limited information we collected about you. This is not advice. You can speak to us to find out more; or if you think you need to speak to an adviser, we can help

Advice

Based on the information I collated about your personal and financial circumstances at our recent meeting, my advice is that you purchase a joint-life annuity

The main reason for this is that it would meet your objectives, in terms of your essential spending needs in retirement and the income needs of your partner. You have limited experience in investments and a very low capacity for loss

The full reasons for this recommendation are set out in my report

What would your ideal support look like?

Use your highlighter to mark your preferred option under each of these columns
Cross out with black pen any options that you would never use

Exercise card 1

Who starts it?	Who with?	How does it work?	What does it suggest?	How many suggestions?	What data do they base it on?
You The Targeted Support provider	Your pension provider An independent financial adviser Government services like MoneyHelper	Letter E-mail Face-to-face Videocall Phone call Live chat Website tool App	Course of action Specific product Both courses of action and specific products	Single action or product Range of actions or products	Information they already hold about you and your pension Additional information they don't have already about you and your pension Additional information they don't have already about your wider financial circumstances

Alongside this, each journey had case studies to reflect their likely usage of targeted support. These were shown and discussed individually.

Journey 1 (Accumulating)

6a	6b	6c
Charlie receives a notification through her pension provider's app: 'Find out in 5 minutes whether you're on track for the retirement you want' In the app, she answers some questions around the standard of living she would want in retirement, including around holidays and food Based on limited information, her provider indicates that she is not on track to achieve a moderate standard of living in retirement. Her provider suggests a level of contributions into her pension that would enable people like Charlie to achieve a moderate standard of living in retirement, based on information such as her pension charges and current pot size	Alex currently saves the minimum 8% of her income into her company pension. Based on a set of limited data points, her provider estimates that this level of contribution could result in a retirement income that is lower than people in Alex's circumstances might expect Alex's pension provider e-mails her to inform her that she is at risk of an inadequate income in retirement and suggests she increase her total contributions to 12% The provider also shows projections of the effect this change will have on her potential income in retirement, compared to keeping contributions at their current level	Dave logs on to his pensions account and attempts to stop his pension contributions completely His provider highlights the importance of pension saving and warns him that if he stops his pension contributions, he could be at risk of receiving an inadequate income in retirement His provider suggests an alternative level of contributions contribution. This reflects what people in circumstances like his should be saving to meet at least a minimum standard of living in retirement

Journey 2 (Approaching)

6a	6b	6c
Charlie is 50 and receives her provider's Retirement Options Pack, which explains what she can do with her pension in retirement. This includes a section on different lifestyles people might have in retirement, and the pension pot sizes needed for each of them The provider warns that she is not on track to reach a minimum standard of living in retirement. Additionally, using limited data points, Charlie's provider suggests an alternative level of contributions that would be more appropriate. This generally allows people in circumstances like hers to at least meet that standard	Alex is in her early 50s and has 5 small pension pots. She receives her annual statement from her provider. Inside the statement is a note saying that people with multiple pensions might benefit from combining them in one place to keep track and get better value The note invites Alex to complete a short series of questions on their website to understand if she would benefit from combining some or all of her pension pots Alex completes the questionnaire, and the provider suggests that it suitable for people in circumstances like hers to combine their pensions before retirement. It shows a few steps how she can do that herself. Additionally, Alex's provider confirms that Alex will not lose any guarantees from her previous pensions	Dave is aged 59 and self-employed. He saves into a pension with investments that he selected himself These investments are high-risk and likely to be volatile. This means there can be steep drops in his investments, even as Dave approaches his set retirement date, which means his investments might not have time to recover if they do go down Two months before his 60th birthday, Dave's provider sends a notification through their app or send an e-mail to Dave. Based on limited information, they inform him that his current fund may not be right for people in his circumstances. They suggest he switch to a less volatile or safer fund now that retirement is closer. This safer fund is appropriate for people in circumstances like his

Journey 3 (Accessing)

6a	6b	6c
Alex has just turned 55 and has been planning on taking her tax-free cash from her pension when she becomes able to When Alex logs into her pension portal, she opts to take the full 25% amount. Her provider asks her to complete a quick questionnaire to see if alternative options are more suitable to people in Alex's circumstances Based on a set of limited data points requested by Alex's provider through the questionnaire, the provider suggests it is more appropriate for people in circumstances like Alex's to take a lower amount of tax-free cash	Charlie took her tax-free cash a few years ago and is due to stop working in the next few months. Charlie is unsure about her retirement options and what she should do with her pension Charlie contacts her provider, who prompts her to give them a call. The call handler runs her through her options and asks for limited data points from Charlie, and asks how she would like to balance security and flexibility in retirement Based on Charlie's responses to these factors, the call handler suggests that drawdown is more appropriate for people in circumstances similar to Charlie's	Dave has a significant pension pot but struggles to understand how he should take his money. Dave would like to pay down his mortgage and leave some money to his children Dave logs on to his pension portal and decides to take the entire pension pot in one go. Based on limited data points already held by Dave's provider, Dave receives a pop-up message warning him of the potential tax implications of this decision Dave's provider informs him that this is not necessarily the best outcome. It suggests that it is more appropriate for people in circumstances like his to spread taking his pension over several tax years instead to avoid being unnecessarily charged tax

Journey 4 (Decumulation)

6a	6b	6c
Alex has taken her tax-free lump sum and is taking her pension at 10% per month, which means her pension would run out after about a year Her pension provider contacts her via e-mail. This e-mail warns her that the rate at which she takes her pension is potentially unsustainable. It explains how long the pension pot may last at that rate, compared to the average life expectancy for someone Alex's age Alongside these risk warnings, and based on limited data points about Alex herself, the provider suggests a potentially more sustainable withdrawal rate that would be appropriate for people in Alex's circumstances	Charlie holds most of her pension in high-risk investments, which can fluctuate heavily. At the point of a sharp downturn in the stock market, she wants to cash in most of her pension When she goes into the app to check her investments before making a decision, a pop-up appears. This pop-up tells her that the markets are currently very volatile and that taking her investments out now means she may miss out on market recovery and make her investment losses permanent The provider directs her to a short questionnaire about her current circumstances and suggests an alternative fund that, once the markets have become less volatile, would be more appropriate for people in her circumstances	In the run-up to Dave's 75th birthday, he receives an annual statement showing how his drawdown pension's investments have performed and how much he has withdrawn Underneath last year's performance, the statement points out that people in his circumstances, who are approaching 75 and have not received financial advice, might want to reduce their exposure to investment risk as they get older Dave contacts the provider to discuss this. Based on a short questionnaire, the provider suggests that annuities in later life are suitable for people in circumstances like his

9.8. Analysis

The analysis combined several proven qualitative techniques to uncover key themes, including analysis based on the evidence of what people said together with an interpretation of the underlying meaning and context. It compared findings from different journeys, together with observation and exploration of the language and stories used by the participants.

Throughout the fieldwork, the interviewers compiled notes of observations and emerging consistencies. Every interview and focus group was transcribed to provide a detailed record of what participants said. An interim findings report was shared with the FCA upon completion of the fieldwork, giving topline findings and discuss early implications. This provided a framework for a detailed thematic analysis using interview transcripts and interviewer notes. During the analysis process, emerging cognitive and emotional factors were considered, along with the influence of behavioural biases and heuristics.

The qualitative analysis process enabled comparison of factors that emerged during the analysis itself, such as the importance of provider trust as a dominant driver. This showed up more prominently than other factors, such as age, gender, or wealth, in participants' approach to targeted support.

Specific differences between journeys or trust levels, where they arise, are discussed within the body of the report where the differences were felt to be substantive enough to make comment. If no specific references are made to differences between subgroups, no such differences emerged during the interviews.

Thank you

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