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Retirement Outcomes Review: final report: annex 5

Non-Advised Flexi-Access Drawdown Pensions Customer Research

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Contents

Tables

Figures

Glossary

Accumulation	The phase during which a customer saves into a pension pot during his/her working career to build up a pension pot for their retirement.
Annuity	A form of insurance policy that customers can purchase with their pension pot at the point of decumulation. They will typically provide the customer with a guaranteed income for life, or for a fixed number of years.
Decumulation	The process of converting pension savings into a retirement income.
Defined Benefit (DB) Pension	A scheme in which the benefits are defined in the scheme rules and accrue independently of the contributions payable and investment returns. Benefits usually relate to members' earnings either throughout their time in the scheme or when leaving the scheme, and the length of pensionable service. Also known as 'final salary' or 'salary-related' scheme.
Defined Contribution (DC) Pension	A scheme in which a member's benefits are determined by the value of the pension fund at retirement. The fund, in turn, is determined by the contributions paid into it for that member, and any investment returns. Also known as a 'money purchase' scheme.
Flexi-access drawdown	When entering decumulation of a pension pot, customers can choose to opt for a flexi-access drawdown product. This involves investing a pension pot into a fund or funds, allowing the customer to access flexibly. Flexi-access drawdown providers offer a range of different investment funds, with different investment objectives, risks, and levels of charges.
Latent Class Analysis (LCA)	Statistical method for identifying unobservable subgroups or classes within a population, based on a set of categorical variables.
Non-advised	Sales made by firms that do not involve any personal recommendation and leave the customer to decide how they wish to proceed.
Pension Commencement Lump Sum (PCLS)	The lump sum of money you can withdraw from your pension pot tax-free from age 55. Customers can normally take up to 25% as tax-free cash, though some older pensions may allow more.
Pension Pot	The current value of assets in a defined contribution pension.
Pension Wise	A service targeted at non-advised customers aged 50 or older who are starting to think about their retirement income decision. It aims to provide tailored and independent information to customers about their options, free of charge.

Regulated financial advice	Financial advice that is paid for, or would be paid for if the customer took out a product.
Self-Invested Personal Pension (SIPP)	A pension 'wrapper' that holds investments until an individual retires and draws a retirement income. It allows individuals to make their own investment decisions from a range of investments approved by HM Revenue and Customs (HMRC).
The Pensions Advisory Service (TPAS)	The Pensions Advisory Service (TPAS) gives information and guidance to members of the public on state, company and personal pensions. It helps any member of the public who has a problem with their occupational or private pension arrangement. TPAS is an executive non-departmental public body, sponsored by the Department for Work and Pensions.

Executive summary

Since pension freedoms were introduced in April 2015, customers have accessed over a million defined contribution pension pots. Around two-thirds of the customers moved their pension into a flexi-access drawdown product and a third to an annuity.[1] The majority of drawdown customers took out their Pension Commencement Lump Sum (PCLS) at the same time. Flexi-access drawdown products offer customers flexibility in accessing their pension money while at the same time requiring them to make investment decisions many of them would not have had to make before. The FCA's recent Financial Lives Survey showed that many customers did not engage fully with their pension products and did not have a detailed understanding of what products they hold[2].

The Financial Conduct Authority (FCA) is currently conducting the Retirement Outcomes Review (ROR) to assess how competition in the retirement income market has evolved since the introduction of pension freedoms. The findings from the Interim Report of ROR showed that non-advised drawdown customers often went down the 'path of least resistance' when choosing a drawdown product and lacked the financial capability to make informed decisions about the investments in their drawdown product. The FCA is concerned that some customers are mostly interested in accessing PCLS and therefore do not engage with their investments in drawdown products, potentially leading to poor investment choices. The FCA commissioned this study to gather evidence in this area and to feed into the final ROR report.

The aims of this study are to understand:

- How engaged customers were in their investment decisions in drawdown; and
- Customers' needs in retirement, including what they plan to do with their pension pot once in drawdown, in the context of their wider wealth and potential sources of income.

The research focuses on customers who have not received regulated advice, as the FCA's ROR Interim Report identified these as customers at particular risk of making poor investment choices.

To meet this aim NatCen Social Research, supported by the Pension Policy Institute, carried out a mixed method study, which involved survey interviews with 1,005 customers and a further 25 qualitative depth interviews with a subsample of those customers. The customer sample was drawn from customer lists supplied by eight pension providers, making up around 65% of the market as a whole (note that therefore the survey may not be representative of the whole market). Two of the eight providers were Self-Invested Personal Pension (SIPP) providers[3]. Customers were eligible for the survey if they had not received regulated advice about their drawdown product, had not fully withdrawn the product, the value of the product was more than £10,000, and for products of £10,000-£30,000 no withdrawals had been made. Selected customers were first contacted to take part in a telephone or online survey. The sample for the qualitative depth interviews was drawn from the customers who agreed to be followed up during the survey.

Engagement with investment choice

Customers who buy a drawdown product can choose where their money is invested[4]. The range of choices they have depends on the drawdown product, but would usually include a choice of ready-made funds (put together by pension providers specifically for drawdown customers), investment funds and individual stocks and shares. Some customers can also choose to keep their money in cash. Different investments entail a

[1] Retirement Outcomes Review: Interim Report (2017). Financial Conduct Authority. URL: https://www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report.pdf

[2] Understanding the Financial Lives of UK Adults. Findings from the FCA's Financial Lives Survey 2017 (2017). Financial Conduct Authority, URL: https://www.fca.org.uk/publication/research/financial-lives-survey-2017.pdf

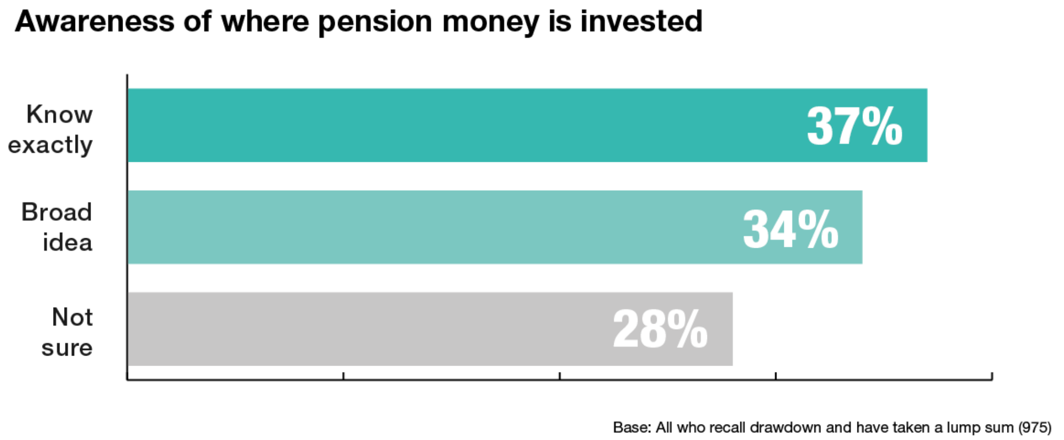
[3] SIPP or Self-Invested Personal Pension gives customers a greater choice of where to invest the money they have in the drawdown product, compared to products usually offered by life insurance providers.

[4] Some pension providers offer drawdown products where customers can invest in only one ready-made fund and therefore do not have a choice of investments. One of the eight providers in this study offered this kind of drawdown product.

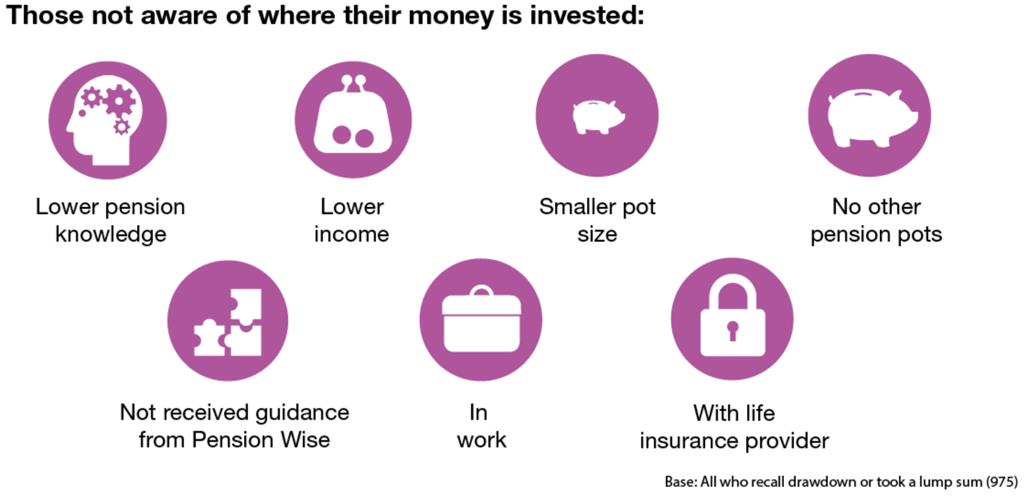
different level of risk and potential return, which need to be considered to make an informed decision. Given the complexity involved, customers who do not engage with the decision are at risk of making poor investments decisions.

In this study we use awareness of where pension money is invested as the primary measure of engagement with the investment decision.

Customers showed a mixed level of awareness of where their money was invested. While 37% said they knew exactly where their money was invested, 34% had a broad idea and 28% were not sure what their money was invested in, indicating a low level of engagement.



Customers who said that they did not know where their money was invested were more likely to show the following characteristics:



Of these, the most important factor associated with not knowing where their money was invested was having low pension knowledge.

By contrast customers with larger pots and SIPP customers, and especially SIPP customers with larger pots, were most likely to say they knew exactly where their money was invested in.

When looked at in the context of their wider pension portfolio, customers who did not know where their money was invested in and had other pension pots tended to have other pots that were larger than the ones they had taken to drawdown.

When we considered all characteristics together in the same model we found that customers with smaller pots, with life insurance providers, with low pension knowledge and no engagement with Pension Wise were significantly related to probability of not being aware of where the money was invested.

This links to how customers themselves explained their low awareness in qualitative depth interviews. There were three main reasons for not engaging with the investment decision:

- Feeling they had only a small investment that was not going to be central to their retirement income and that it was therefore not worth devoting more attention to it;
- Not being interested in investing;
- Not being confident in making investment decisions.

Some customers' lack of engagement is illustrated by the following quote from one of the qualitative depth interviews.

Understanding of how drawdown product is invested

"No, I don't care. I don't know. As long as it doesn't lose money, I will be satisfied".

Monitoring of drawdown investment

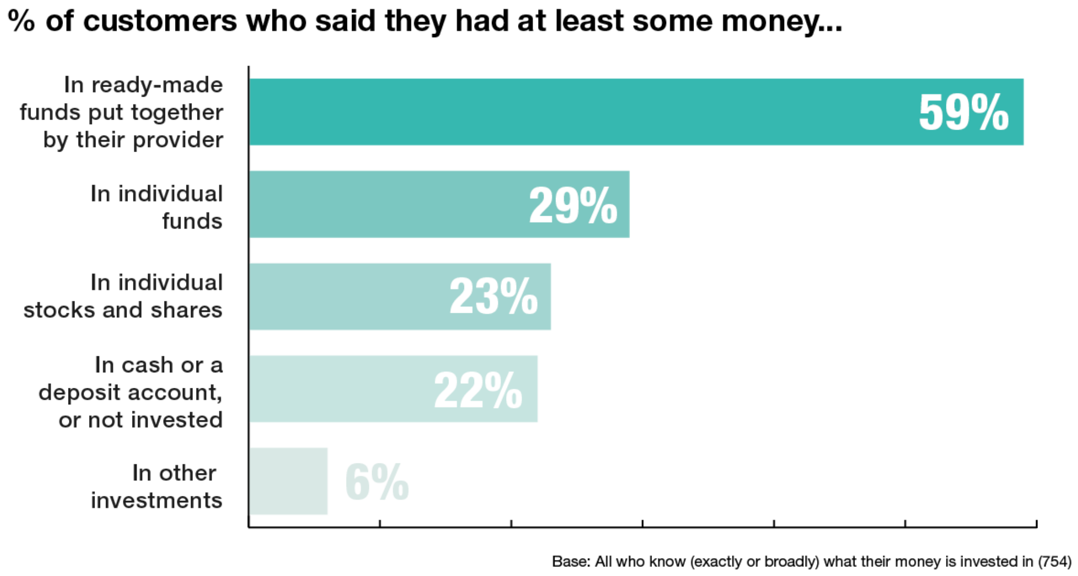
"I haven't looked at it. I don't know. It may be but I, I wouldn't investigate that. I consider it will, it will be most likely rubbish so I wouldn't have any high, high hopes. As long as I don't lose capital. If I lost capital, I would, and I will see that when the statement comes through."

Aged 60-64; working; £100k+ pension pot; non-SIPP, has a separate DC pension

Despite this, customers who knew they had made an investment decision reported a high level of confidence with their decision; with 4 in 10 (40%) saying they were 'very confident', and 57% saying they were 'fairly confident'. Confidence was higher for customers with other pension pots and those invested in individual funds. Some of this confidence may be due to a social desirability bias, as customers may not be willing to report that they were not confident.

Customers who said they knew where their money was invested said that they had invested at least some of their money in the following types of investments[5,6]:

[5] Note that we have not tested whether customers' awareness was correct.
[6] Customers could have their money invested in more than one type of investment, so percentages add to more than 100.



Furthermore, 7% of customers said they held money only in cash or deposit accounts. Such accounts are unlikely to benefit from exposure to stock market growth but are likely to be lower risk.

Risk of losing money on their investment was the most important factor for customers when considering their investment decision; with around half (52%) saying this was ‘very important’. A third (34%) said the return on investment was ‘very important’. Customers who said that both risk and return were either ‘important’ or ‘very important’ were asked which was more important. When responses to this question were taken together with respondents who rated risk or return highest, a majority (59%) said the risk of losing money on their investment was more important to them when making investment decisions than return on their investment. Ease of access was ‘very important’ for 45%, and charges were rated least important, with just a fifth (19%) saying these were very important for their investment decision.

Engagement with the investment does not end at making the choice between different investment options, but can also be indicated by monitoring how investments are subsequently performing. Our results show that 40% of customers had not checked how their investment was performing since moving into drawdown, although it should be noted that some customers would have moved to a drawdown product as little as 6 months before being surveyed.[7]

Checking performance itself encompassed a range of different levels of engagement, from looking at the annual statement at one end to logging into provider portal weekly to review investment performance.

Customers were less likely to check the performance of their investment if they:

- Had a smaller pension pot;
- Were with a life insurance provider;
- Were not retired;
- Had not invested in individual funds; and
- Had no other pension pots or only other defined contribution pensions.

While customers can actively manage their investments in drawdown products, only a minority (14%) had made any changes to their investments. Of those who had not made any changes, only 17% said they had considered this. An even smaller proportion had done something to explore these options; including speaking to their pension provider, and reading the financial press.

[7] The study included people who had moved into drawdown between April 2015 and May 2017, so the period during which they could have checked the performance varied from 6 months to 2 years and 7 months.

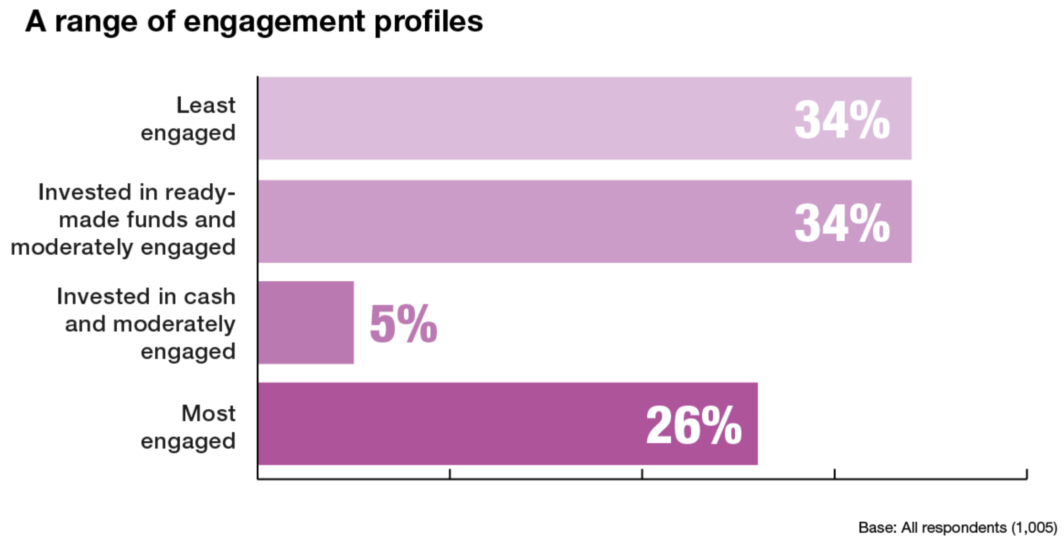
Customers tended to have at least one other pension, either with the same provider or a different one (77%), but only 11% had several drawdown products. Only a small proportion (3%) of customers surveyed had a non-advised drawdown product (either with or without other drawdown products) and had received regulated advice in relation to other drawdown products.

Customers with multiple non-advised drawdown products were asked whether their reasons for moving their other pensions into drawdown were the same as the reasons for moving the selected pension. We found that customers tended to move their pots to drawdown for the same reasons. They also tended to make similar investment decisions for all of their pots that were in drawdown.

Types of engagement with investment and drawdown product

In addition to engagement with the investment decision (awareness of where money is invested and checking investment performance), we also looked at how engaged customers were when entering drawdown. We asked respondents whether they were aware of having a drawdown product, whether they knew that they could change providers and their perceived awareness of fees charged by their provider. We combined the aspects of engagement with the decision to enter drawdown with the choice of investment (ready-made funds and in cash) to see whether there were groups of customers who had different engagement patterns.

We identified four types of customers with different engagement profiles[8]:



- **Least Engaged**. These customers were mostly aware of having a drawdown product, but they had a limited idea of where their money was invested or what their charges for the product were. Some customers in this group felt their pot was too small to warrant a higher level of engagement; others felt fatalistic about their investment decision or trusted their pension provider to look after their money. Customers in this group tended to be younger (aged 55-64), have a lower pot size, lower income, less pension knowledge and no defined benefit pension pots. Around a third of customers (34%) belonged to this group.

[8] We did this using Latent Class Analysis. This is a statistical technique that uses maximum likelihood estimation to identify latent classes in the data based on selected variables (in this case the engagement measures) and generates for each case a probability of belonging to a particular class. For analysis we assigned each case to a class with the highest probability. Some cases would have had a high probability to belong to particular class and low probability to belong to any other classes, while others may have had a similar probability to belong to two different classes. This means that there is variance within classes and some cases within classes are more similar to each other than others. The variables used to create classes are outcome variables of interest and not characteristics of cases. See Appendix A for further methodological description.

- **Medium Engagement, in ready-made funds**. These customers were more engaged with their drawdown product, particularly when it came to being aware of fees and checking the performance of their investment. This group stood out as having a high probability of investing in ready-made funds[9]. This group can be seen as choosing not to engage in detailed decisions about where to invest. These customers were also more likely to be with life insurance providers. Around a third of customers (34%) belonged to this group.
- **Medium Engagement, in cash**. This small but distinct group of customers had actively chosen to keep the money in their drawdown product in cash despite knowing it would not go up in value and often against the recommendations of others. They were the group most aware of where their pension money was invested, although they did have a lower level of self-reported awareness of fees. These customers were often with SIPP (Self-Invested Personal Pension) providers. 1 in 20 customers (5%) belonged to this group.
- **Most Engaged**. These customers were aware of being in drawdown pensions and the majority of them knew exactly what their money was invested in and what the fees associated with their product were. They were also most likely to have checked how their investment was performing. Customers in this group had larger pots, larger income, and were more likely to have other defined contribution and defined benefit pensions than those in other groups. Around one quarter of customers (26%) belonged to this group.

Engagement with decision to enter drawdown

The majority of customers (92%) we surveyed were aware that they had a drawdown product[10]. Most of them had moved into drawdown to get access to the PCLS and not because they were interested in the product in its own right. These customers had chosen drawdown products over annuities due to the flexibility offered by drawdown products and a belief that annuities offered a poor return on their investment. In fact to some customers, moving their money into a drawdown product felt like the only option available to them. Many customers had negative views of pension providers and were keen to take their money out of the system and have more control over it. Some would even have preferred to take out their whole pension but for the tax implications had put their money into a drawdown product instead.

Just over half of customers had received guidance on their decision to move to drawdown from their pension provider and slightly less than half from Pension Wise. Consulting Pension Wise was more common among customers who had lower or medium income, were life insurance customers and were in the Medium Engagement (ready-made funds) group.

Customers who move into drawdown can (and sometimes have to) shop around across different providers for drawdown products. In addition, customers can also change providers before moving to drawdown, although whether customers had done so was not captured in this survey. The ROR interim report found that customers who access their pots early without taking advice typically follow the ‘path of least resistance’, accepting drawdown from their pension provider without shopping around.

Results of this study paint a similar picture: while the vast majority of customers were aware that they could change providers when moving to drawdown (89%), the proportion that reported actually changing providers was considerably lower at 19% of all customers in this sample. Another 19% had considered changing providers but had decided to stay with their provider. This means that half of customers were aware that they could change providers, but did not consider it, suggesting that a large proportion of customers drift into having a drawdown product with their current provider.

[9] These are funds that are put together by providers specifically for drawdown product customers and can comprise of several individual funds and other investments.
[10] We described to customers what a drawdown product is and asked them whether they had this type of product.

Awareness of other providers

89%

of customers knew they could shop around for a provider

19%

of customers moved to another provider

Base: All who recall drawdown or took a lump sum (972)

The main reasons respondents gave for not considering changing providers were being satisfied with their current provider and finding it easier or quicker to stay with them. These two factors were interrelated, with qualitative depth interviews particularly revealing a ‘better the devil you know’ attitude among some customers. Some customers did not think there was much difference between pension providers and therefore did not think it was worth the hassle to change providers, or to even look into changing.

The fees charged by providers of drawdown products can have different structures and levels. The perceived awareness[11] of what these fees were varied among non-SIPP customers:

- 46% said they knew exactly what the fees were;
- 32% had some sense of what the fees were; and
- 22% did not know what the fees were.

Lack of self-perceived awareness of fees was more prevalent among those with smaller pots, lower pension knowledge, those with no other pension pots and customers who had not engaged with Pension Wise.

22% **of customers said they did not know what the fees or charges associated with their product were**

Base: All who recall drawdown or took a lump sum (not SIPP) (460)

Current use of drawdown product

Despite mixed levels of engagement with the investment and drawdown product, an overwhelming majority of customers were satisfied with their decision to move to drawdown, which is likely to be a consequence of having recently received the lump sum and likely investment growth. Qualitative depth interviews showed that the ability to take control of their money was an important source of satisfaction for some customers.

Drawdown products allow customers to access their pension money, including taking a regular income or making one-off withdrawals. Yet only 2 in 5 (39%) customers with pension pots worth at least £30,000 had withdrawn money since moving into drawdown (which would have been between 6 months to 2 years and 7 months earlier). 38% of those with money in cash or in a deposit account took money as and when they

[11] Note that this question captures whether customers think they know what the fees are. It does not assess whether this perception is accurate.

needed to, compared with 18% who held some money in cash but also had money in other investments, and 22% of those without any money in cash.

A majority of customers who had not yet withdrawn from their drawdown product said they had plans to do so in the future (71%).

SIPP customers

We were interested to see how the behaviour of customers with SIPP providers differed from life insurance customers. SIPPs, by definition, arguably place more emphasis on customers selecting their own investments, so it could be that customers who choose these products are more engaged with their investment decision and drawdown product more broadly or become more engaged after being exposed to the product.

Our results show that SIPP customers were indeed more engaged with their investment decision: 77% of them knew exactly where their pension money was invested compared to 29% among life insurance customers. Although there was still a minority of SIPP customers who were not engaged and did not know where their money was invested (11% of SIPP customers, compared to 32% among life insurance customers). SIPP customers were also more likely to have checked their how their investment was performing and to have changed providers when moving into drawdown, often actively seeking out SIPP providers.

Limitations

The results of this study relate to customers who entered drawdown in the first two years after the introduction of pension freedoms. We found that for many customers the pension they entered into drawdown was not likely to be their main source of income in retirement, as the pots were relatively small and customers had other sources of income, such as defined benefit pensions. Over the years defined contribution pensions have become more prevalent and defined benefit schemes have become less common. This means that when younger generations become able to exercise their pension freedoms, the pensions they potentially have access to are going to be much more central to their retirement income.

1. Introduction

1.1 Background

In 2016 the Financial Conduct Authority (FCA) launched the Retirement Outcomes Review (ROR), with the aim of assessing how competition in the market has evolved since the introduction of pension freedoms in April 2015.

Pension freedoms gave customers aged 55 or over much more flexibility in accessing their defined contribution (DC) pension savings. The amount customers can get from a DC pension depends on how much was paid in and how the investment has performed. When customers decide to decumulate their DC pension they have an option of taking a Pension Commencement Lump Sum (PCLS), which is a tax-free payment from the pension of up to 25% of its value. Before the introduction of pension freedoms, most customers who took PCLS had to buy an annuity with their remaining pot. Now customers can instead choose to move the remainder of the money into a flexi-access drawdown product[12] that allows customers to withdraw money from their pension either regularly or occasionally[13]. The money in the drawdown product can be invested in funds[14], stock and shares or in cash. There are a number of drawdown products on the market offering different investment options and fee levels. Since the introduction of pension freedoms, drawdown products have substantially increased in popularity, overtaking annuities[15].

The Interim Report from the Retirement Outcomes Review, published in July 2017, found that competition in the drawdown market was likely to be ineffective: most non-advised drawdown customers did not shop around for drawdown products. Further, the Interim Report suggested that some customers did not have the financial capability necessary to make informed investment decisions for their drawdown product or were not sufficiently engaged in the process to make suitable choices. The interim report also showed that the proportion of customers who entered drawdown without getting regulated financial advice rose from 5% before April 2015 to 30% after the introduction of pension freedoms. Regulated advice is likely to help customers make better decisions, so the rise in non-advised drawdowns suggests that the risk of poor decision making is also increasing.

Buying a drawdown product, and particularly making investment decisions within the product, can be complex and unusual for customers who have not had to make these kinds of decisions before. There is a risk that customers, particularly those who entered into drawdown with the main aim of accessing the tax-free lump sum, and without regulated advice, may have low levels of engagement with the investment and of understanding the decisions that they make. This has been borne out by previous research with customers who fully withdraw their pensions without regulated advice, which showed that most of these customers did not shop around for different options and tended to go down the path of least resistance by staying with their current provider[16].

1.2 Aims of study

NatCen Social Research and the Pensions Policy Institute were commissioned to conduct research with non-advised customers about their drawdown product investment decisions. The specific aims of this study are to understand the following about the non-advised customers[17]:

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[12] We will refer to 'drawdown product' in the rest of the report for simplicity.
[13] For some customers, particularly those with a Self-Invested Personal Pension, moving to drawdown may appear as an option within their pension product and not as a separate product.
[14] Funds include individual funds and ready-made funds. Ready-made funds are put together by drawdown product providers from different investments products and are often based on customers' retirement plans or risk profile.
[15] FCA analysis of FCA retirement income market data collected from 56 providers, October 2015 - September 2016.
[16] Retirement Outcomes Review Interim Report: Annex 4. Consumer Research for Fully Withdrawn Pension Pots (2017). URL: https://www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report-annex4.pdf
[17] The results cannot not be generalised to advised customers, who may behave differently.

- How engaged customers were in their investment decisions in drawdown; and
- Customers' needs in retirement, including what they plan to do with their pension pot once in drawdown, in the context of their wider wealth and potential sources of income.

This study, in combination with other strands of research, will allow the FCA to assess whether customers are making poor investment decisions which could lead to financial harm. This will feed into the FCA's Retirement Outcomes Review.

There is no previous detailed research in this area, so this study is essential in shedding light on customer behaviour and outcomes.

Given the aims of the study, the main focus of the report is on customers' engagement with the investment decision. This section is therefore presented first, followed by discussion of the rest of the customer journey.

1.3 Methodology overview

This report is based on findings from a mixed method research study. The strands of research were:

- Large telephone and web survey with non-advised drawdown customers, which achieved 1,005 complete interviews and was designed to measure the proportion of customers with different level of engagement;
- Follow-up qualitative depth interviews with 25 survey respondents to provide a more nuanced understanding of customer engagement and reasons for behaviour.

The population of the survey were customers of 8 pension providers (comprising about 65% of all drawdown customers) who had moved their DC pension into a drawdown product between 1 May 2015 and 1 May 2017 and had received no regulated financial advice[18] on their decision to enter drawdown. Customers with pension pots between £10,000 and £29,999 were included only if they had not made any withdrawals from their drawdown product[19]. Customers with pension pots smaller than £10,000 were excluded from the study. For the survey a stratified random sample was drawn from the list of eligible customers. The sample was stratified on provider type (SIPP vs. life insurance providers) and pot size, because engagement and risk of harm was expected to vary on these dimensions.[20] For customers who had more than one drawdown product, one of these was randomly chosen for the interview.

Customers selected for the sample were then sent an advance letter (or email where a postal address was not available), giving them an opportunity to opt out. Customers for whom we did not have a phone number were also at the same time invited to take part in a web survey. Customers for whom a phone number was available were contacted by a telephone interviewer to take part in a telephone survey. At the end of the survey interview, customers were asked whether they would be happy to be contacted for qualitative depth interviews.

A group of customers were selected to take part in a qualitative depth interview from those who agreed to follow up, using purposive sampling. The aim of purposive sampling in qualitative research is to make sure that key characteristics, relevant to the study in question, are represented in the sample. This ensures there is sufficient diversity in the sample to seek to capture a range of views and experiences of the population in question (as opposed to a survey sample, where statistical generalisation of the population is the aim). In this research study, the primary sampling criteria were:

- Engagement with investment drawdown product, as measured by answer to the survey question; and

[18] We focused on non-advised customers, as the ROR Interim Report identified these customers as being at a greater risk of harm.
[19] With the exception of one pension provider, where information on withdrawals was not available. For this provider all customers with pension pot of £10,000 to £29,999 were included.
[20] In particular, larger pots can form a greater proportion of a customer's retirement income, and so investment decisions can risk greater harm. SIPP (Self-Invested Personal Pension) customers can be expected to be more engaged, as their product requires a greater involvement in investment decision before entering drawdown.

- Drawdown pension pot size.

Qualitative depth interviews were conducted in-person and over the phone.

Further details about the methodology can be found in Appendix E.

1.4 Reporting conventions

The information presented in this report uses data that has been weighted to take account of technical issues such as sample design and non-response.

Many of the charts in the report relate to questions with mutually exclusive responses, for example customers' awareness about fees relating to the drawdown product. In these tables the percentages will generally sum to 100; however, there may be some instances where percentages will not sum to exactly 100 per cent because of rounding. In addition, where the survey question allowed multiple responses, (i.e. the sources of information used when making the investment decision) the percentages will not sum to 100. Some respondents did not respond to all questions. As a result, the unweighted sample size for tables and figures that refer to all customers can be smaller than the total number of interviews (1,005).

The tables use the following notations:

Base	The unweighted number of customers included in a table (a base) presented in all tables.
0	Percentage value is greater than 0, but less than 0.5, which is rounded down.
	Frequencies based on less than 30 cases are not robust and have not been included in the report.
	Frequencies based on 30-49 cases are less robust and have been presented in brackets.

Statistical significance was tested using logistic regression for complex samples (that is samples that use stratification or clustering), separately for each category of the dependent variable. It is possible that some of the dependent variables (i.e. categories of respondents) are related to each other as well as to the substantive variable of interest (for instance, older customers are more likely to own their residence out right and to be retired). This means that some characteristics that appear significant in the bivariate analysis would not be significant if all of the characteristics were considered together. This can be achieved using regression analysis, which has been included for the key measure in the report, i.e. awareness of where money is invested.

All the differences cited in the text or presented in the charts are statistically significant at the 5% level.

2. Profile of surveyed non-advised drawdown customers

Section summary

- Three-quarters of surveyed drawdown customers were aged 55-64, suggesting that many will have accessed their pension pots before the state pension age.
- More than half of customers in the survey were in work.
- Only 1 in 20 had a pension pot that was worth £200,000 or over.
- A quarter of customers did not have any other pension pots in the household.
- Around half of surveyed customers had a defined benefit pension available to them in the household.
- The customers surveyed were varied in their financial situation. However, for many customers, the drawdown product we asked them about was not a major part of their retirement income.

Moving to a drawdown product and making investment decisions will mean different things to different types of customers, depending on their personal and financial situations. For example, for those who are younger (aged 55-64) and still working there may be very different motivations and requirements for moving to drawdown compared with an older individual. Similarly someone who has a single pension pot may have a different approach to someone who has other pension pots and assets. In this section we describe who the non-advised drawdown customers included in this survey are, by exploring both their main socio-demographic characteristics and their wider financial situations.[21]

2.1 Socio-demographic profile

Customers can take out a tax-free lump sum from their pension pot from the age of 55 onwards. There is no upper age limit, but older customers are more likely to have accessed their pension pots before the pension freedoms were introduced. This is borne out by the profile of customers in the survey:

- Three-quarters (74%) were aged between 55 and 64; and
- A quarter (26%) were aged 65 or over (Figure 2-1).

Reflecting the age profile, around half of the surveyed customers (53%) identified themselves as working either full-time or part-time, while 2 in 5 (39%) were retired. Only 8% were not working for some other reason (for example, they were caring for a family member). The high proportion of economically active customers in the survey suggests that a substantial proportion of people who have entered drawdown are not (yet) using the drawdown product as an income to fund their retirement.

A third (33%) of customers in the survey were degree educated, while a further 28% had A-levels or equivalent. Around a fifth (21%) were educated to GCSE level or equivalent. Only a tenth (10%) had no qualifications.

Related to this is the measure of pension knowledge we use throughout this report. We asked customers four true/false questions about pensions, and put them into three groups based on their responses:

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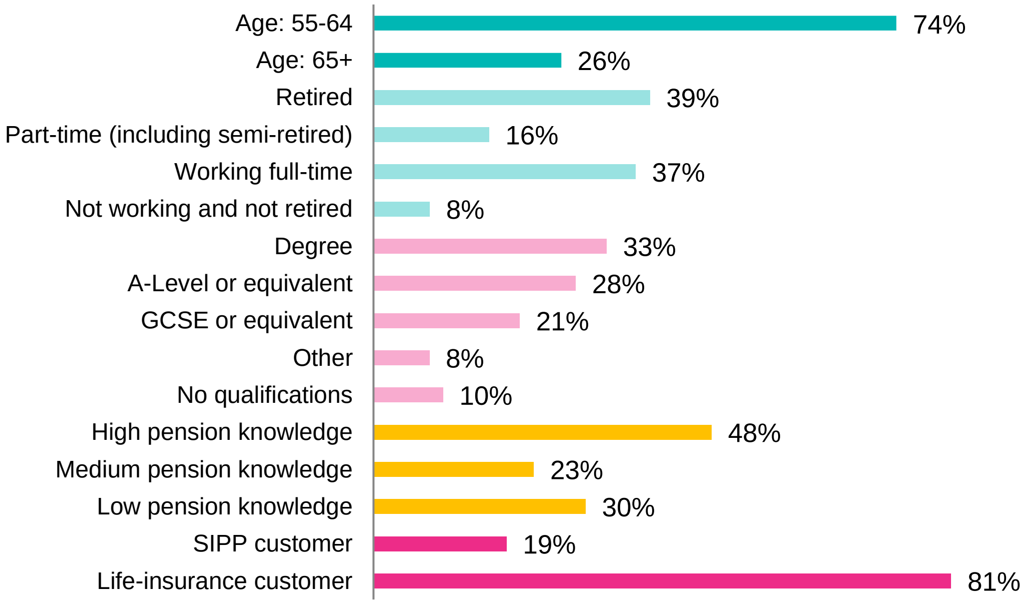
[21] As noted in1.3 Methodology overview above, respondents to this survey were sampled from customers of the 8 largest pension providers; see the Sampling description in the Technical summary in the appendix to this report for further information about the sampling.

- High level of pension knowledge – 4 questions correct
- Medium level of pension knowledge – 3 questions correct
- Low level of pension knowledge – between 0 and 2 questions correct

Almost half (48%) were in the higher pension knowledge group, around a quarter (23%) in the medium pension knowledge group, while just under a third (30%) were in the low pension knowledge group.

Customers were sampled from eight pension providers, which we categorised into two distinct groups where it was felt there might be differences across customers. A majority of the surveyed customers (81%) were customers of life insurance providers, who offer both pension insurance and investment products. A fifth (19%) were customers of SIPP (Self-Invested Personal Pension) providers, who offer only investment products (although it should be noted that SIPP customers were oversampled in order to obtain enough SIPP customers to be able to make inferences about this group).

Figure 2-1 Socio-demographic characteristics of non-advised drawdown customers surveyed



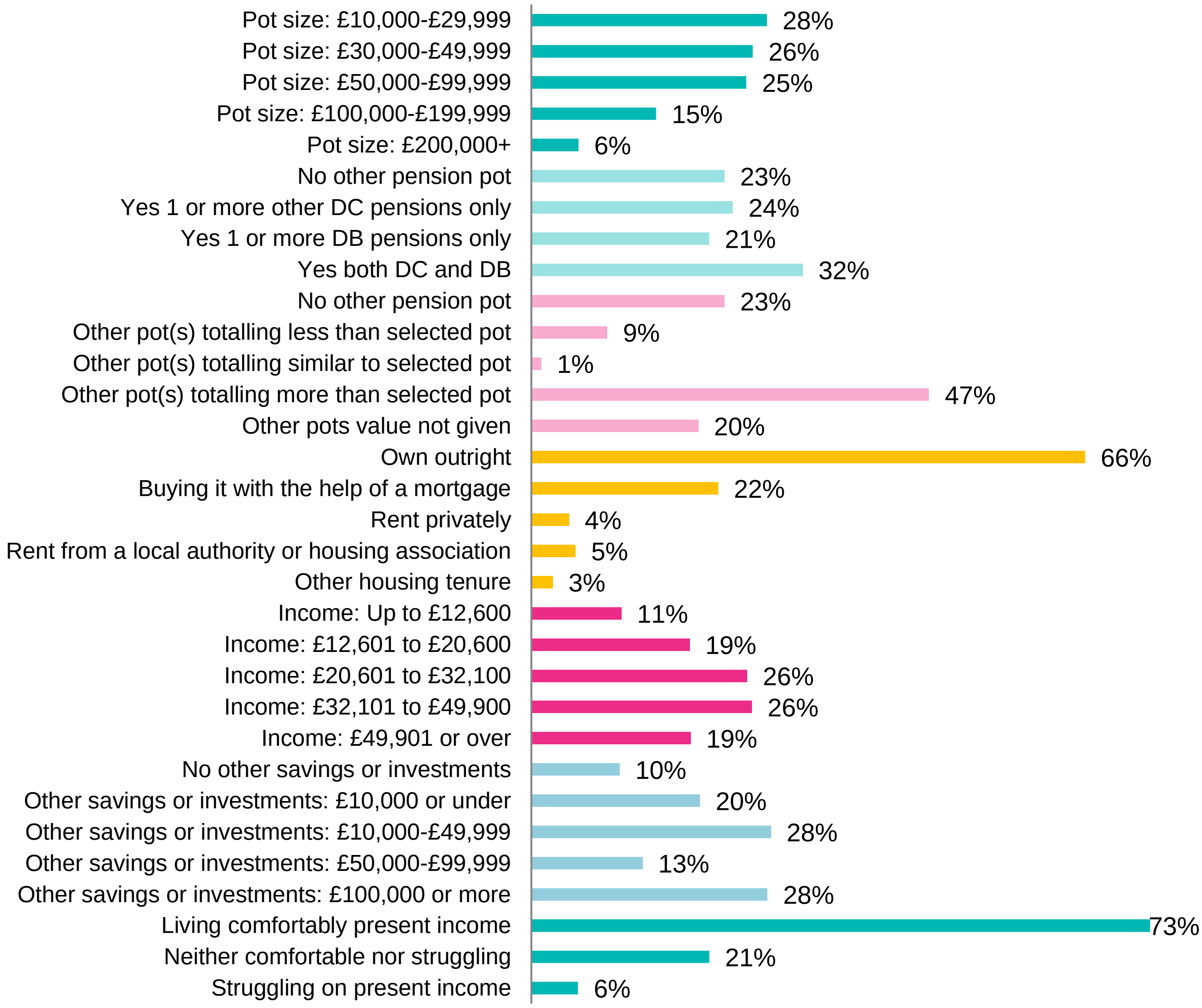
Base: All respondents (1,005)
See ***Error! Reference source not found.*** *for covariance between these variables*

2.2 Financial situation

Close to half of the customers surveyed (54%) were interviewed about a pot that was worth less than £50,000.[22] 1 in 20 (6%) had a pot that was worth £200,000 or more (Figure 2-2).[23]

[22] The Interim Report found that overall 64% of DC pots accessed were under £30,000 (Retirement Outcomes Review: Interim Report (2017). Financial Conduct Authority. URL: https://www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report.pdf)
[23] It should be noted that only pots of £10,000 or more were sampled. Pots of £30,000 or more were oversampled (see Sampling section in Technical summary in the appendix to this report), but this oversampling was corrected for in the weighting.

Figure 2-2 Financial characteristics of non-advised drawdown customers surveyed

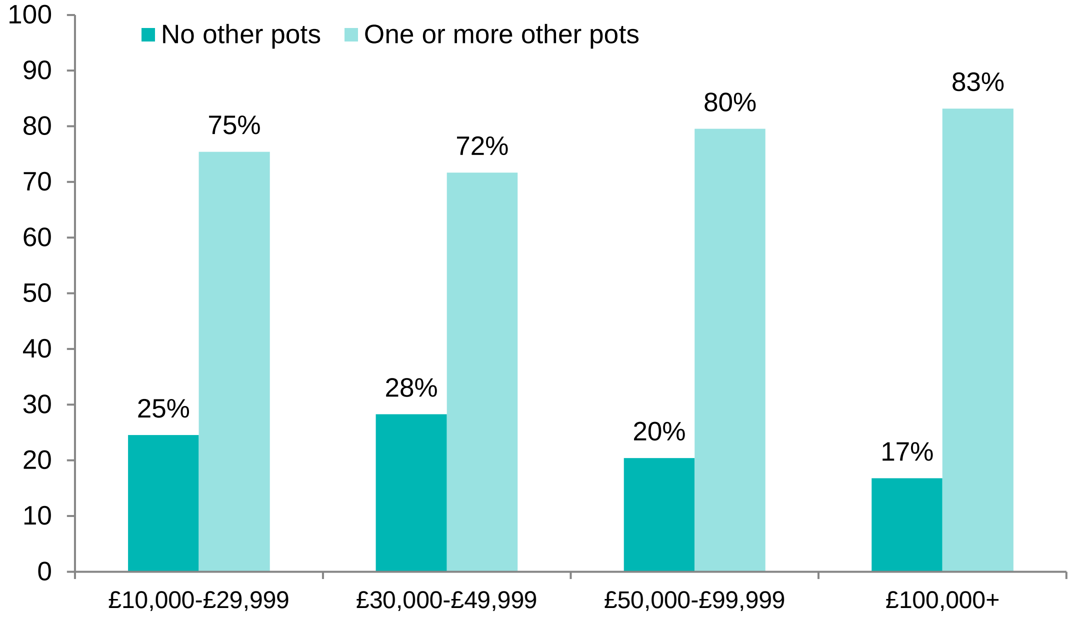


Base: All respondents (1,005)
See ***Error! Reference source not found.*** *for covariance between these variables*

Around a quarter of customers in the survey (23%) did not have any other pension pots in the household besides the one that they had entered into drawdown. This group generally had lower incomes and fewer financial assets compared to those with one or more other pension pots. Almost half (49%) of those with no other pots had an income of £20,600 or lower, compared with a quarter (24%) of customers with other pensions pots.

Those with smaller pots were more likely to have no other pension pots; 25% of those with pots of £10,000-£29,999, and 28% of those with pots of £30,000-£49,999 said they had no other pension pot, compared with 17% of those with pots of £100,000 or more (Figure 2-3).

Figure 2-3 Pot size, by whether has another pension pot



Base: All who recall drawdown or took a lump sum (975)

Surveyed customers with no other pots were also less likely to own their home outright (59% compared with 68% of those with other pots) and were more likely to have no money in other savings and investments (20% compared with 8% with other pots).

Most of the surveyed customers, however, did have other pension pots within the household[24]. More than half (53%) had at least one defined benefit pension, either on its own or in combination with defined contribution pensions, while a quarter (24%) had at least one other defined contribution pension but no defined benefit pensions. Pension income from defined benefit schemes is likely to be higher compared to defined contribution schemes, so offer greater security for retirement[25]. For a majority of customers in the survey (60%) the pension pot they entered into drawdown was smaller than the rest of their pension pots combined.

This in combination suggests that for many surveyed customers the pension they entered into drawdown was not a major part of their retirement plan, because it was either small or they had other more substantial pension pots available.

For many of the surveyed customers, private pension pots formed only part of their plan for retirement. When asked about expected sources of income at retirement, 90% mentioned the State Pension, 59% mentioned savings or investments, 23% mentioned employment and 17% rental income. There were notable differences between those with and without other pension pots; the vast majority (93%) of those with other pension pots mentioned private pensions, compared with under three-quarters (72%) of those with no other pots. Those with no other pots were also less likely to mention savings or other non-pensions investments (45%, compared with 64% of those with other pension pots).

Plans for retirement may also include reduced living costs and a secure place to live; a vast majority of customers owned their home either outright (66%) or were buying it with the help of a mortgage (22%). Predictably, the proportion of those owning their own home outright increased with age.

[24] Here and in the rest of the report we always refer to pension pots that are available to respondent and their partner.
[25] Defined benefit schemes have become less common over the years, which means that future generations will need to rely more heavily on defined contribution pensions.

Around half of the customers in the survey (55%) had a total annual gross household income of £32,100 or less, while 19% had a household income of £49,901 or more. Income tended to be linked to pot size, 64% of those with pots of £10,000-£29,999 had incomes of £32,100 or less, compared with just 24% of those with pots of £200,000 or more. However note that many customers with smaller pot sizes had additional larger pots. As mentioned above, those with no other pots also tended to have lower incomes.

Most of the surveyed customers had other savings aside from their pension pot(s); a fifth (20%) had savings or investments of £10,000 or less, 28% of £10,000-£49,999, 13% of £50,000-£99,999, and 28% of £100,000 or more. Only 10% said they had no other savings or investments.

Most felt positive about their current financial situation. Around three-quarters (73%) said they were 'living comfortably' or 'really comfortably' on their present income, while around a fifth (21%) were neither comfortable nor struggling, and 6% said they were struggling.

3. Engagement with investment choice

Section summary

- We considered that customer awareness of where their money is invested is a key indicator of customers engaging with their investment decision. Not engaging puts customers at risk of poor investment choices.
- Over a quarter (28%) of customers did not know where their pension money was invested. 34% said they had a broad idea and 37% said they knew exactly.
- Customers with smaller pots, no other pensions, lower income, still at work, and with a life insurance provider were less likely to know where their money was invested. These customers were also more likely to have low pension knowledge. Low pension knowledge was the factor that was most strongly related to not being sure where pension money was invested.
- Key reasons for not engaging were:
    - Having a small pot that was not central to retirement income and thus not worth the effort;
    - Not being interested in investing; and
    - Not being confident in making investment decisions.
- Almost 6 in 10 customers reported investing in ready-made funds; 3 in 10 in individual funds and a quarter in stocks and shares.
- Over 1 in 5 said they were keeping at least some of their money in cash or a deposit account, and 7% said they were holding all of their money in cash or a deposit account.
- When making investment choices, return was more important to customers who were more engaged, while less engaged customers tended to consider risk more important.
- Almost all customers said they felt confident in their investment decision; 40% said they were 'very confident', while 57% said they were 'fairly confident'.
- Around two-thirds of customers said their main source of guidance when making the investment decision was their pension provider. Slightly less than half had used a general internet search and a third had used financial media.
- Two-fifths of customers said they had not checked how their investment was performing.
- Customers with smaller pots, those with a life insurance provider, not invested in individual funds, not retired and those with no other pensions or only other DC pensions were less likely to check their investment. Customers who check how their investment is performing may be more engaged than those who do not, although it is worth noting that many customers may have justifiably not checked their investments over the relatively short period that they have been in drawdown.
- Just over 1 in 10 customers had made changes to their investment since entering drawdown. The majority of customers reporting had not considered changing their investments.
- While three-quarters of customers had other pension pots, the majority had not taken other pensions to drawdown, and where they had the decisions they made were similar across all pensions.

The ROR Interim Report highlighted that many non-advised drawdown customers choose the 'path of least resistance'[26]; rather than shopping around to find the most suitable product, a large proportion of customers will accept the option they are offered by their provider. This could indicate a level of disengagement with provider and product choice, but what needs further investigation is whether this lack of engagement is carried through to the customer's choice of investments. A key question for this research therefore is to understand how far customers are aware of and engaged with how their money is invested once they have moved to a drawdown product. A lack of engagement with investment decisions has the potential to lead to harmful outcomes for customers, such as making investment choices that are unsuitable for their situation.

In this section we explore the extent of customers' awareness of where their money is invested, how they made their investment decisions and their feelings towards the investment decisions made.

3.1 Awareness of what money is invested in

We asked customers to indicate whether they "know exactly", "have a broad idea" or are "not sure" what their money was invested in. We considered this is a key measure for understanding customer engagement with their investments; while not a strict indication of knowledge (we did not test customer knowledge of their investments against how their funds were actually invested), it provides a measure of a customer's certainty of their investments. We felt that customers who were not sure where there money was invested were likely to be disengaged from the decision, whilst those who thought they knew exactly were more likely to be engaged.

We found that customer awareness of what their drawdown pension money was invested in was mixed; while 37% said they knew exactly where their money was invested, and 34% felt they had a broad idea, 28% were not sure where their money was invested.[27] This indicates that there was a significant minority of customers who had not engaged with their investments at all, or at the very least did not recall fundamental information about their investment.

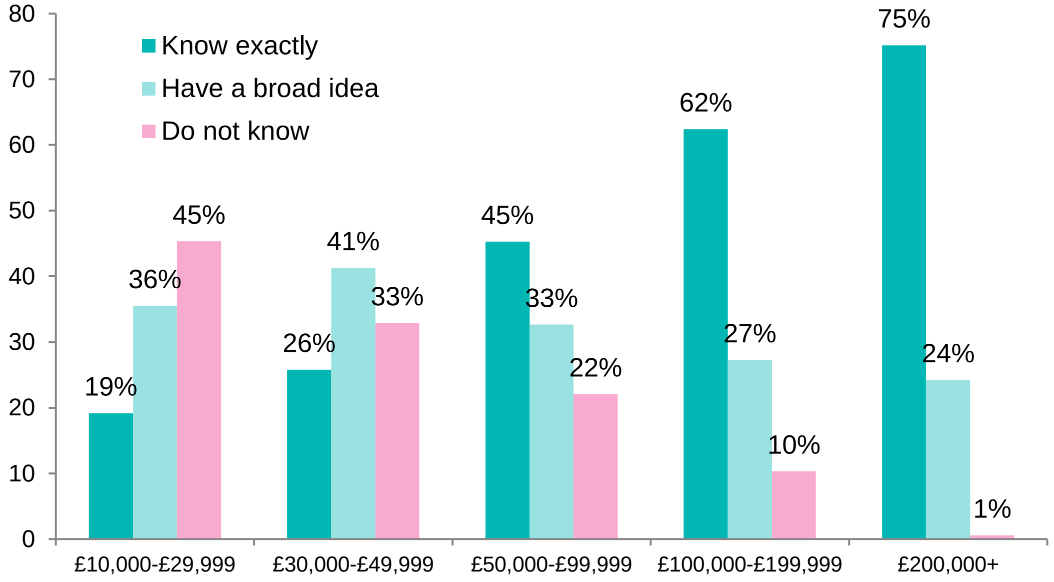
It should be noted that when we asked customers directly where they had invested their money, a small proportion who previously said they "knew exactly" or "had a broad idea" said they did not know (see 3.3.1). This could be for a number of reasons, for example they thought they knew but when given the list of possible options did not recognise the terms. When we take these customers into account, the proportion saying they did not know where their money was invested rises to 33%. For the rest of this section, however, we have used the responses to the original question asking customers whether they knew where their money was invested.

Being unaware of where pension money was invested was more prevalent among those with smaller pot sizes; 45% of the smallest pot size group (£10,000-£29,999) said they were not sure where their money was invested, compared with 10% of those with pots of £100,000-£199,999, and just 1% of those with pots of £200,000 or more (Figure 3-1).

[26] Retirement Outcomes Review: Interim Report (2017). Financial Conduct Authority. URL: https://www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report.pdf

[27] Respondents were not asked this question if they did not recall either moving to a drawdown product or taking a lump sum. Those who did not recall taking a lump sum or moving to a drawdown product made up 2% of the respondents (20 cases).

Figure 3-1 Awareness of where pension money is invested, by pot size

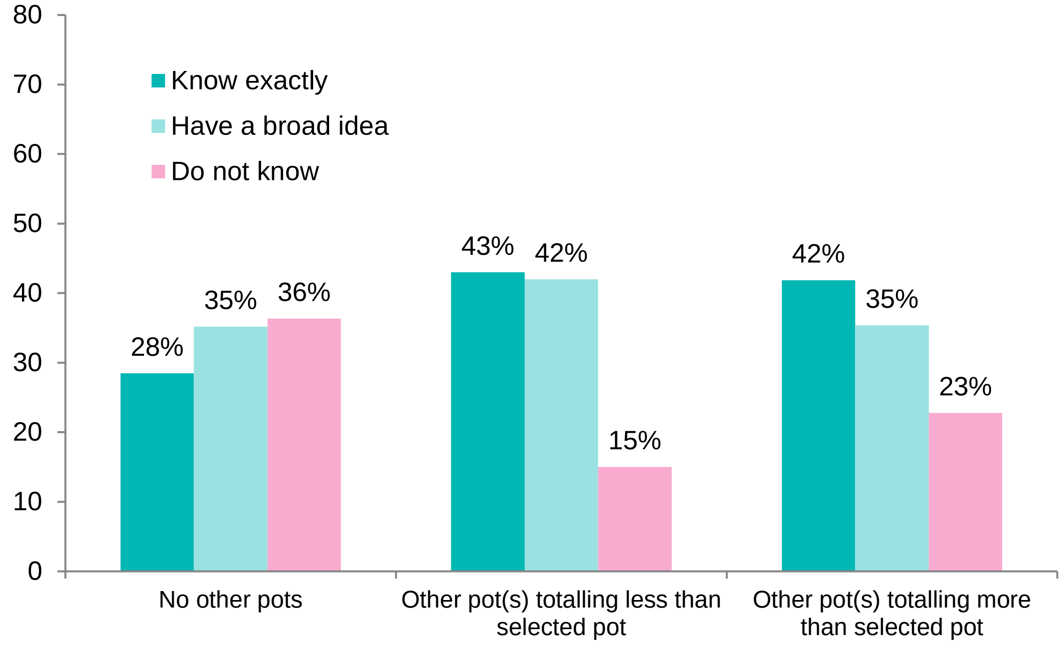


Base: All who recall drawdown or took a lump sum (975)

One possible explanation for this is that larger pots are more central to customers' retirement plans and are therefore given more attention. A finding from the qualitative depth interviews, which is explored in more detail later in this section, is that some customers paid little attention to the investment decision because of the perceived small value of their pension pot. To explore this further we looked at how awareness varied by the relative size of the selected pension pot compared with other pots the customer has (if any). Around a quarter (23%) of those with other pots worth more than the selected pot said they did not know where their money was invested, compared with only 15% of customers whose other pension pots totalled less than their selected pot (Figure 3-2). A lack of awareness of investments was, however, highest among those with no other pension pots, with 36% saying they did not know where their pension pot was invested.

A quarter (26%) of customers who had other pension pots were not aware of what their money was invested in for the selected pot. This group of customers were likely to have small pots; almost half (47%) had a pot of between £10,000 and £29,999, however for a large majority of this group (89%) the selected pot was smaller than their other pension pot or pots. Half (49%) of this group were working full-time, while a quarter (26%) were retired.

Figure 3-2 Awareness of where pension money is invested, by relative pot size



Base: All who recall drawdown or took a lump sum (975)

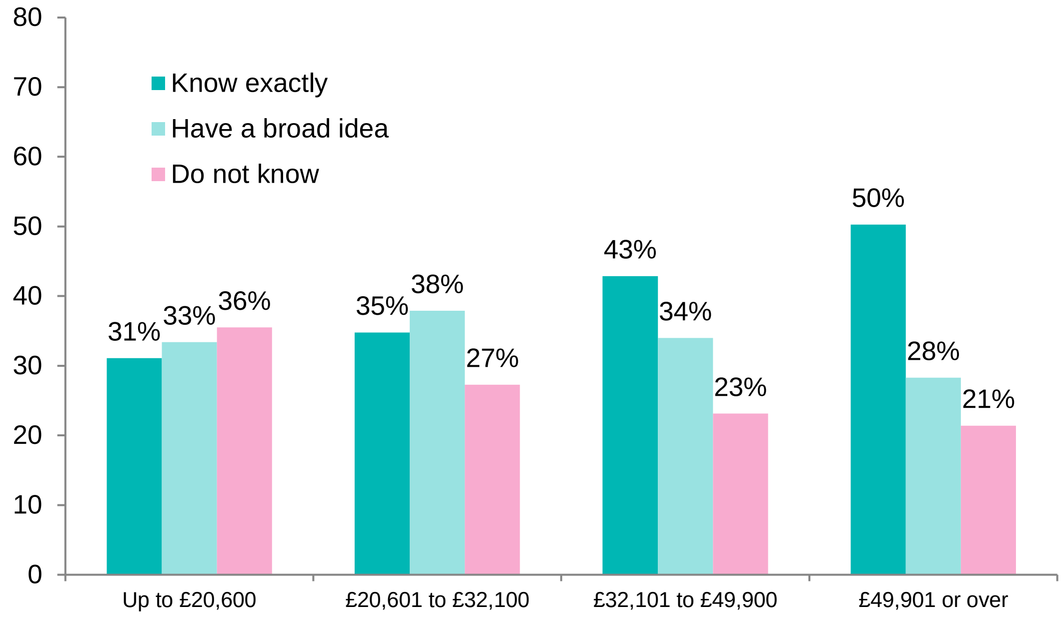
Perhaps unsurprisingly, awareness of investments was also linked to level of pension knowledge. Over half (53%) of those with low pension knowledge (who answered two or fewer of the knowledge questions correctly) were not aware of where their money was invested, compared with 12% of those with high levels of pension knowledge.

Those who had received guidance from Pension Wise, a free service for DC customers aged 50 or older offering independent guidance on pension options, were less likely to be unaware of where their money was invested; 19% of those who had received Pension Wise guidance were unaware compared with 34% of those who did not. Although note that it is not clear whether guidance from Pension Wise led to increased engagement among customers, or whether more engaged customers were more likely to seek guidance from Pension Wise.

Being unaware of investments was more prevalent among people working full-time (33%), and part-time (30%) than retired people (21%). While working status was important, there was no difference in awareness between people of different age groups; those aged 65 or over were just as likely to be unaware of their investments as those under 65.

Lower investment awareness was also linked to lower incomes; 36% of those with a reported annual household income of up to £20,600 said they were not sure what their money was invested in, compared with 21% of those with a household income of £49,901 or more (Figure 3-3).

Figure 3-3 Awareness of where pension money is invested, by annual household income



Base: All who recall drawdown or took a lump sum (975)

SIPP customers were more likely to be aware of their investment decisions than life insurance customers. Only 11% of SIPP customers said they were not sure where their money was invested and 77% knew exactly where it was invested, while a third (32%) of life insurance customers were unaware of their investments, and only 29% knew exactly where their money was invested. As SIPP customers are, by definition, able to be more active in selecting investments, it is likely that such products attract a higher proportion of customers who have an interest in how their money is invested.

Among SIPP customers there were differences by pot size – notably 87% of SIPP customers with larger pots of £100,000 or more said they knew exactly where their money was invested, compared with 61% of those with pots of £10,000-£49,999. The same was true of non-SIPP customers, but only around half (53%) of non-SIPP customers with the largest pots (£100,000 or more) said they knew exactly where their money was invested. Similarly within both the SIPP and non-SIPP group, those with no other pots were less likely to know where their money was invested compared with those with other pots.

We included all factors that were significantly related to not being aware of where money is invested in a logistic regression model to see which variables had an independent effect on awareness when we hold all other variables constant. We found that, everything else been equal, customers with smaller pot sizes, customers with life insurance providers, customers who had low pension knowledge and customers who had not engaged with Pension Wise were more likely not to know where their money was invested (see Appendix F for detailed results of the regression analysis. Further analysis[28] established that having a low level of pension knowledge was the most important predictor of not being aware of where their pension money was invested (see Appendix G for detailed results).

Qualitative depth interviews

Customers who took part in qualitative depth interviews were aware that the money in their drawdown pension was invested in some way. However, engagement with the decision to invest and awareness of where the pension was invested varied widely. Customers who took part in depth interviews could be placed into one of four categories, in respect of their engagement with where their pension is invested:

[28] Dominance analysis was used to identify how much each of the predictor variables was contributing to the overall model fit. Further details of the analysis are given in Appendix G.

- Low level of engagement and awareness;
- Middle level of engagement and awareness (invested in ready-made funds);
- Middle level of engagement and awareness (invested in cash-only);
- High level of engagement and awareness (invested in multiple investments).

Group 1: low level of engagement and awareness

The key feature of this group of customers was their lack of awareness of where their drawdown pension was invested. They had a basic understanding that their money was in a drawdown product, which they could access as and when required, but in terms of where it was invested, they had 'no idea', or at most a very vague sense of where it was likely to be invested. One customer thought it was likely to be in stocks and shares of some kind, while another felt it was likely to be invested in something low risk, probably mainly cash, as they were not a risky person, but neither customer was at all certain of where their money was invested. Customers in this group appear to have paid little attention to the risk profile of their investment.

> *"I don't have the details and I'm not too bothered about the details. Because I'm getting more money than I would if I'd stuck it in the bank, if I drew the whole lot out."*
>
> Aged 65+; retired; £10-50k pension pot; non-SIPP, has a separate DB pension

> *"My assumption was that it would be invested, I'm assuming the stock market. I don't know what, I don't know why I'm thinking that but it seemed logical to and I don't know where else it would be invested in but that's what I had in my head."*
>
> Aged 60-64; retired; £100k+ pension pot; non-SIPP, has a separate DB pension

> *INTERVIEWER: "Are you aware of the extent to which it's in shares or other investments?"*
>
> *PARTICIPANT: "No, no, I haven't taken a lot of notice of that."*
>
> *INTERVIEWER: "Do you have a sense about the level of the risk of the investment that it's in? Like high, medium, or low, or are you not sure?"*
>
> *PARTICIPANT: "None, no, no, not a clue."*
>
> Aged 65+; retired; £50-100k; non-SIPP, has no separate DB or DC pension

The underlying reasons for customers not being engaged with their pension investment decision are outlined below.

- <u>Not concerned (as only a small pot)</u>

  People in this group may be actively involved in making decisions about other investments they hold but had not engaged with their drawdown product due to its relatively small value. For these people, there was a sense that the money in their drawdown pension was not a crucial part of their overall income, savings and assets portfolio. They described themselves as 'having been lazy', 'not bothered' and their primary concern being that they were not losing money or were better off than if the money had been in a bank account. This is corroborated by the survey finding above, that customers with smaller pots were much less likely to say that they 'knew exactly' where their pension money was invested.

- <u>Not interested in investing</u>

  People in this group described themselves as having little or no interest in investing, yet the reasons for this varied, reflecting attitudes to investment, previous experiences of investing and the effort needed. Accordingly, the reasons given were:

- Dealing with investment decisions considered a chore, 'life is too short to read all the information';
- No confidence in financial sector due to losing money invested in the past or ideological concerns about 'extreme capitalism';
- Only keeping money invested due to the tax implications if withdrawing the full amount;
- Not being a 'gambler' or not being able to afford gambling.

- <u>Not confident in investing</u>

People in this group tended to leave the investment decision to others as they lacked confidence to make investment decisions. People in this group described feeling 'confident leaving it in [providers] hands', or as their 'advisor advised', where independent financial advice had been gained.

> *"I've no doubt that they probably advised me where it is and what it, you know, who it's with, but, off the top of my head, I couldn't give you an honest answer and say, yeah, I was aware of just where it is. There was a discussion, but what, what was said, I'm, I'm fairly sure I was quite confident in, you know, in leaving it in their hands."*
>
> Aged 65+; retired; £10-50k pension pot; non-SIPP, has no separate DB or DC pension

> *INTERVIEWER: "Would you be interested in getting more information about how the fund or the product is performing?"*
>
> *PARTICIPANT: "No."*
>
> *INTERVIEWER: "Is there a reason why you're not interested?"*
>
> *PARTICIPANT: "Yes, 'cause I'm not interested in financial things. I, as I say, I have no confidence with the way that everything's performed and I've lost the capital on investments over the years, so that's one of the reasons. I don't have any confidence in the financial services industry. That's the truth of it. And it's my money that I've put in and if I could have taken it all out, I'd rather have it all out under the bed than with [pension provider]. And if I could take it tax free, I would have done."*
>
> Aged 60-64; working; £100k+ pension pot; non-SIPP, has a separate DC pension

Group 2: middle level of engagement and awareness (invested in ready-made funds)

The key features of the depth interview participants placed within this group were that they had picked their investment based on their attitude to risk, either low or medium-risk investments, and these investments were usually funds provided by the customer's provider. Customers in this group tended to not be able to name the fund(s) or have a detailed knowledge of what the fund(s) themselves were invested in, but knew they had picked the fund(s) based on their risk profile.

> *"So [pension provider] sent a lot of information and particularly about, a kind of risk questionnaire to see how what risk you were prepared to accept and recommended different sums and bonds and things to put your money in. So, in fact I think, yeah, they had various examples of, of people…, this person will accept a low risk or a medium risk and…their, what kind of options there were. And I basically, went for, went for one of those"."*
>
> Aged 55-59; caring; £50-100k pot; SIPP, has a separate DB pension

PARTICIPANT: “No, I was quite happy with how it was invested. So when I drew it down, when I crystallised it, I put the remainder in the same environment - I think it's in three separate funds that I'd brought it from in the first place, so I'm happy with that - okay, it's a little bit more risky perhaps than, um, might be prudent, but then I felt no reason to be prudent.”

INTERVIEWER: “Do you know what those funds are?”

PARTICIPANT: “No, I can't remember. One's an international fund I - you know, I'll have to look it up and tell you. But I did choose them.”

Aged 55-59; working; £100k+ pot; non-SIPP, has a separate DB pension

Some customers in this group had SIPP pensions. One such customer had inherited the SIPP pension from their partner. This customer was the only person in this grouping whose drawdown investment was in individual stocks and shares, rather than a ready-made fund provided by the customer’s provider. The reason they were assigned to this grouping is that prior to their partner’s death, the customer was not at all engaged with the SIPP and, although they now understood what the SIPP was invested in and monitored how the investments were performing, they would not feel comfortable changing the investments without advice. With the investment currently doing well they had left it *‘it's a case of, y'know, if it isn't broken, don't fix it, sort of thing'.* It is important to note that people who inherit drawdown pensions may not be as confident in managing it as the person who set up the pension.

Group 3: high level of engagement and awareness (invested in cash only)

Depth interview customers who were invested in cash only had made a very conscious decision to do so. They were people who wanted “no risk, rather than low risk”. They wanted to be absolutely sure that the value of their pension investment would not go down.

“There was an email with about 400 and, you know, 'Click on this link and it'll explain what this fund is doing, and click on this link,' and it said sort of… 'This is, fund has grown 12 per cent in the last four years, this one's dropped 14 per cent in the last two years and things like that.' And there was about 400 of them and I just scrolled down the 400 until I came to the one that said cash in gild, and so I said, 'That's the one for us.”

Aged 65+; retired; £50-100k pot; non-SIPP, has a separate DB pension

These customers described being very aware that they could have invested their drawdown pension in other things, such as the stock market. They had friends that were doing so, and their partners told them that they could be making more money, but their response was “those things can go up as well as down”.

“I talk to my friends who have got the [pension provider] accounts as well, … one of them invests quite a lot of money. So, in, in my view quite a lot of is ten, 20,000. He'll invest 20,000 for about six months and see how it grows…His pension's far bigger than mine, so he can afford to say lose ten or 20,000 on a high stakes investment. I personally won't do that I'm against gambling, always have been. I like to know that things are safe, things are in place.”

Aged 65+; retired; £10-50k pot; SIPP, has a separate DC pension

One of these customers said they did not believe in gambling and saw investing in the stock market as a gamble, though interestingly they were planning to invest a smaller pension pot in this way, after much deliberation. Another of these customers had a bad experience with a pension, where its value crashed very quickly, and they did not want that to happen again.

Group 4: high level of engagement and awareness (invested in multiple investments)

The depth interview customers in this group displayed the following characteristics:

- Knew exactly what their drawdown pension was invested in.
- Could name the funds they had invested in, or the geographic or sectoral focus of the fund.
- Had usually invested in multiple funds, in part to spread risk, with some investing partly in cash for the same reason.
- Some of these customers had also invested in the stocks and shares of individual companies, as well as funds provided by investment companies other than their provider.

These customers were highly engaged with the performance of their pension investment. One described setting up a virtual portfolio and tracking performance for two years before actually making the investment. Most of these customers checked their investment performance weekly at least, though one said after initially checking daily, they now checked every couple of months and another checks twice per year, during a review of their investments with a relative (who they see as an unofficial financial adviser). These customers were open to changing their investment mix around and some had done so in the recent past.

"Basically, on the website they give details of all the various types of funds and… for every one there's a set of information as to who manages in it, what ….the performance has been for the last year, and five years, what the aims of it, and also the areas that they invest. So, I picked five, over a period of a couple of months, I picked five funds, [country], [country], [country], [country]…and in different areas, so that I put 10k in each, to spread, if you like, any exposure to a particular area, any particular fund, and really, just monitor what's going on"

"I didn't want high-risk. I mean, some of the gains looked fantastic, I avoided them. Some, looking at it, hadn't performed very well. I was looking over, as I said, I think it was, they give one and five-year figures, and they, they look at the growth, based on the industry standard, or average, if you like, for, for that particular area, so, you could gain an impression as to how they were performing, compared to… others, and, and went for medium-risk, because, I was thinking, five, five different funds, medium-risk, they're not all going to go belly-up."

Aged 65+; working; £50-100k pot; SIPP, has a separate DB pension & separate DC pension

"I've got it split between 12 to 14 different funds. And what I've tried to do is I've tried to get exposure to not just the UK. And I am obviously concerned about the effects of Brexit on UK fund performance, but I've also got… funds specialised in [geographic area], [geographic area], [country] and [country]. Not so much in those, so I'm limiting my risk, and then I have some funds in high-technology companies and… I'm trying to think what else. I have some bonds. And, yeah, so I, I think my, my, my, the, the spread is quite wide to, to accommodate for, yeah, global changes."

Aged 55-59; working; £100k pot; SIPP, has a separate DB pension & separate DC pension

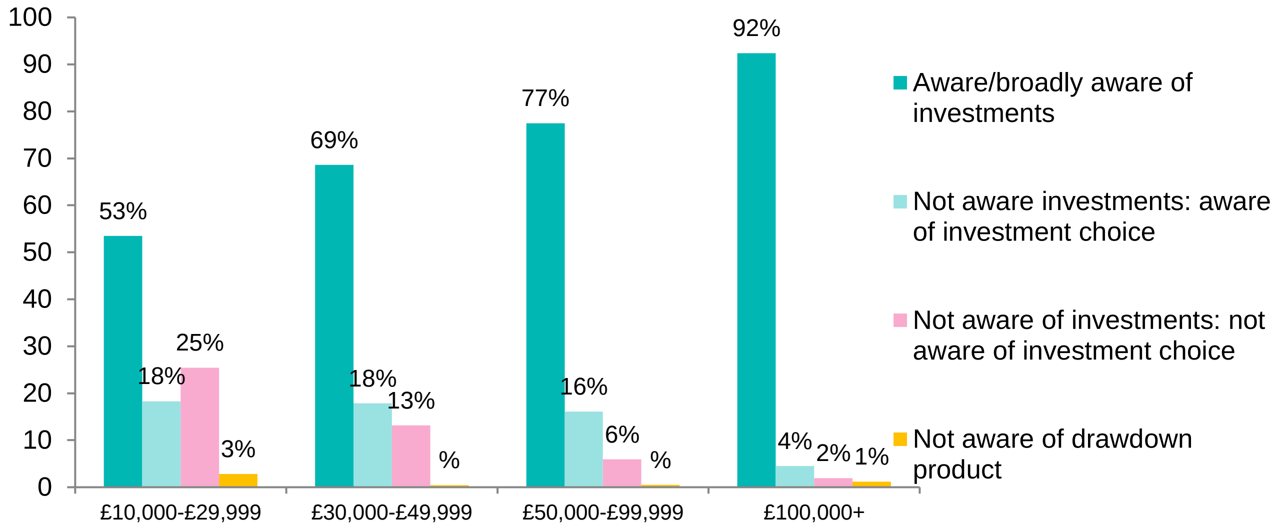
Although advised customers were out of scope of this research, it was inevitable that a small number would end up in the sample. We conducted a depth interview with one advised customer and concluded it would be of interest to include findings from the interview in our analysis. The key points in relation to this advised customer are set out below.

- They switched provider at drawdown because wanted to move to a bigger provider, and took the advice of financial adviser about which provider to switch to.
- Wanted low-risk investment. Took the advice of financial adviser to invest in safe stocks and gilts/bonds/cash but does not have a detailed understanding of the investment. Happy with this and not considering changing investment.
- Good understanding of charges on drawdown product.
- Does not monitor investment beyond annual statement – "*they could save a lot of money and just send me a single sheet: 'That's what you got in last year, this is what you've got in this year, these are the charges.' That's really all I need to know.*"

3.2 Awareness of ability to choose investments

Overall 12% of customers were not aware they could choose where they invested their money. A further 15% were aware they could choose where their money was invested, but did not know where their own money was invested. There was less awareness of the ability to choose investments among smaller pots; a quarter (25%) of those with pots of £10,000-£29,999 did not know they could make a choice around their investment, while the same was true of 6% of those with pots of £50,000-£99,999 and just 1% of those with pots of £100,000 or more (Figure 3-4).

Figure 3-4 Awareness of the ability to choose where pension money is invested, by pot size



Base: All respondents except customers of the pension provider who did not offer choice of investments (926)

This question was not asked of customers from one of the providers included in the survey, because they do not have the option to make investment choices in the same way. Instead these customers were asked whether they were aware they were invested in one ready-made fund; 54% of customers from this provider said yes, while 46% said no.

3.3 Investments and importance of factors for investment decision

3.3.1 How money is invested

Customers who knew exactly or broadly where their money was invested, were asked to say what their money was invested in.[29] The types of investments vary by the extent of control and choice customers can exercise in the more detailed composition of the investment. On one hand ready-made funds prepared by providers offer a choice between broad risk and retirement plans, while individual funds are more specific and can have a regional or industry focus and therefore assume a greater understanding of the risks involved on the part of customer. A step further, investment in individual stocks and shares allows customers to be more specific about what their money is invested in. Customers can also choose to keep their funds not invested (in cash) or in a deposit account with a guaranteed, but low return.

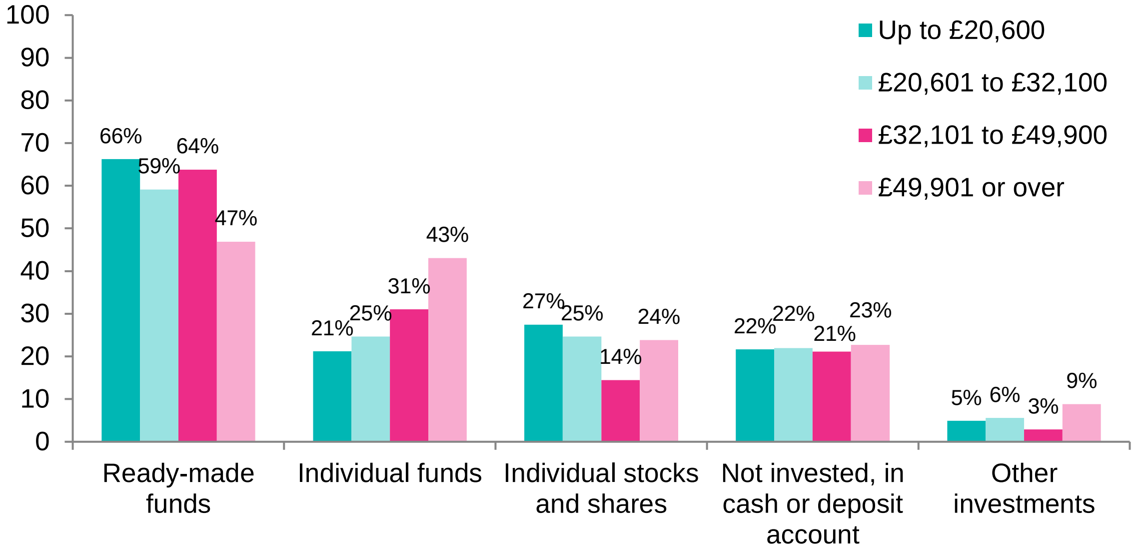
A majority of 59% of those who knew at least broadly where they were invested said that they had invested at least some money in ready-made funds that had been put together by their pension provider, 29% thought they had at least some money invested in individual funds, 23% in individual stocks and shares,

[29] Customers were given broad investment types to choose from and could select more than one option.

while 22% said all or some of their money was not invested, or was held in cash or a deposit account. Only 6% had money in other investments.

Investing at least some money in ready-made funds was at a similar level across pot sizes[30], but was lower among those in the highest income group (47% of those with an income of £49,901 or more) (Figure 3-5), SIPP customers (35%), customers who had not engaged with Pension Wise (53%) and those with lower levels of pension knowledge (49%).

Figure 3-5 Where customers have invested at least some of their money (proportion of customers), by annual household income



Base: All who know (exactly or broadly) what their money is invested in (754)
Note: Customers could give multiple answers, so percentages sum to more than 100.

Note: Deposit accounts are similar to bank accounts and provide customers with interest if money is kept in them. This differs from holding money in cash, which is left with the provider without being invested, although it could also attract interest. It is possible that some customers conflated these two options, therefore we have added these two options into one category. Overall 6% mentioned having at least some money held in a deposit account, 18% mentioned cash.

Having at least some money invested in individual funds was highest among the highest pot size (43% of those with a pot size of £200,000 or more) (Figure 3-6), SIPP customers (46%), those with high incomes (43% of those with an income of £49,901 or more) and those who did not engage with Pension Wise (33%).

Over a fifth (22%) of customers said at least some of their money was not invested or was held in cash or a deposit account. The prevalence of holding the money in cash was higher among customers with larger pots of £100,000-£199,999 (29%) or £200,000 or more (26%), compared with those with the smallest pots of £10,000-£29,999 (17%) (Figure 3-6). Overall 7% said that their entire pot was held in cash or a deposit account. There were no differences found by pot size, or having other pension pots in the prevalence of being invested in cash only.

In general, customers with larger pot sizes were more likely to have invested their pot in more than one type of investment; 41% of those with a pot of £200,000 or more selected more than one of the categories, compared with 17% of those with pots of £10,000-£29,999, 20% of customers with pots of £30,000-£49,999, and 15% of those with pots of £50,000-£99,999.

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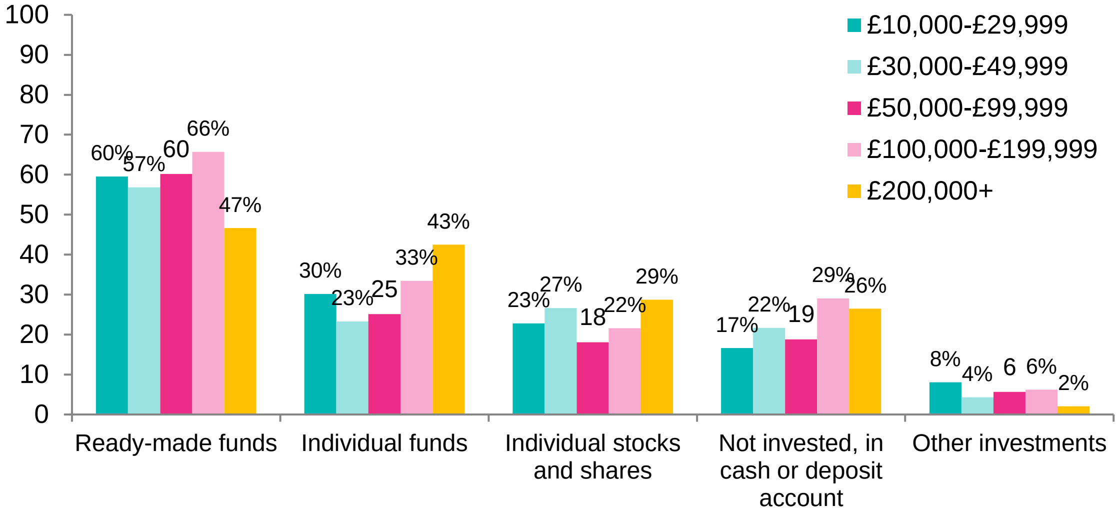
[30] There appeared to be fewer customers with the highest pot sizes of £200,000 choosing ready-made funds; however this was not found to be a significant difference.

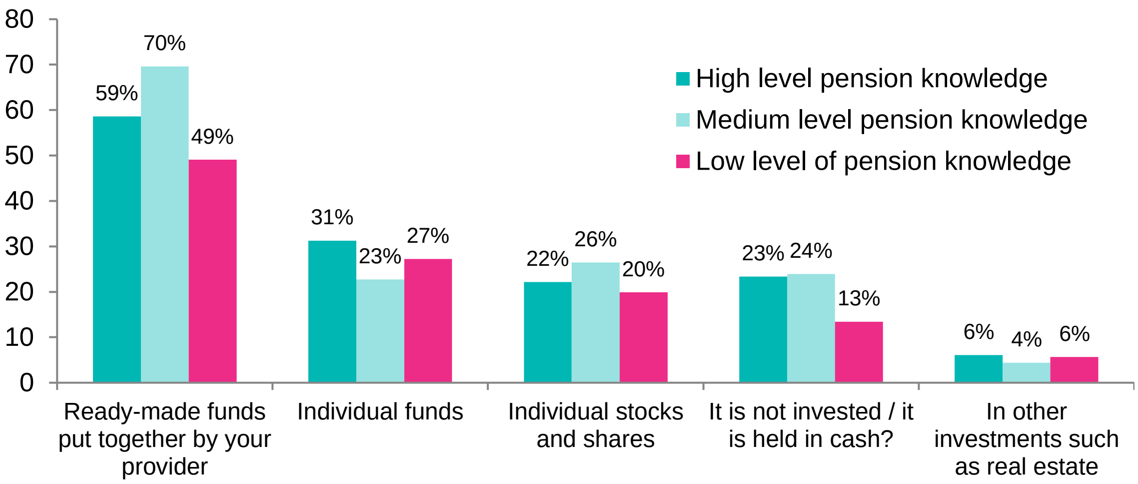
Figure 3-6 Where customers have invested at least some of their money (proportion of customers), by pot size



Base: All who know (exactly or broadly) what their money is invested in (754)
Note: Customers could give multiple answers, so percentages sum to more than 100.

Holding at least some funds in cash was also more prevalent among those with high and medium levels of pension knowledge (23% and 24% respectively, compared with 13% of customers with low pension knowledge) (Figure 3-7). The proportion was even higher among SIPP customers (48%); a group we have seen to be well engaged with the decision to move to drawdown and investment decisions.

Figure 3-7 Where customers have invested at least some of their money (proportion of customers), by pension knowledge



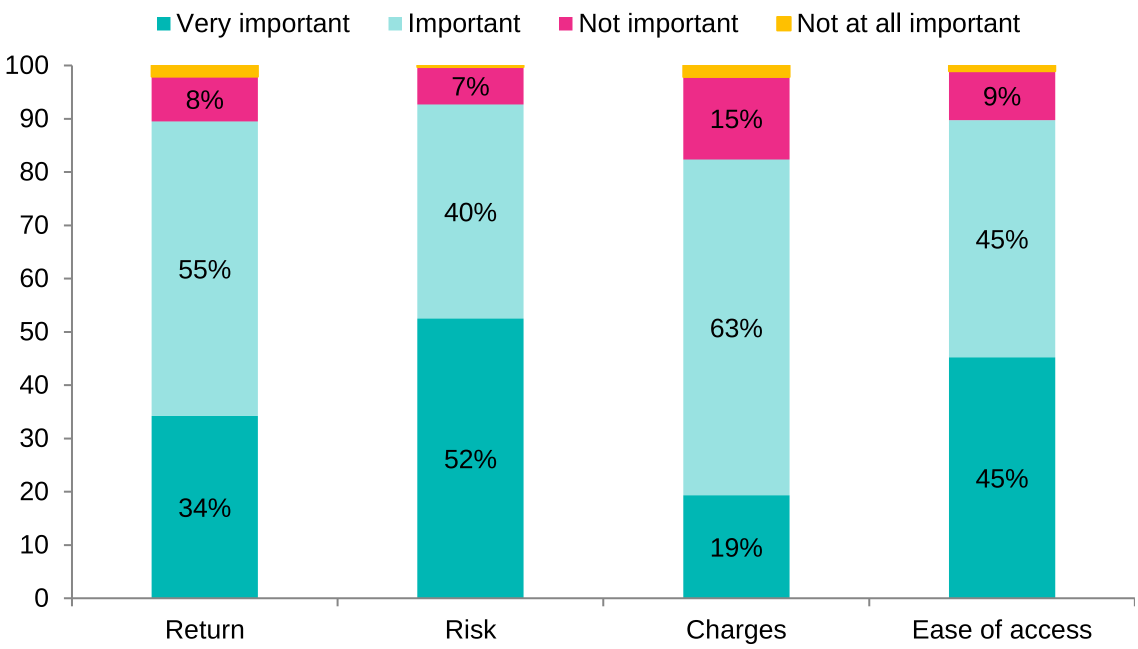
Base: All who know (exactly or broadly) what their money is invested in (754).
Note: Customers could give multiple answers, so percentages sum to more than 100.

3.3.2 Importance of factors for investment decision

Those who said they made a decision about where their pot was invested were asked a series of questions on the importance of certain factors in making their decision. This included the importance of the return on investment, the risk of losing money, charges associated with the investment, and ease of access to the money.

Overall the factor most likely to be rated ‘very important’ by customers was risk of losing money (52%), followed by ease of access (45%), return (34%) and finally charges (19%) (Figure 3-8). It is important to note that the factors were read out or displayed to customers during an interview, so the answers do not capture what they may have spontaneously answered and may be subject to some social desirability bias.

Figure 3-8 Important factors for investment decision, by pot size



Base: All who have made an investment decision (754)

Risk and return

A majority (89%) of those who had made an investment decision said that return on investment was important when choosing how their money was invested. This included 34% who said return was ‘very important’ and 55% who said return was ‘important’. SIPP customers were more likely to say return was very important (57%) compared with life insurance customers (27%). Return was also of high importance to retired customers (41%) compared with those working full-time (27%).

Unsurprisingly risk was also important for the majority of customers (92%), and in fact it was the factor most likely to be rated ‘very important’ in making the investment decision overall. Over half (52%) said it was ‘very important’, while a further 40% said it was ‘important’.

Customers with money invested in ready-made funds (58%) were more likely to say risk was very important than those who were not invested in ready-made funds (44%). On the other hand those invested in individual funds were less likely to say risk was very important (45% compared with 56% of those not invested in individual funds).

Life insurance customers were more likely than SIPP customers to feel risk was important, with 55% saying this compared with 46% of SIPP customers.

There was no difference found in the importance of risk between other groups examined, including pot sizes or whether the customer has other pension pots.

We also asked customers who rated return and risk equally as high to choose which is most important to them. This, taken with answers from customers who rated either return or risk higher than the other, was used to put each customer who made an investment decision into either the ‘return is most important’ or the ‘risk is most important’ group. Overall risk was most likely to be rated highest, with 59% saying risk was most important to them compared with 41% saying return was most important.

From the qualitative depth interviews investment returns and risk were the key deciding factors in investment decisions. For those who took an active interest in selecting their investments, returns played a key role and they would change investments if they felt their funds were underperforming. Risk was the predominant factor in the investment decision for those who considered themselves very risk averse and who had actively chosen to keep their drawdown product in cash. Risk was also the major factor for customers who were less engaged with the investment decision and had selected their investment based on the level of risk attached to a particular investment fund, usually one offered by their provider.

Charges and ease of access

While 82% felt that the charges associated with their investment were important, only 19% said they were ‘very important’, with most (63%) saying they were ‘important’, making charges the factor rated least important by customers.

Charges were more important to SIPP customers, with 25% citing charges as ‘very important’ in making their investment decision, compared with 18% of life insurance customers. There were no significant differences by how customers had invested their money.

Ease of access was seen as more important than charges by customers; 45% said ease of access was ‘very important’, and a further 45% said this was important.

Again, SIPP customers were more likely to see ease of access as ‘very important’ (51% compared with 43% of life insurance customers). Ease of access was also more important to those with no other pots (58% compared with 42% of those with one or more other pot), and unsurprisingly those who have withdrawn money from their drawdown product (58%, compared with 38% of those who had not).

Interestingly, charges and ease of access was rarely mentioned by participants in the qualitative interviews as deciding factors in their investment decisions, although for some they were important in their selection of pension provider as discussed in Section 4. For customers where charges were not a major consideration, there was a sense that charges were likely to be similar across providers and that it would be difficult to compare charges across providers.

3.4 Making an investment decision

Next we turn to look at the customer investment decision in more detail. Customers who said they had made a decision on where their money was invested, were asked how confident they felt in this decision, how long they spent on making the decision. Those who were invested in ready-made funds were asked further questions about whether their provider asked about their preferences.

3.4.1 Confidence in decision

Almost all customers who had made an investment decision (97%) felt confident in their decision; with 2 in 5 (40%) saying they were ‘very confident’, and 57% saying they were ‘fairly confident’. High levels of confidence are likely to, to an extent, reflect social desirability bias (not being confident in your actions is seen as less socially desirable) and actual growth of investments due to the growing stock market over the past few years.

Those who had invested in individual funds (47%) were more likely than those who had not (37%) to be ‘very confident’ in their investment decision. There were no other differences by where customers had chosen to invest funds.

Confidence was higher among customers with other pension pots. While 29% of those with no other pension pots were very confident, 40% of those with other DC pots, 50% of those with other DB pots, and 39% of those with both DC and DB pots were very confident.

Confidence was also higher among the group of customers who had taken withdrawals from their drawdown pension; nearly half (47%) of those who had withdrawn were confident with their decision compared with 37% of customers who had not.

3.4.2 Decision-making duration

The majority of customers took time over their investment decision, 67% said they took a week or longer, and a further 20% said they took a few days but less than a week. Only 6% made their decision then and there, and 7% in a few hours.

Generally there was little difference between groups in the length of time they took to make the decision, except that those who engaged with Pension Wise on their decision to move to a drawdown product were more likely to take a week or more (72%), compared with those who did not engage with Pension Wise (62%).

The qualitative depth interviews highlighted that the time taken over investment decisions was not necessarily representative of the level of engagement with the decision. Other factors included: how straightforward the decision was perceived to be, familiarity with making decisions and access to financial advice. For particular groups of customers, in particular those describing themselves as highly risk averse and wanted their investment in cash only, the decision was very straightforward and was not worth revisiting nor monitoring regularly.

Also, for those actively selecting between different investment options, the length of time it took to make the decision was dependent on their familiarity with making investment decisions (i.e. those who were used to making investment decisions took less time as opposed to those who had not invested money in the past), and access to financial advice from trusted sources (i.e. those with family or friends working in financial services took less time to make decisions as opposed to those who did not have access to ‘expert’ advice in this way).

3.4.3 Provider questions for ready-made funds

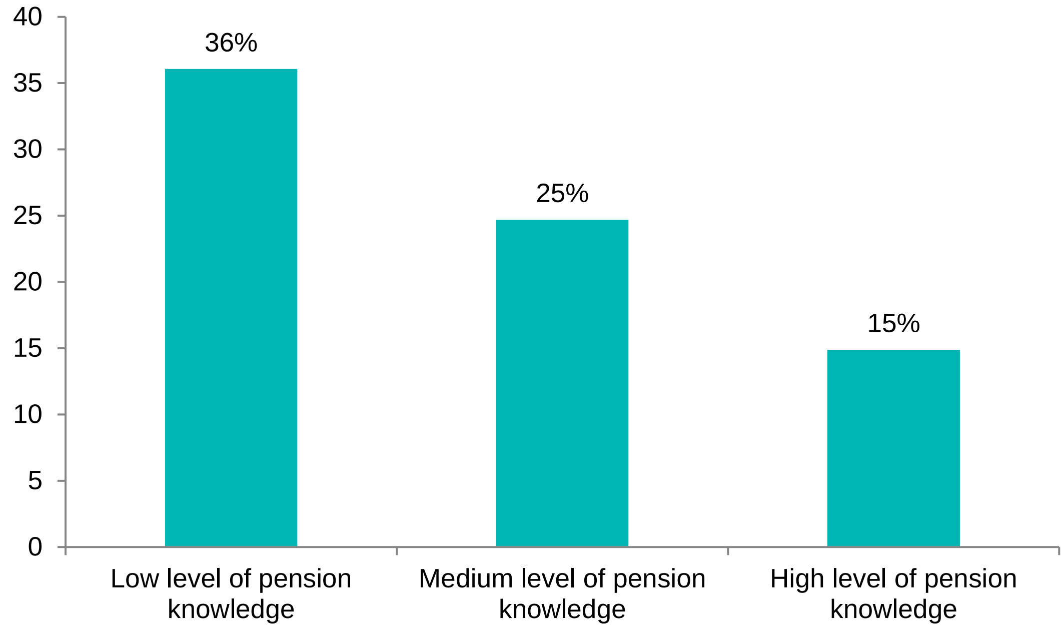
Those who had money invested in ready-made funds put together by their provider were asked whether their provider profiled them before they made their decision. Nearly three-quarters (74%) said their provider asked them how open they are to taking risks, while around half (51%) said their provider asked when they plan to withdraw money from their pension pot. Around a fifth (18%) said their provider did not ask either of these questions. SIPP customers were less likely to have been profiled, with 55% saying they were asked about their views on taking risks (compared with 77% of life insurance customers), while 37% of SIPP customers were asked when they intend to take the money (compared with 53% of life insurance customers).

Those who engaged with Pension Wise were also more likely to say they had been profiled by their provider; for example 82% were asked about their view on risk compared with 66% of those who had not engaged with Pension Wise.

3.5 Guidance and sources of information

Overall, only 1 in 5 (20%) customers received guidance from family and friends when they made their investment decision, but differences are visible depending of the level of knowledge on pensions. Those with the lowest level of knowledge on pensions were much more likely to turn to their family and friends for advice than those more knowledgeable. More than a third (36%) of those with low level of knowledge did, compared to only one quarter of those with a medium level of knowledge and 15% of those with high pension knowledge (Figure 3-9).

Figure 3-9 Guidance from family and friends on investment decision, by level of knowledge of pension



Base: All respondents whose money is invested, who know exactly or have a broad idea of where it is invested and who decided themselves where it is invested (568)

However, friends and family were not the main source of guidance for customers. The most commonly used source of information to make investment decisions was indisputably the pension providers, cited by 68% of customers. The second most commonly used source was an internet search – which was mentioned by only 47%, followed by financial or money media (36%) and consumer information websites (25%). Only 6% did not do any research concerning their investment decision.

SIPP customers relied much less on the information provided by their provider than customers who were with a life insurance provider. While 71% of life insurance provider costumers used information from their provider, only 61% of SIPP clients did. SIPP customers were more likely to rely on additional information from specialist fund performance or investment tracking services (32% compared to 13% of life insurance clients).

The qualitative interviews do not have too much to add to what has been described above. Customers described using a range of sources to make decisions regarding their drawdown investment. One section of customers had not used any sources because they felt like they already knew what their options were and what they wanted to do with their pension. Other customers described using a multiple number of the sources described above: pension provider; Pension Wise; friends, family and colleagues; other financial websites; financial media; specialist financial literature.

Customers who had used the Pension Wise service, either the website or phone line, had generally found doing so a satisfactory experience, finding the information easy to understand. However, customers tended to feel that the information provided by Pension Wise was confirming what they already knew about their pension options. This indicates that many Pension Wise users may be customers who are already relatively well-informed about their pension options.

What the qualitative research also exposed was the degree to which informal connections or work circumstances could influence the sources that people drew on when considering their pension options. The following are examples of these:

- **Personal experience in finance-related areas**: one customer we spoke to had worked as a financial adviser themselves in the past, while another had worked for Citizens' Advice and had been involved in the roll-out of Pension Wise in a particular geographic area.
- **Contacts with experience in finance-related areas**: having relatives or close friends who worked in finance-related areas and who were able to provide informed advice to customers.

- **Provision of pension advice via employer**: having yearly sessions with pension advisers provided by customers' employers.

3.6 Checking product performance

3.6.1 Whether customers check product investment performance

Customers who regularly check their investments are likely to be engaged with their product and be aware of its key features as well as how their investment is performing. However, while checking can be indicative of engagement, we would not consider it a key measure of engagement, as, for example, some customers may have careful long term investment plans and do not consider necessary to check. Additionally some of the customers we spoke to had entered drawdown as recently as 6 months prior to interview and would have had less time to check. .

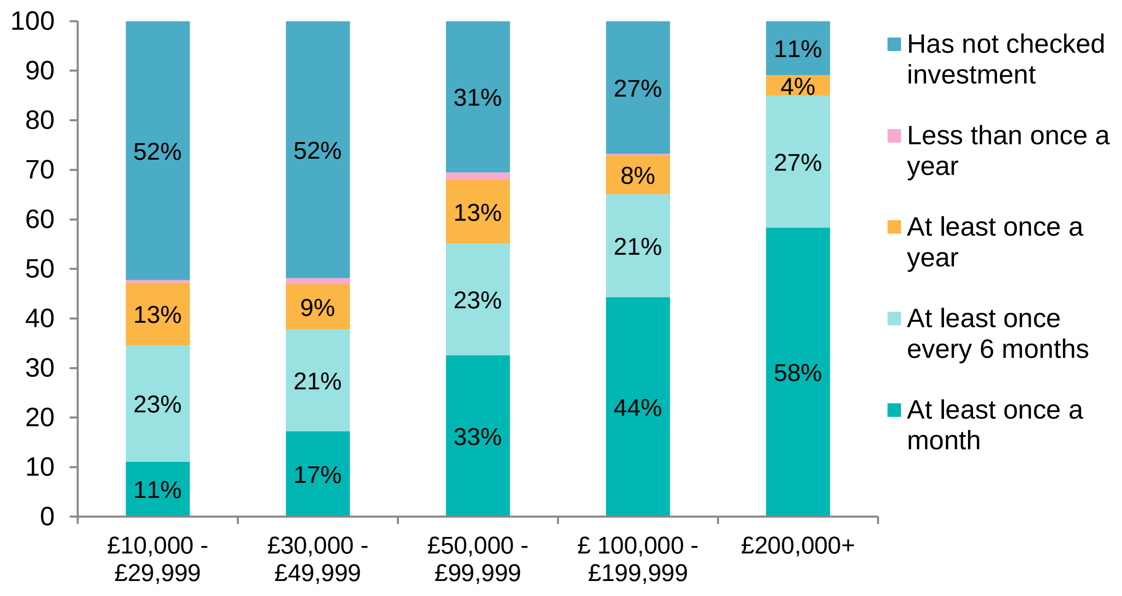
Our results show that 3 in 5 customers who were aware that they had a drawdown product (60%) had checked how their investments were performing since moving into drawdown; therefore 40% had not checked their investments. Prevalence of checking was lower among customers who moved to a drawdown product within a year prior to fieldwork for this survey; 50% said they had checked their product's performance, compared with 64% of those who had moved to drawdown at least a year before the survey.

Overall, around a quarter (26%) of customers said they checked their investments at least once a month, while 22% checked at least once every 6 months, 11% at least once a year, and 1% said they check less than one a year. 40% said they had not checked their investment performance.

Checking was more prevalent among higher pot sizes, with the 89% of customers with largest pots of £200,000 or more saying they had checked their investment's performance, compared with around half (48%) of the two lowest pot size groups (£10,000-£29,999, and £30,000-£49,999) (Figure 3-10).

Frequency of performance checking also increased with pot size; around 1 in 10 (11%) of those with the lowest pot sizes (£10,000-£29,999) said they checked their performance at least once a month, compared with 58% of those in the highest pot size group (£200,000 or more).

Figure 3-10 How often check performance of investment, by pot size



Base: All who recall drawdown or took a lump sum (978)

SIPP customers (80%) were also more likely than life insurance customers (55%) to have checked their investments. Similarly those with high pension knowledge (70%) were more likely than those with low pension knowledge (41%) to say they had checked the investment performance.

Customers who had invested in individual funds were more likely to have checked their investment; 86% of this group said they had checked their investment performance compared with 68% of those not invested in individual funds. Checking investments at least once a month was more prevalent among those invested in individual funds (50% compared with 28% of those not) and in stocks and shares (48% compared with 30% of those not). Having money invested elsewhere was not associated with the prevalence or frequency of checking investments.

Retired customers (67%) were also more likely to check their investments than those who were still working part-time (56%) or full-time (55%), or were not working but were not retired (53%).

While there was no significant difference found between income groups in the likelihood of checking, frequency of checking was higher among those with higher incomes, with 34% of those in the highest income group (£49,901 or more) saying they checked their investment at least once a month, compared with around a third (14%) in the lowest group (up to £20,600).

There were also differences by some other financial situation measures. For example those who also have a defined benefit pension pot(s) (73%), or have a mix of defined benefit and defined contribution pension pots (63%) were more likely than customers with no other pots (56%) or only other defined contribution pension pots (47%) to have checked their investments.

Customers who said that return was more important to them than the risk of losing money in making an investment decision were more likely to check their investment regularly. 60% of the group prioritising return checked their investments monthly, compared with 47% of those who said risk was more important to them.

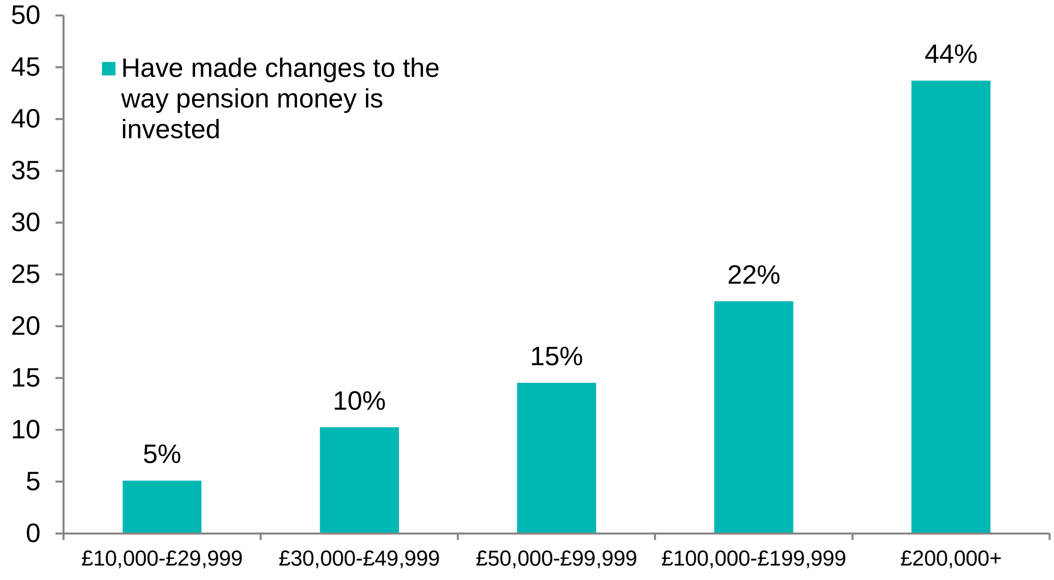
Those with higher pension knowledge were also more likely to check more regularly, with 39% of those with the highest pension knowledge checking once a month compared with 10% of the low pension knowledge group.

3.7 Making changes to investments

3.7.1 Changing the way pot is invested

Since moving to a drawdown product, customers may have made changes to the way their product is invested. Many customers will have had no reason to make any changes to their investment, but making a change would indicate engagement with the investment. Overall 14% of customers said they had made changes to the way their drawdown product was invested. Making changes to how a customer’s pension money was invested was more prevalent among higher pot sizes; while only 5% of those in the smallest pot size group (£10,000-£29,999) had changed the way their money was invested, the same was true of 22% of those with a pot of £100,000-£199,999 and 44% of those with pots of £200,000 or more (Figure 3-11).

Figure 3-11 Making changes to the investment, by pot size



Base: All who recall drawdown or took a lump sum (979)

Related to this is a strong association between making changes to investments and awareness of investments. Among those who knew exactly where their pension money was invested, 30% had made changes to their investments, compared with 5% who had a broad idea of their investments and 3% who were not sure what their money was invested in.

Customers with other pension pots were slightly more likely to have made changes to their investments; 15% said this compared with 9% of those with no other pension pots.

Those with higher pension knowledge were more likely to have made changes to their investment; 19% of those with high pension knowledge had done this, compared to only 5% in the low pension knowledge group.

As with checking the performance of investments, those who prioritised return over risk were more likely to make changes to investments. 33% of those who prioritise return had changed their investments, compared with 12% of the group prioritising risk.

Making changes to investments was more prevalent among those invested in individual funds (31% compared with 13% of those not), stocks and shares (30% compared with 14% not) and those invested in cash or a deposit account (32% compared with 14% not). Conversely customers invested in ready-made funds were less likely to have made changes to their investments (15% compared with 15% of those not invested in ready-made funds).

A majority of those who had made changes to their investments said they changed what the pension money was invested in (69%), while 64% said they changed how much was invested in different funds. Nearly 1 in 10 (8%) had changed pension providers.

3.7.2 Considering changing investments

Of those who had not made any changes to their investments, only 17% said they had considered changing the way it was invested. This was higher among higher pot sizes (31% among the £100,000 or more group, compared with 9% of the £10,000-£29,999 group), and SIPP customers (38% compared with 15% of life insurance customers). It was also more common among those with higher levels of pension knowledge (25% compared with 8% of those with low pension knowledge).

Customers who held their money in cash or a deposit account were more likely to say they had considered making changes to their investments than those not in cash (42% compared with 17%). Conversely those invested in ready-made funds were less likely than others to have considered changing their investment (19% compared with 26% not in ready-made funds).

There was no difference in whether customers had considered making changes to their investment by how long they had been in their drawdown product.

Among those who had considered changing where they had invested, 72% said they considered changing what the pension money was invested in, 51% how much was invested in different funds, and 13% changing pension providers.

Only 40% had done anything to explore these options; 69% said they had spoken to their pensions provider or looked at their website, 48% had read the financial press, 36% had looked at websites other than provider or pension guidance websites, 30% had looked at pension guidance websites such as Pension Wise, 29% had looked at the websites of another pension provider, and 17% spoke to family or friends.

Qualitative findings in relation to monitoring investment performance and the consideration given to changing the investment mix, are covered in Section 4.

3.8 Investment decisions made for other drawdown products

To understand further the context in which decisions concerning this drawdown product were made, we asked respondents whether they had moved any other pension pots to a drawdown product, and whether they had sought professional financial advice in relation to this. This is particularly salient considering that this group of customers has not received financial advice on the selected drawdown product.

Most customers (77%) had several pension pots, including 24% with other DC pots, 21% with DB pots, and 32% who had a combination of other DC pots and DB pots. However only 11% had more than one drawdown product. This means that, at this point in time, customers with several pots were likely to have moved only one of their pension pots to drawdown rather than all, and that their other pots are either in accumulation or have been put into an annuity.

Customers with higher incomes were more likely than customers with lower income to have several drawdown products (20% of customers in the highest income band compared with 5% in the lowest income band). There are also differences by the type of pensions: customers owning several defined contribution pensions were indeed more likely than others to have several drawdown products (14% of DC pensioners compared to 11% of people with both DC and DB and 10% of DB pensioners).

Overall, 3% of customers had received professional financial advice on another drawdown product, while 8% had moved another pot to a drawdown product without any advice. There were no differences found in the likelihood of having received advice on another product between pot sizes, and other groups.

Most of those who did not receive professional financial advice decided to move all their products into drawdown for the same reason (97%) and made similar investment choices for all their products (85%).

This is consistent with the findings from the FCA's 2017 Financial Lives Survey[31] showing that people become more cautious about financial matters with age. As people tend to stick with their current financial brand, they might also want to stick with one investment strategy concerning their pensions.

[31] Understanding the Financial Lives of UK Adults. Findings from the FCA's Financial Lives Survey 2017 (2017). Financial Conduct Authority, URL: https://www.fca.org.uk/publication/research/financial-lives-survey-2017.pdf

4. Types of engagement with investment and drawdown product

Section summary

- We combined different aspects of engagement with the investment decision and drawdown product to see if there are any underlying engagement patterns in the data.
- We used Latent Class Analysis and found the following groups:
  - **Least Engaged**: These customers had low levels of engagement with their investment: the majority did not know where their money was invested and had not checked its performance. Customers in this group tended to have smaller pots, but also lower income and lower pension knowledge. They were also less likely to have other pensions available to them.
  - **Medium Engagement, in ready-made funds**: customers in this group had a broad idea of where their money was invested and it tended to be predominantly in ready-made funds.
  - **Medium Engagement, in cash**: these customers were risk aware and had made a conscious decision to keep their pension money in cash. They were aware of where of where their money was invested, but had lower level of engagement with other aspects of drawdown product, such as the fees.
  - **Most Engaged**: The majority of customers in this group said they knew exactly where their money was invested and were the most likely to check its performance. Customers in this group had larger pots, higher income and were more likely to have other pension pots available.

Engagement with the investment decision and with the product more broadly is likely to be linked. In this section we will look at different aspects of engagement together to see if there are groups of customers differ by their engagement profile. To do this we used Latent Class Analysis (LCA), which allows us to see whether there are groups of customers who respond in a similar way. This approach helps us to uncover patterns of engagement that are not obvious from analysing variables independently.

4.1 Types of engagement

LCA is a statistical approach used to group individuals into different clusters according to how they answer a series of questions in the questionnaire. Each cluster brings together customers with the most similar answers to the selected questions, using a maximum likelihood estimation to calculate the probability that a customer will fall into a particular group.

The questions listed in **Table 4.1** were chosen because they reflect the key aspects of engagement and also because they vary sufficiently between customers to use as a differentiating factor.

Table 4.1 Number of cases per cluster
Whether aware of having a drawdown product
Whether aware that it is possible to change providers when moving into drawdown
Level of awareness of where pension money is invested
Whether has ever checked performance of investment
Level of awareness of fees associated with drawdown product
Whether any money in drawdown product invested in ready-made funds
Whether any money in drawdown product invested in individual funds
Whether any money in drawdown product invested in individual stocks and shares
Whether any money in drawdown product held in cash

Note: Type of investment variables are included, because they are thought to reflect engagement. For instance, those invested in ready-made funds are likely to be less engaged that those invested in individual funds.

The resulting four-cluster solution offered both the best statistical fit with the data and made substantive sense. In **Table 4.2** below we present the size of the clusters followed by a short description of each cluster.

Table 4.2 Number of cases per cluster		
		Non-Advised Drawdown Customer Survey
Cluster	**Weighted percentage**	***Unweighted cluster size***
Cluster 1: Least Engaged	34%	*284*
Cluster 2: Some engagement, in ready-made funds	34%	*284*
Cluster 3: Some engagement, in cash	5%	*76*
Cluster 4: Most Engaged	26%	*361*
Total	100%	*1,005*

Base: All respondents (1,005)

Customers who participated in qualitative depth interviews described behaviours and beliefs that allowed them to be classified into one of the four groups identified by LCA, providing further confidence that these groupings are conceptually meaningful. While depth interview participants who have been assigned to the same group are not identical in terms of every aspect of their drawdown engagement, the similarities are sufficient for them to be placed within the same group as each other. Below is a description of each of the four groups, which begin with analysis of the quantitative data, followed by findings from the qualitative depth interviews, including case studies for each group.

For a more detailed breakdown of the characteristics of each engagement profile see Appendix B.

4.1.1 Cluster 1: Least Engaged

Customers in this group are less engaged with their drawdown product compared to all other groups. The majority of this group (80%) did not know where their pension money was invested and had not checked how their investment was performing (78%). Nearly half of them also said did not know what the fees related to their drawdown product were (47%). The majority of customers in this group knew that they had a drawdown product and that they could change providers, but the levels of awareness were still somewhat lower than in other groups. The number of customers in this group who had some awareness of where their pension money was invested was low, so we do not have reliable estimates of where the money was invested.

Around one third of customers (34%) belonged to this group.

As described in Section 3, the qualitative depth interviews uncovered a group of customers with a low level of engagement with where their drawdown pension is invested and a detailed description of their awareness of this is provided in section 3.

Customers in this group also tended not to monitor how their drawdown investment was performing, beyond looking at the annual statement from their provider. There was a sense among members of this group that they were happy with the investment 'as long as it's not going down' and as, generally, the value of their investments have been increasing, they were happy to go with the flow. It is possible that there is some complacency among customers in this group, due to the strong performance of equity investments in the last couple of years.

Customers in this Least Engaged group were either not aware of charges on their drawdown product or had a limited understanding of them, with one customer describing the charges as seeming 'not outrageous'. These customers had not investigated the possibility of switching providers at drawdown, though they generally knew that they could have done so.

Case Study A: Cluster 1 – Least engaged

Age: 55-59

Employment status: working

Pension Pot size: £10-50k

Non-SIPP

Has a separate DB pension & separate DC pension

Understanding of how drawdown product is invested

"I'm assuming that, you know, they're [provider] taking care of my money and I'm not – but I haven't thought too hard about what they're doing with it."

Monitoring of drawdown investment

"because I haven't paid any money into that [drawdown pension] for like 30 years or something… with my other things [investments] I pay money in every month into a variety, so of course you're monitoring the whole time to check that they are actually all going in the right direction, and I do then sometimes think, 'I'm going to stop putting the money into that one for six months. I'm going to put it into that one because that one at the moment I can buy cheap, so I'm gonna do that for six months. Whereas with this [drawdown pension], because I'm not actually putting any money into it, that's why yearly I think I will just leave it and see – and see what happens to it."

Case Study B: Cluster 1 – Least engaged

Age: 60-64

Employment status: working

Pension Pot size: £100k+

Non-SIPP

Has a separate DC pension

Understanding of how drawdown product is invested

"No, I don't care. I don't know. As long as it doesn't lose money, I will be satisfied".

Monitoring of drawdown investment

"I haven't looked at it. I don't know. It may be but I, I wouldn't investigate that. I consider it will, it will be most likely rubbish so I wouldn't have any high, high hopes. As long as I don't lose capital. If I lost capital, I would, and I will see that when the statement comes through."

4.1.2 Cluster 2: Some engagement, in ready-made funds

Customers in this group were almost all aware that they had a drawdown product and that they could change providers. They were most likely to say that they had a broad idea of where their money was invested (53%), although many also knew exactly (42%). Almost all customers (99%) in this group reported that they had invested at least some money in ready-made funds put together by their providers; other types of investment were much less common. Many ready-made funds involve customers choosing a fund based on their risk appetite and retirement plans rather than what exact funds and stocks/shares are included. The majority of this group had checked the performance of their investment (73%) and knew exactly what the fees were (60%), although the proportions were lower than in the Most Engaged group.

Around one third of customers (34%) belonged to this group.

Again, qualitative depth interviews uncovered customers with this investment decision engagement profile and a detailed description is provided in Section 3.

In terms of choosing a pension provider, the non-SIPP customers in this group did not change providers at drawdown. However, some SIPP customers in this group did switch their providers at drawdown. One of these customers had to change providers because they had decided that they wanted a drawdown product and their ex-provider did not provide one. This customer mainly based their decision on which provider to go with on a recommendation from a relative. They tried to investigate other potential providers but found it difficult to do so. The other SIPP customer made the decision to move to their new provider after doing detailed research into the charges, performance and customer reviews of various SIPP providers.

Customers in this group tended to monitor their investment performance more often than those in the Least Engaged group, ranging from multiple times per week, to three times per year, though one customer said they only looked at the annual statement. These customers were generally aware that they paid some kind of fee on their product, but their awareness of this varied from detailed to vague.

Case Study C: Cluster 2 – Some engagement, in ready-made funds

Age: 55-59

Employment status: working

Pension Pot size: £100k+

Non-SIPP

Has a separate DB pension

Consideration of changing provider and investment

“No, I never thought about changing provider, in that the funds were doing all right and I suppose I'd looked at others and they weren't doing any better, but I certainly looked at changing where I'd - which particular funds I'd invested it in.”

Interviewer: What was your thinking around that?

“Well, my thinking was around, as I'm getting closer to retirement, should I put them into something less volatile like gilts or something? I took the decision not to.”

Case Study D: Cluster 2 – Some engagement, in ready-made funds

Age: 55-59

Employment status: caring

Pension Pot size: £50-100k

SIPP

Has a separate DB pension

Investigating different pension providers

“I mean I looked at, yeah, I can't remember which other ones I looked at generally, but I did have a quick look as to, because my [relative] had said this was quite a good one, but to compare, you know, charges and things. And, so I did have a quick look, but as I say, I, I generally really, you know, just thought, well, he's, you know, he's recommended this and I'll go with [pension provider].”

Interviewer: Was it easy to compare charges of different companies?

“Not particularly no, no. Because it, it depends what product you have and all the rest of it, so, no, I didn't find that easy.”

4.1.3 Cluster 3: Some engagement, in cash

This group stood out by reporting themselves as almost entirely invested in cash, while having medium to high levels of engagement. All customers in this group were aware that they had a drawdown product, although they were slightly less likely than the Most Engaged group to know that they could change their provider (85% vs. 96%). They were also less likely to check the performance of their investment (37%), which could be expected with most of the money being kept in cash, and were less aware of fees (40% knew exactly what the fees were).

1 in 20 customers (5%) belonged to this group.

The investment engagement of those whose pension is invested in cash only is described in detail in Section 3.

In terms of additional features of those who had invested in cash only one such customer described how there are no charges on their product, as it is held in cash, while another was not aware of any charges. One of these customers had paid more tax than expected on their first drawdown because they had not realised this would push them into a higher tax bracket. Having realised this, they were now drawing down smaller amounts to avoid this happening again.

There was a SIPP customer among this group who invested only in cash. They had to change provider in order to get access to their pension money at the point they wanted to and they were attracted to move to the particular SIPP provider because they offered the option of not having to invest the money in anything and to be able to hold it in cash only.

Case Study E: Cluster 3 – Some engagement, in cash

Age: 65+

Employment status: retired

Pension Pot size: £50-100k

Non-SIPP

Has a separate DB pension

Reasoning behind investing in cash only

"We're very risk adverse, so we don't want an amount that we've got to pay off in [X] years' time, we don't want the amount in the…pots to be less than the amount we've got to pay off."

Case Study F: Cluster 3 – Some engagement, in cash

Age: 65+

Employment status: retired

Pension Pot size: £10-50k

SIPP

Has a separate DC pension

Reasoning behind investing in cash only

"And because I could get to down to [pension provider] and visit them and talk to them, I was so much at ease. Because it's a lovely big building with nice people and it's, if I go to a bank, I want to go to a bank and talk to people and – yeah. I've got cards and things, but I don't do this, this new way of – I just don't want anything to happen with money…– so, that was the reason why."

4.1.4 Cluster 4: Most Engaged

This group had high engagement across all measures: they were aware of having a drawdown product (98%), knew they could change providers (96%) and had checked how their investment was performing (72%). They also had a high level of awareness of where their money was invested (68% knew exactly) and what the fees were (72% knew exactly). They have a greater spread over different types of investments than other groups, with investment in individual funds being particularly common (72%).

Around one quarter of customers (26%) belonged to this group.

A detailed description of highly engaged customers who took part in depth interviews is provided in Section 3.

All but one of the depth interview customers in the Most Engaged group were SIPP customers, with some of them having made a very active decision to move to their new provider having researched what different providers had to offer. Indeed, one of these customers had initially taken a drawdown product with a different provider but switched to their current one because they wanted to have more control over what they could invest in and a more responsive customer service. This customer was aware that they were paying higher fees than they might have elsewhere but was happy to do so because of the benefits. The Most Engaged customers were generally well aware of the fees they paid and there was a sense among some that these were lower for self-investing products than managed ones. Another feature of this group was that they often had investments in equities outside of their pension, meaning they were familiar with this kind of investment.

Case Study G: Cluster 4 – Most engaged

Age: 65+

Employment status: working

Pension Pot size: £50-100k

SIPP

Has a separate DB pension & separate DC pension

Deciding on provider

"I looked around at what… around, and what they were charging. As I say, I've got the safety net, and, when I was looking at, sort of, management costs and everything, my own view, you know, sort of slowly became, I can have a, sort of, a dabble. I could, I could just leave it as cash and take money out in a few years' time, or, I could, not exactly play the stock market, but I can have a look round and, and, and see if I could increase the amount of the pot."

Case Study H: Cluster 4 – Most engaged

Age: 55-59

Employment status: working

Pension Pot size: £100k+

SIPP

Has a separate DB pension & separate DC pension

Monitoring of drawdown investment

"Well, when I first started I was, 'I was looking at it probably every day, every other day, but I tend to not look so often nowadays. Certainly, once or twice a month and if I feel that there are, are things happening in, that, that would affect the funds, then I, I, I look more closely."

4.2 Who is in each group?

Next we looked at how customers in four engagement groups vary by their socio-demographic characteristics and pension situation (Table 3.4).

Least Engaged: This group is in a more vulnerable position compared to other groups: their income levels are lower, their pension pots are smaller and they are more likely to have no other pensions, or if they do have other pensions, then these are more likely to be defined contribution pensions rather than defined benefit pensions. This in combination with lower pot sizes suggests that the pension might not be central to customers' retirement planning. They are also more likely to be working, which may mean that they feel less of a need to engage with their drawdown product before retirement. Finally, this group has the lower level of pension knowledge compared to the other groups.

Medium Engagement, in ready-made funds: There are few features that are distinct to this group, suggesting that this level of engagement is spread across customers with different financial situations and socio-demographic profiles. They are more likely to have other defined benefit pensions and to have their drawdown product with a life insurance provider. However, the latter is probably explained by the fact that life insurance companies are more like to offer ready-made funds.

Medium Engagement, in cash: this group is small, so we have not been able to detect any statistically significant differences except for the fact that they were more likely to be SIPP customers. This is possibly because SIPP providers are more likely to allow pension money to be held in cash than life insurers.

Most Engaged: This group is in many ways opposite of the first. Customers in this group have larger pot sizes and higher incomes. Their other defined benefit and defined contribution pensions are also of higher value and they are more likely to be SIPP customers. Finally, they are also more likely to be retired.

Table 4.3 Engagement profiles by socio-demographic and pension characteristics

Least Engaged	**Medium Engagement, invested in ready-made funds**	**Medium Engagement, invested in cash**	**Most Engaged**
• Lower pension knowledge • Lower income • Smaller pot size • No other pension pots • If have other pensions, then have other DC pensions • Working full-time • With life insurance provider	• Have other DB pensions • With life insurance provider	• With SIPP provider	• Higher income • Larger pot size • Have other higher value DC pensions • Have other higher value DB pensions • Retired • With SIPP provider

4.3 The use of engagement groups in the rest of the report

Throughout the rest of the report the engagement groups have been used as break variables to see how groups vary in views and behaviours and the significant results are described. The exception is substantive measures that were used in constructing the groups, as these have already been analysed in this section.

5. Engagement levels moving into drawdown

Section summary

- As well as focusing on engagement with investment choices, we also asked respondents how aware they were of moving into drawdown.
- 9 in 10 customers were aware that they had a drawdown product.. The majority of the remaining 10% remembered taking the lump sum; only 1% overall remembered neither the drawdown product nor the lump sum.
- Getting access to the lump sum was the most common reason for moving into drawdown. This was more common for customers with smaller pension pots and lower income.
- In qualitative depth interviews customers also often citied the desire to control their money and bringing it ‘in-house’ as important triggers.
- There was a strong dislike of annuities, another option available to customers at this stage, with customers citing inflexibility and low value of annuities as main reasons for this.
- To some customers moving their money into a drawdown product felt like a default option if they wanted to gain access to their PCLS.
- Half of customers found out about the lump sum from the media and a similar proportion said they had always known this.
- 2 in 5 found out from their provider and more than half sought guidance on moving to drawdown from their provider. Slightly less than half received guidance from Pension Wise.
- Customers were more likely to report receiving guidance from Pension Wise if they had medium or lower income, were life insurance customers and belonged to the Medium Engagement (ready-made funds) group.
- Qualitative research showed that customers who engaged with Pension Wise were happy with the clarity of the information they received, and that the interaction tended to confirm views they already had.
- Close to 9 in 10 customers knew they could change providers when moving into drawdown, but only 2 in 10 had actually done it and further 2 in 10 had considered moving but decided not to. Half of customers knew they could change providers, but did not consider it.
- Trusting the current provider, receiving good customer service and finding it easier to stay with the current provider were key reasons for not considering moving providers, particularly among the Least Engaged.
- Qualitative depth interviews revealed a ‘better the devil you know’ attitude among many customers, as well a sense that all providers were similar and that it would not be worth the effort to change them.
- For customers who had made an active decision either to change providers or to stay with their current provider, trust in the provider and the drawdown product being easy to use were most important factors.
- 1 in 5 customers did not know what fees their provider charged. A third said they had some sense and slightly less than half thought they knew exactly.

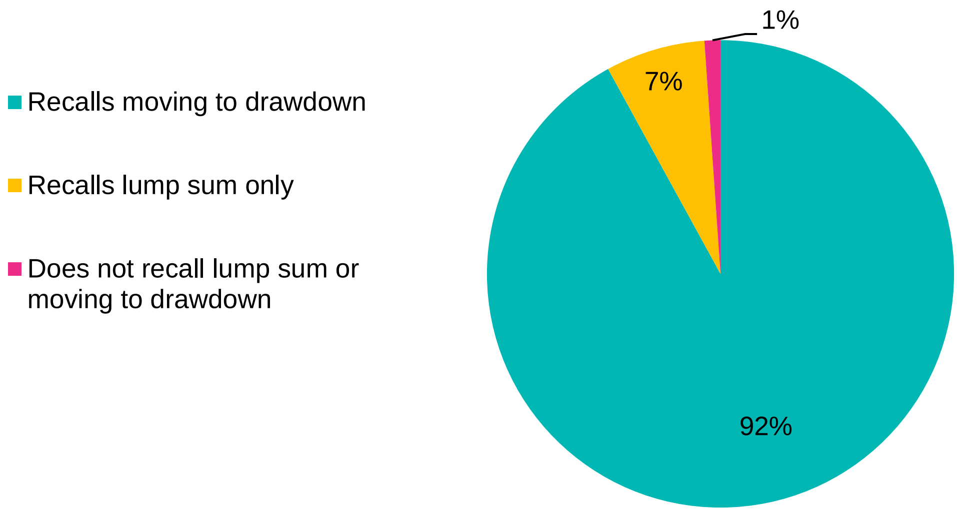
In this section we focus on the first stage of the drawdown customer journey; the decision to move a pension pot into drawdown[32]. There are various possible drivers for this initial decision; customers may have been attracted by the lump sum, or more control and flexibility, among other aspects, and a key line of enquiry here is the motivations for moving into drawdown. Linked to this is how engaged customers are with this decision. This is both at an elementary level – to what extent are customers aware that they have moved to a drawdown product? – as well as how far customers have used guidance services and other information sources in order to make this decision.

At the point of moving to a drawdown product, customers are able to choose another provider, although in practice previous research has found that many stay with their current provider. The FCA's Retirement Outcomes Review Interim Report states that a large proportion of sales of drawdown products to non-advised customers are to existing customers,[33] suggesting limited shopping around on the part of drawdown customers. There was also evidence that customers tend to follow 'the path of least resistance', with few considering moving to another provider.[34] This section will explore to what extent customers were aware that they can shop around and what is holding them back from changing providers.

5.1 Awareness of moving to drawdown

Overall customers displayed a high level of awareness of having a drawdown product and moving into drawdown. Around 9 in 10 (92%) said they recalled moving the selected pension pot to the drawdown product (Figure 5-1). Similarly 93% recalled taking a cash lump sum from this pension since April 2015. Taking these two questions together, almost all respondents were aware of either having moved to drawdown, or taking the lump sum; while 92% recalled moving to drawdown, a further 7% did not recall this but did remember taking the cash lump sum, meaning that overall only 1% of customers did not recall either.

Figure 5-1 Awareness of moving to drawdown



Base: All respondents (996)

It is worth noting that in order to conduct the survey we screened out customers who were not able to recognise their product at all (either by name, or if this was not recognised through the rough size of the

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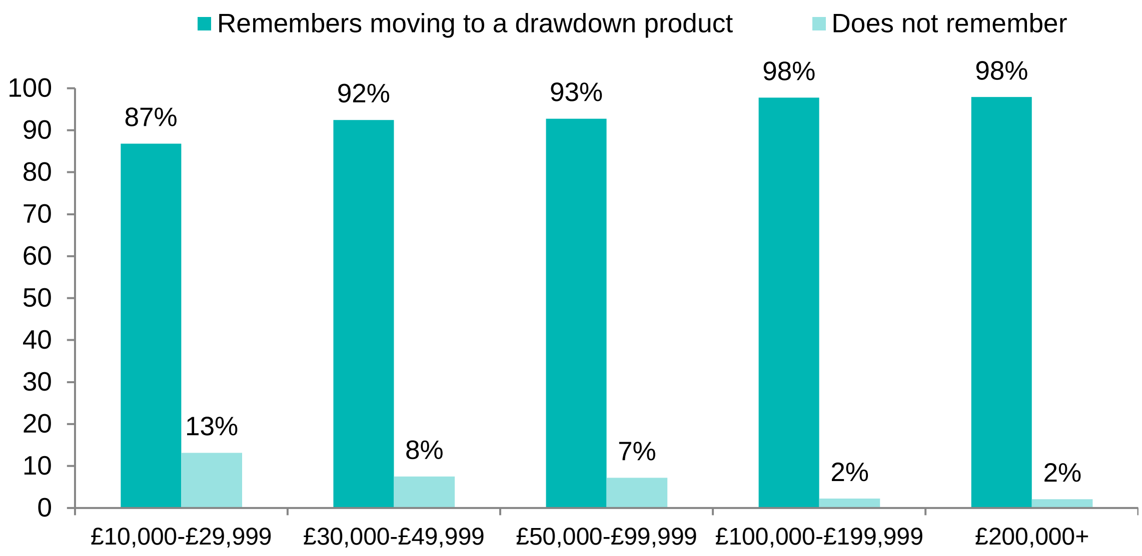
32 While this happens before customers engage with the investment decision, we chose not to take a chronological approach to presenting the findings to allow us to focus to report on the key area of interest – engagement with investment decision.
33 Retirement Outcomes Review: Interim Report (2017). Financial Conduct Authority. URL: https://www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report.pdf
34 Retirement Outcomes Review: Interim Report, Annex 3 (2017). Financial Conduct Authority. URL: https://www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report-annex3.pdf

pot, or the date they entered drawdown), which would have had the effect of prompting customers on the details of their drawdown product.

This high level of awareness of moving into drawdown was replicated in the qualitative depth interviews with customers. Customers either referenced being in a ‘drawdown’ product spontaneously, or were able to describe the product that they had moved into as something that allows them to access their money when they want to. However, too much weight cannot be placed on this, as all of the depth interviewees will have taken part in the survey shortly before their interview, so are likely to have had their awareness heightened.

Awareness of moving to drawdown was higher among those with larger pots; 98% of people with pension pots of £100,000 or more recalled moving to drawdown, compared with 87% of those with the smallest pots (£10,000-£29,999)(Figure 5-2). Lower awareness was also associated with lower incomes (88% of customers with incomes up to £20,600), having only one pension pot (87%) and low pension knowledge (83%). Recall of taking a lump sum was relatively high among all groups, with the exception of SIPP customers (83% compared with 95% of life insurer customers).

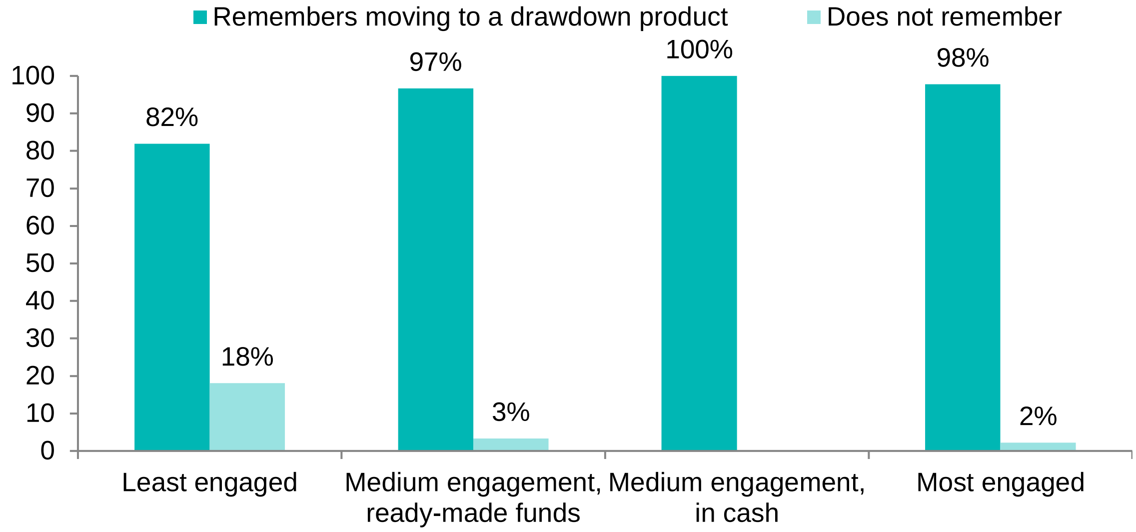
Figure 5-2 Awareness of moving to drawdown, by pot size



Base: All respondents (1,000)

Unsurprisingly, awareness of moving to a drawdown product was high among the Most Engaged group (98%), the Medium Engagement (ready-made funds) group (97%) and the Medium Engagement (Cash) group (100%), while the Least Engaged group was less likely to recall moving to drawdown (82%) (Figure 5-3). Recall of taking a cash lump sum, on the other hand, was similarly high among all engagement level groups.

Figure 5-3 Awareness of moving to drawdown, by engagement group



Base: All respondents (1,000)

Customers who took part in depth interviews were aware of having taken the tax-free lump sum and perceived it as a sensible course of action in taking control of their money, even if they did not have plans to use that money immediately.

"I have no confidence in the pension industry anyway, I have no confidence in the way it's performed in my lifetime, and that was one of the reasons that I wanted to take my money. Because with the interest rates as they are, and I've lost such a lot of capital over the years, I didn't see that there was any great benefit in keeping my money in there and I'd rather have it to spend."

INTERVIEWER: "Did you need the money at the time or was it just more of…?"

PARTICIPANT: "Not at all, no, no. In fact, I've got significant savings and the money's just added to my savings and not getting any interest, but I felt that if I wanted to - I, I felt I'd rather have it than they have it."

Aged 60-64; working; £100k+ pot; non-SIPP, has a separate DC pension

Overall 7% of customers did not recall moving to a drawdown product, but did remember taking out the cash lump sum. Of these 55 cases, 71% said that the remaining money was left where it was, and 20% moved it into a new product with the same company. This group had lower pot sizes and incomes than the sample as a whole; 44% had a pot of £10,000-£29,999 compared with 28% overall, and half (48%) had an income of up to £20,600 (compared with 30% overall). 4 in 10 (41%) had no other pension pots.

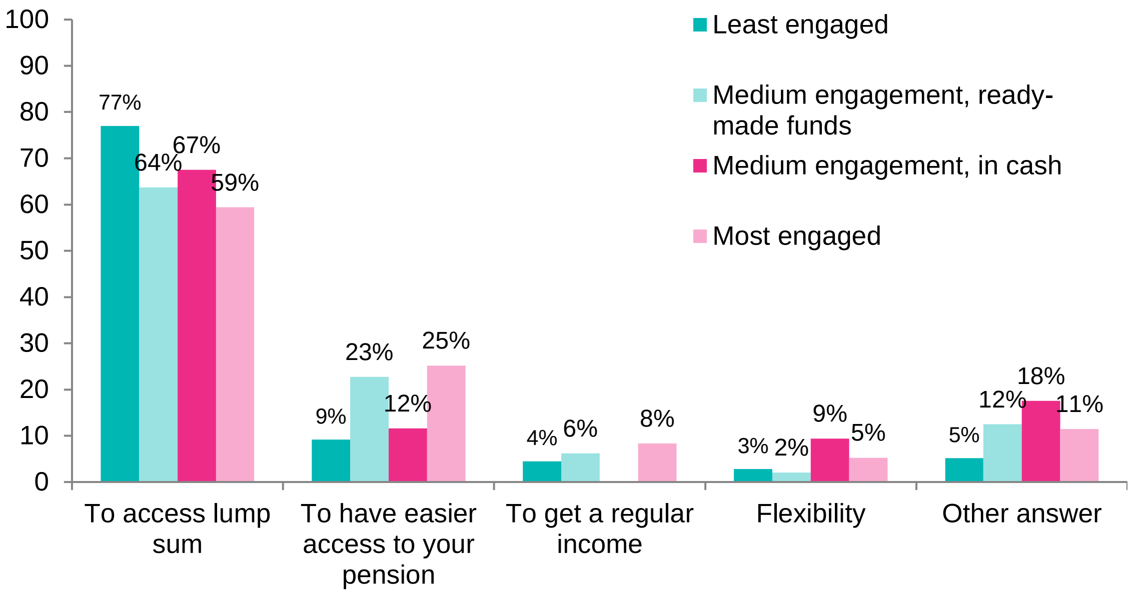
The remaining substantive questions in the survey were asked of those who were aware of moving to a drawdown product or taking a cash lump sum.

5.2 Reasons for moving to drawdown

For a majority of people (68%)[35] the key reason for moving to a drawdown product was to access a lump sum. Other reasons customers gave for moving to drawdown were to have easier access to their pension (18%), and to get a regular income (6%).

Those in the Least Engaged group were most likely to be motivated by the lump sum and not other reasons (Figure 5-4). Over three-quarters (77%) of this group gave the lump sum as a reason, compared with 64% of the Medium Engaged (ready-made funds) group and 59% of the Most Engaged group. Conversely 23% of the Medium Engaged group and 25% of the Most Engaged group said it was to have easier access to their pension, compared with 9% of the Least Engaged group.

Figure 5-4 Reasons for moving to drawdown, by engagement group



Base: All who recall drawdown and have taken a lump sum (not SIPP) (460)
Note: Customers could give multiple answers, so percentages sum to more than 100.

There were also differences in reasons for moving to drawdown by pot size, as well as age. People with smaller pots were also more likely to have been motivated by the lump sum (76% of people with pots £10,000-29,999, compared with 56% of those with pots of £100,000 or more) (Figure 5-5). Younger people aged 64 or less (72%) were more likely than older people (53%) to see the lump sum as their key motivation.

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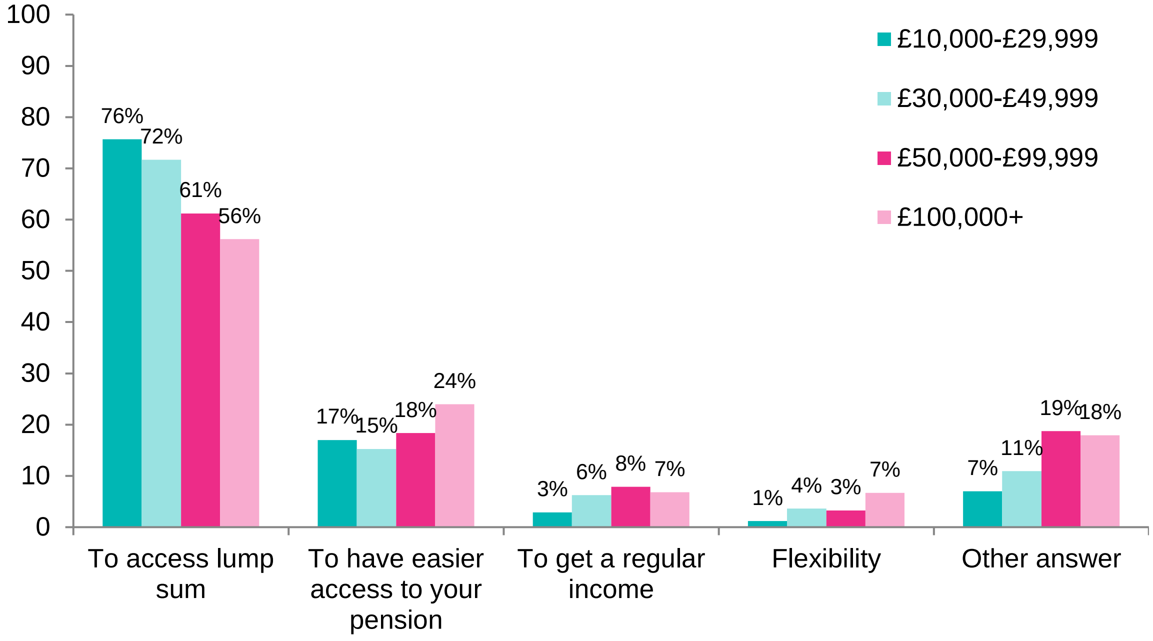
35 This question was only asked of respondents who recalled moving to a drawdown product, and the lump sum, who were not in a SIPP product.

Figure 5-5 Reasons for moving to drawdown, by pot size



Base: All who recall drawdown and have taken a lump sum (not SIPP) (460)
Note: Customers could give multiple answers, so percentages sum to more than 100.

The qualitative depth interviews highlighted that for a number of customers, the ability to take a tax-free lump sum from their pension pot was indeed an important 'initial trigger' in the decision to move their pension into drawdown. Some customers had very specific requirements of the tax-free lump sum, including the following: property renovations; property purchase; mortgage repayment; helping a child with deposit for a house; buying a high-value item, such as a car or boat, and providing funds for the customers' business.

While almost all of the customers who took part in depth interviews had taken the 25% tax-free lump sum, some customers did not have specific, immediate purposes for which they intended to use this money, and the desire to access the lump-sum was not necessarily a key trigger in wanting to access their pot. These customers tended to see taking the tax-free lump sum as a sensible option, in order to bring the money 'in-house' and take control of it, in a tax efficient way. Another type of 'initial trigger' reason for customers' decision to move their pension into drawdown was being prompted by an external factor, such as their pension provider contacting them when they were approaching the age at which they could get easy access to their pension. Others were prompted by a pension scheme closing because it no longer complied with regulations.

5.3 Deciding between a drawdown product and an annuity

As noted above, the majority of customers entered the drawdown because they wanted to take out PCLS (lump sum) and not because they were specifically interested in a drawdown product. This suggests that for many customers entering drawdown involved two decisions:

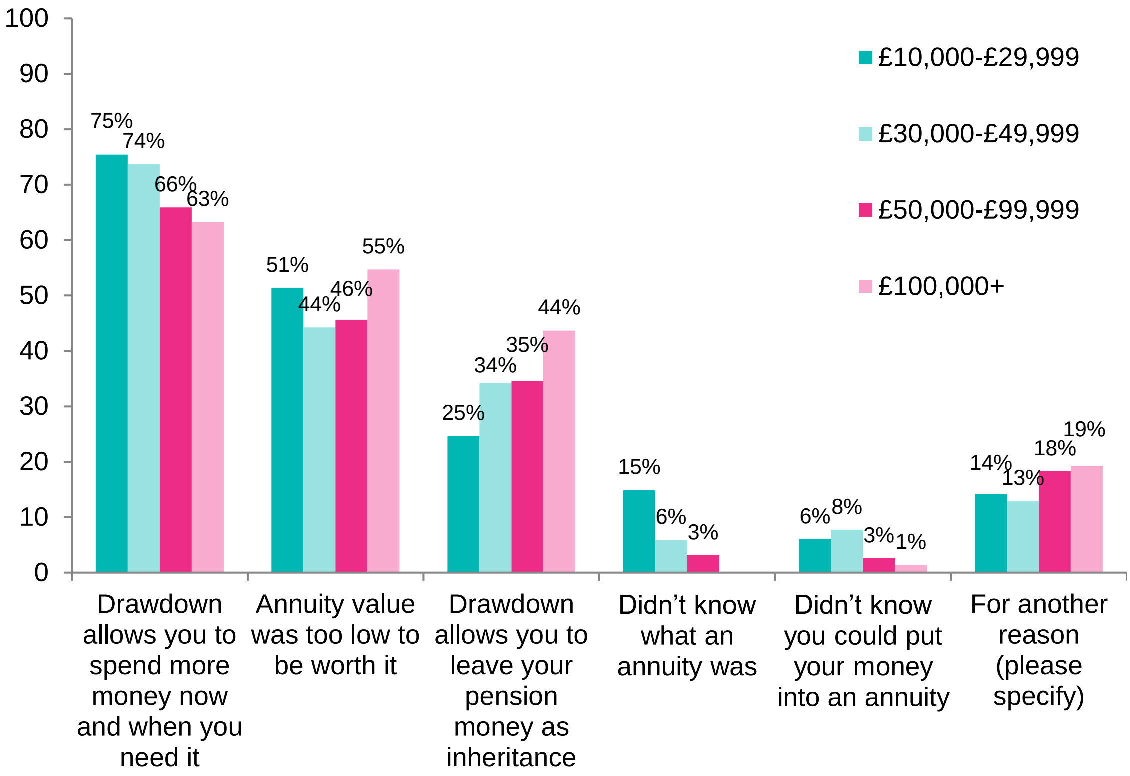
- First, whether to take out lump sum; and
- Second, what type of retirement product to move the remaining pension money to.

There are two options they could choose from: buying an annuity or putting their money into a drawdown product.

When asked why they opted to move their pension into drawdown rather than buying an annuity, the main reason customers gave was flexibility; 71% mentioned the ability to spend more money now and when you need it. Just under half (48%) mentioned the value of an annuity was too low to be worth it and 33% mentioned that drawdown allows you to leave your pension money as inheritance.

Those with larger pot sizes were more likely to say they opted for drawdown over an annuity because drawdown allows you to leave your pension money as inheritance; 44% of those with pots of £100,000 or more gave this reason compared with 25% of those with smaller pots of £10,000-£29,999 (Figure 5-6). On the other hand customers in the smallest pot size group were most likely to say they did not know what an annuity was (15% compared with 0% of those with pots of £100,000 or more. While there do appear to be other differences by pot size these were not found to be statistically significant.

Figure 5-6 Reasons for not buying an annuity, by pot size



Base: All who recall drawdown (not SIPP) (484)
Note: Customers could give multiple answers, so percentages sum to more than 100.

The Least Engaged group were less likely than other engagement groups to say the annuity value was too low (43% compared with 49%-52% in other groups), but were more likely to say they did not know what an annuity was (16% compared with 2% of the Most Engaged and Medium Engaged (ready-made funds) groups), and they didn't know they could do this (10% compared with 2% of the Most Engaged and Medium Engaged (ready-made funds) groups).

Generally there was evidence of widespread familiarity with annuities as an alternative to drawdown product. Only 7% said they didn't know what an annuity was, and just 5% weren't aware they could put their money into an annuity.

The factors in choosing a drawdown product over an annuity, as expressed by customers in depth interviews, are outlined below:

- **Flexibility**
  - *ability to withdraw money as and when required, or to leave it invested if not required for the time being;*
  - *enables the drawing of an income for a defined period of time, without committing to take that amount per month forever – e.g. to bridge the period between retirement and starting to receive an income from other pensions*

- **Control**
  - *customers felt like they had taken control of their own money, unlike with an annuity, where an external actor would decide how much income per year their pension pot was worth;*
  - *the money becomes part of the customer's estate, so if they suffer an early death, the money they have invested is not 'lost', as it would be in an annuity, but can be passed on, as directed by the customer in their will.*

- **Poor return on annuities**
  - *perceived poor value of annuities was a major factor in customers rejecting the purchase of an annuity and therefore being receptive to the alternative of a pension drawdown product. This feeling was pervasive across customers, irrespective of the size of their pension pot or the extent to which it formed part of their planned retirement income.*

There was a sense from the qualitative interviews that some customers had ended up with a drawdown product almost by default. They had wanted to take PCLS from their pot and they did not want to buy an annuity with their remaining pension money, so the drawdown product felt like the only option for them.

INTERVIEWER: "Did you originally take out the tax-free lump sum?"

PARTICIPANT: "I did. I had to pay off the mortgage."

"I had a fair, sort of, idea as to what I wanted to be doing, or at least what I, I didn't want to do, and what I didn't want to do was take an annuity. I give somebody else the money and they give it to me, and the way that they say they'll give it to you and you, you lose control. You lose flexibility. You lose independence."

Aged 65+; working; £100k+ pension pot; SIPP, has a separate DB pension & separate DC pension

Some customers mentioned that if it was not for the tax implications, they would have preferred to have taken all of the money from their pension pot and taken full control of it, rather than put it in a drawdown product, reflecting a degree of distrust among some customers in the pension system, financial services industry more generally and the government's ability to protect pension customers. This is in line with previous qualitative research with customers who had accessed their defined contribution pensions since the introduction of pension freedoms[36].

5.4 Sources of information

We have seen that the overwhelming majority of customers were aware of the decision to move to drawdown and taking a lump sum, but how did they become aware that this was an option for their pension pots? And what sources did they draw on for guidance in making their decision to move their pot to a drawdown product? We sought to answer these questions by asking customers where they found out they could take a lump sum, as well as who they turned to for guidance and what sources of information they drew on when making their decision to move to drawdown.

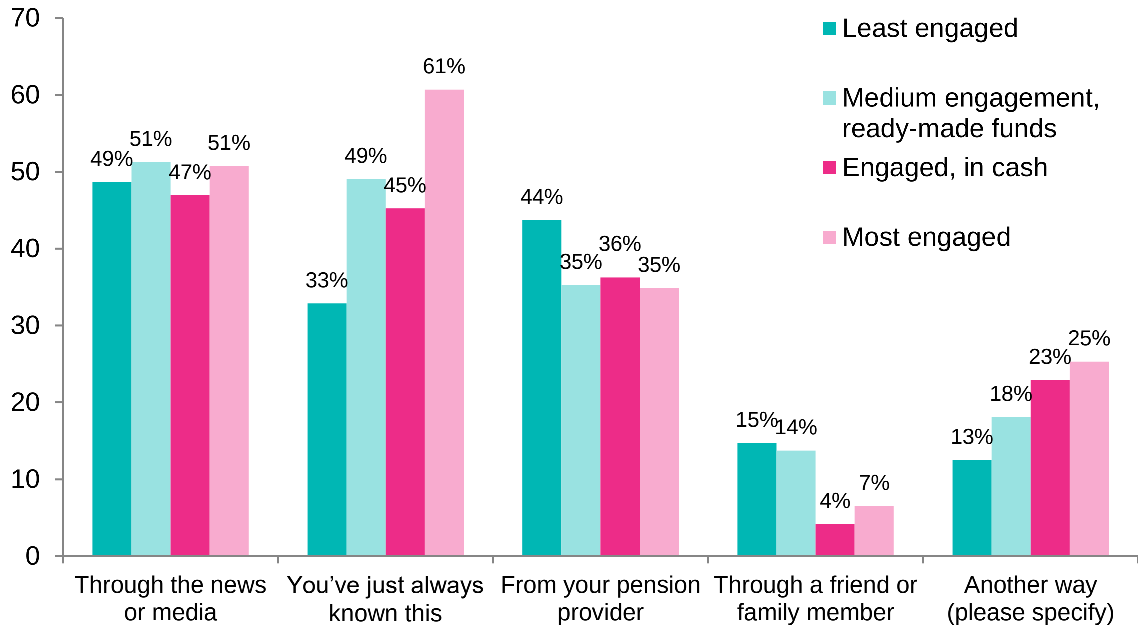
5.4.1 Finding out about the lump sum

Those who took a lump sum were asked how they found out they could do this, and were able to choose multiple sources. The most common source was the news or media, mentioned by half (50%) of customers. Nearly half (46%) mentioned they had always known about the lump sum, and 38% mentioned finding out through their pension provider.

[36] Retirement Outcomes Review: Interim Report: Annex 3: Qualitative consumer research for assessing non-advised journey (2017). Ignition House. URL: https://www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report-annex3.pdf

The Most Engaged group were more likely to have always known about being able to take a lump sum; 61% compared with 49% of the Medium Engagement (ready-made funds) group, 45% of the Medium Engagement (cash) group, and just 33% of the Least Engaged group. On the other hand, the Least Engaged group were most likely to have found out about the lump sum from friends and family (15% compared with just 4% of the Most Engaged group) (Figure 5-7).[37]

Figure 5-7 Where found out could take a lump sum, by engagement group



Base: All who have taken a lump sum (894)

Note: Customers could give multiple answers, so percentages sum to more than 100.

Customers were more likely to have heard about the lump sum through the news or media if they were below retirement age (52% compared with 44% of customers aged 65 and older).

Hearing about the lump sum through a pension provider was more common among those with small pots (44% compared with 24%), older people (49% compared with 34% of younger people), and those with low pension knowledge (48% compared with 33% of people with high pension knowledge).

Some said they had just always known about the ability to access a lump sum, a view that was more common among those with the largest pots (67%, compared with 39% of smallest pots), as well as SIPP customers (60% compared with 44% of those not with SIPPs), and those with higher pension knowledge (57% compared with 30% of those with low knowledge).

5.4.2 Guidance on decision to move to drawdown

Overall customers sought guidance from a range of sources when making their decision to move to drawdown. Over half (54%) said they received guidance from their pension provider on their decision to move to a drawdown product, while 46% received guidance from Pension Wise[38], the free guidance service aimed at DC customers aged 50 or over, 23% from friends and family and 16% from the Pensions Advisory Service, which offers guidance to any member of the public on occupational or private pensions.

[37] The Least Engaged group also appeared to be more likely to say they found out about the lump sum from their pension provider, but this was not a significant difference.

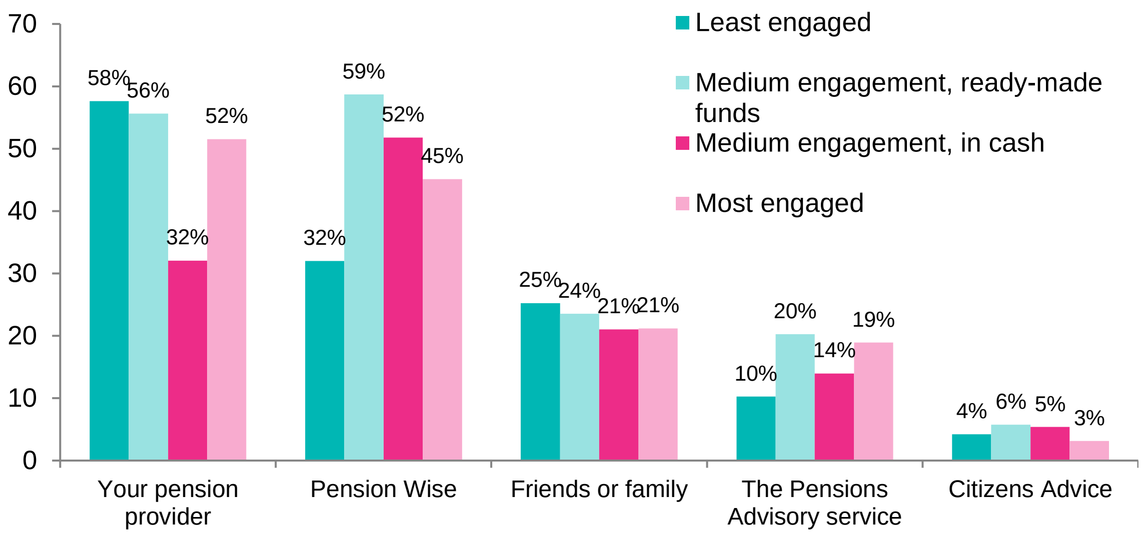
[38] It was not specified what format guidance from Pension Wise and the Pensions Advisory Service should take; this may have covered a face-to-face meeting, a telephone discussion or internet research.

Seeking guidance from Pension Wise was more prevalent among customers with medium and lower incomes, with 50% of those in the lowest income group doing so, compared with just 35% in the highest group. Guidance from Pension Wise was also higher among life insurance customers (49%) rather than SIPP customers (35%). It was also higher among the Medium Engagement (ready-made funds) group (59%), followed by the Medium Engagement (in cash) group (52%), the Most Engaged (45%) and Least Engaged (32%) groups (Figure 5-8). The likelihood of using Pension Wise was similar between pot sizes, between those with and without other pension pots and between age groups. It should be noted that there is potential for some confusion between Pension Wise and the Pensions Advisory Service.

Customers who took part in depth interviews and who had made use of Pension Wise services had positive experiences, finding the information to be delivered in “plain, clear English”. However, the information gleaned from Pension Wise tended to be confirmatory of what customers already knew about their pension options.

Receiving guidance from a pension provider was relatively prevalent among most engagement groups (52%-58%), except for the Medium Engagement (in cash) group, among whom only a third (32%) said they received guidance from their pension provider (Figure 5-8). Those with lower pot sizes (63%) were more likely to have received guidance from their provider compared with 48% with larger pots. Guidance from a provider was also higher among those with lower pension knowledge (62% compared with 50% with the highest knowledge level), as well as SIPP customers, who were less likely to have sought guidance from their provider (41% compared with 57% of life insurance providers). However, those with no other pension pots (46%) were less likely to have sought guidance from their pension provider than those with other pension pots (56%).

Figure 5-8 Sources of guidance, by engagement group



Base: All who recall drawdown or took a lump sum (938)
Note: Customers could give multiple answers, so percentages sum to more than 100.

5.4.3 Sources of information used for decision to move to drawdown

As well seeking guidance from various bodies, customers used a range of other sources to inform their decision to move to drawdown, including information from their provider, various websites, the press, and friends or family. The most commonly used source was information from their pension provider, mentioned by 59%. This could include both documents sent by the provider, or customer research using their website. Next most mentioned was a general internet search (44%), government websites (44%), financial or money media (27%), friends or family (24%) and consumer information websites (23%).

The Least Engaged group were generally less likely to have consulted any of these sources of information, for example 33% said they looked at government websites compared with 43%-55% of the other groups.

Overall the Least Engaged group were more likely to have done no research at all (14% compared with 5%-8% of other engagement profile groups)

Those with larger pot sizes were more likely to use financial or money media (48% compared with 18% of the lowest pot size group), as were SIPP customers (39% compared with 25% of life insurance customers).

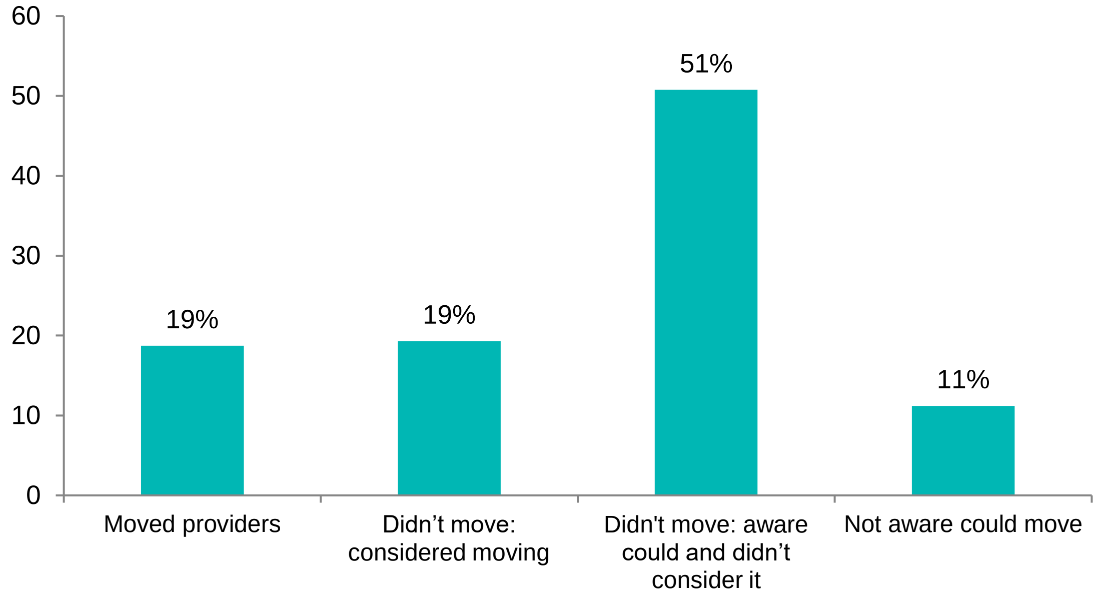
People who engaged with Pension Wise[39] were also more likely to have used a variety of other sources for their research, such as information from their pension provider (69% compared with 53%), government websites (62% compared with 30%), a general internet search (55% compared with 36%), financial or money media (32% compared with 24%) and consumer information websites (30% compared with 17%). This chimes with the qualitative finding that customers who consulted Pension Wise tended to receive information that provided confirmation of what they already knew, rather than new information.

5.5 Moving providers

5.5.1 Prevalence of moving providers

While overall 89% of customers said they were aware they could change provider[40], only 19% said they moved to a new provider when they moved into drawdown[41] (Figure 5-9). A further 19% said they considered moving but chose not to.

Figure 5-9 Prevalence and awareness of moving providers



Base: All who recall drawdown or took a lump sum (938)

In the qualitative depth interviews we spoke to a range of people:

- customers who were not aware of the ability to switch pension provider;
- customers who were aware but did not consider moving provider;

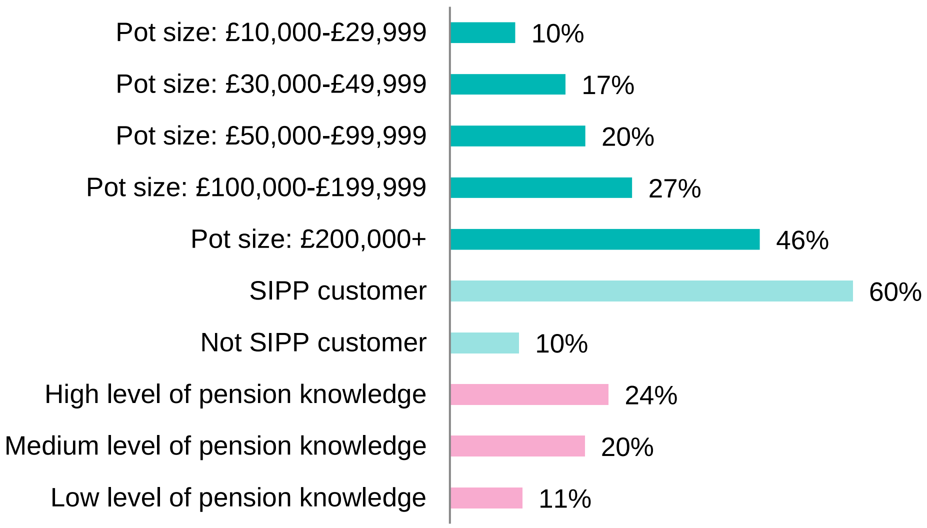
[39] Engagement with Pension Wise was measured by asking respondents whether they received guidance from Pension Wise when making their decision to move their pension to a drawdown product. It was not specified what format this guidance should take, and may cover a face-to-face meeting, a telephone discussion or internet research.
[40] This includes people who said they changed to a new provider, and those who stayed with the same provider but said they were aware they could change.
[41] It is possible that some customers who reported having changed providers in drawdown had in fact changed them before moving to drawdown.

- customers who investigated the possibility of moving provider but did not; and
- customers who moved providers at drawdown.

Findings from the quantitative survey show that moving providers was clearly linked to engagement with the drawdown product, with 27% of customers who are in the Most Engaged group and 38% in the Medium Engagement (in cash) group having changed providers. This compares with 16% of the Medium Engagement (ready-made funds) group, and 12% of the Least Engaged group.

Changing to a new provider was notably higher among those with higher pot sizes (46% of those with a pot of £200,000 or more, compared with 10% of the smallest pot size of £10,000-£29,999) and SIPP customers (60% compared with 10% of life insurance customers)(Figure 5-10). Retired people were also slightly more likely to have moved to a new provider (23% compared with 15% of those working full-time), as were customers with a high level of pension knowledge (24% compared with 11% with low knowledge), and customers with other DB pension pots (26% compared with 17% with no pension pots, 13% with other DC pension pots).

Figure 5-10 Proportion of customers in each group that said they changed pension providers when moving to a drawdown product, by pot size, whether SIPP customer, and pension knowledge



Base: All who recall drawdown or took a lump sum (977)

5.5.2 Reasons for not considering moving providers

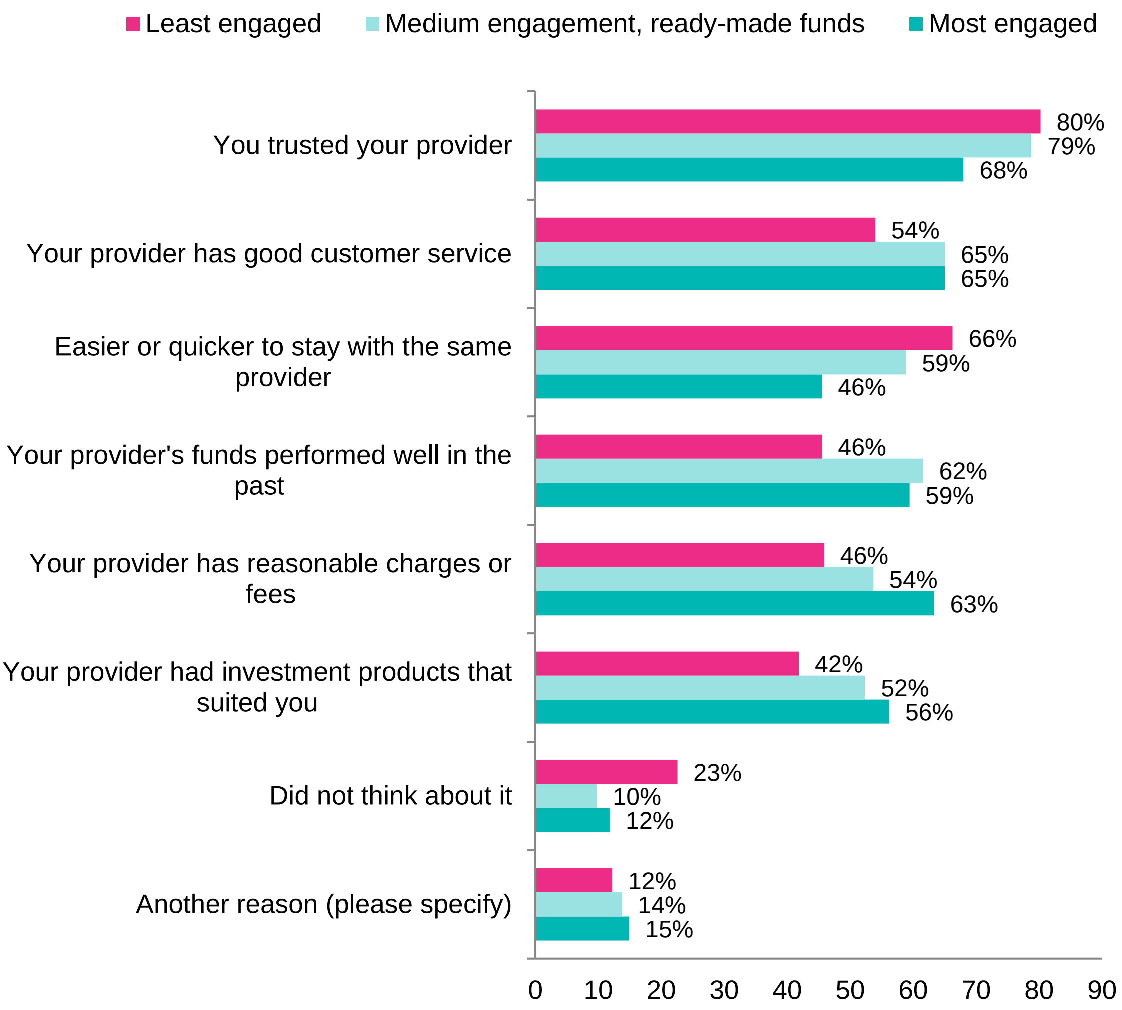
Those who were aware they could move to a different provider when moving to drawdown but did not consider it were asked to say why they did not consider this. Customers were able to select multiple options from a list of possible reasons; for telephone respondents this meant being read a list of options and indicating whether each applied to them, while those taking part online were presented with a list of options for them to indicate each that applied. This design could lead to a higher proportion of customers selecting each option than would be the case if they were not presented with the answer categories; however it is useful to compare the relative proportions for each source.

The most commonly mentioned reasons were related to positive feelings towards their current provider. Trust in their current provider was cited by three-quarters (76%) of customers as a reason for not considering a change in provider, while 60% pointed towards the good customer service they receive from their current provider, 58% said it was easier or quicker to stay with the same provider, 55% cited their provider's past fund performance, 53% their reasonable charges or fees and 49% the suitable investment products on offer from their provider.

The Least Engaged group (66%) were more likely than the Most Engaged (46%) and Medium Engagement (ready-made funds) (59%) groups to say that it was easier or quicker to remain with their current provider

(Figure 5-11). This links with other findings in this section, particularly that the Least Engaged group were more likely to use the provider as a source of guidance or information. On the other hand, the Least Engaged group were less likely than other groups to say they did not consider moving because their provider's funds performed well in the past (46% compared with 59%-62%).[42]

Figure 5-11 Reasons for not considering moving providers, by engagement group[43]



Base: All who aware could change provider but did not consider it (335)
Note: Customers could give multiple answers, so percentages sum to more than 100.

People were more likely to cite reasonable fees as a reason for not considering moving providers if they had a higher pot size (73% of those with pots £100,000 or more, compared with 48% of the lowest pot size), or was a SIPP customer (74% compared with 51% of life insurance customers).

As well as the Least Engaged group, the view that staying with the same provider was easier or quicker than moving was more common among life insurance customers (59% compared with 47% of SIPP customers), and those with lower pension knowledge (68% compared with 56% with the highest knowledge).

There were no other differences found, including by whether the customer has other pots or not.

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[42] The Least Engaged group also appeared to be less likely to say they did not consider moving because their provider has good customer service, reasonable charges or investment products that suited them, however these differences were not significant.
[43] The "Medium Engagement, In Cash" group is not included in the chart due to a low base size of less than 50 respondents for this question.

Qualitative depth interviews uncovered a range of factors that contributed to customers staying with their existing provider when moving into the drawdown product and not considering other providers, despite having the knowledge that they could switch providers.

Some customers expressed a sense of inertia regarding their decision to stick with their current provider, rather than seeking out possible alternative providers when moving into drawdown. They felt that attempting to change providers would be a hassle and that it was easier to just stay with their current provider. These customers said it was 'laziness' on their part that meant they had not looked at alternatives.

Other beliefs that led to a sense of inertia among customers and which contributed to the decision to not look at alternative providers included the following:

- The amount of money in the pot was small, so it did not really matter who the provider was;
- They do not intend to keep the money in the drawdown product for very long, so it did not matter who the provider was;
- All providers were seen as being pretty similar, none of them can guarantee a particular return and charges will be fairly similar, so it did not matter who the provider was.

Customers also expressed what could be regarded as 'positive' reasons for staying with their provider, rather than looking at alternative options. The key reasons here were as follows:

- Satisfaction with how their pension with their current provider had performed;
- A well-established company, which provided the customer with confidence;
- Happy with the customer service;
- The fees charged by the provider seemed reasonable.

Taken together, these factors appeared to contribute to a feeling among many customers of 'better the devil you know' and the sense that there were not any compelling reasons to put effort into investigating the possibility of changing provider at drawdown. Where customers did consider changing provider but ended up not doing so, they found it difficult to compare the different options offered by different pension providers.

INTERVIEWER: ''Did you consider moving to any other provider?"

PARTICIPANT: "No, I didn't no, no because I felt that [pension provider] had performed fairly well and better the devil you know than the devil you don't really."

Aged 65+; retired; £100+k pot; non-SIPP, has a separate DB pension & separate DC pension

"When I'm happy with something I've always found them [pension provider] good to deal with. Efficient. They explain everything. It's not a problem to get hold of them on the phone…I might pick a, one that is a, a nightmare, so…I have no need to change because I'm not unhappy."

Aged 65+; retired; £50-100k pot; non-SIPP, has no separate DB or DC pension

INTERVIEWER: "Why did you decide to stay with [pension provider]?"

PARTICIPANT: "Because I hadn't really got any reason to change, it was - it's one of those things; it's laziness in a way, isn't it? Again… because it wasn't a huge amount of money and it had been sat in there for a long time."

Aged 55-59; working; £10-50k pot; non-SIPP, has a separate DC pension

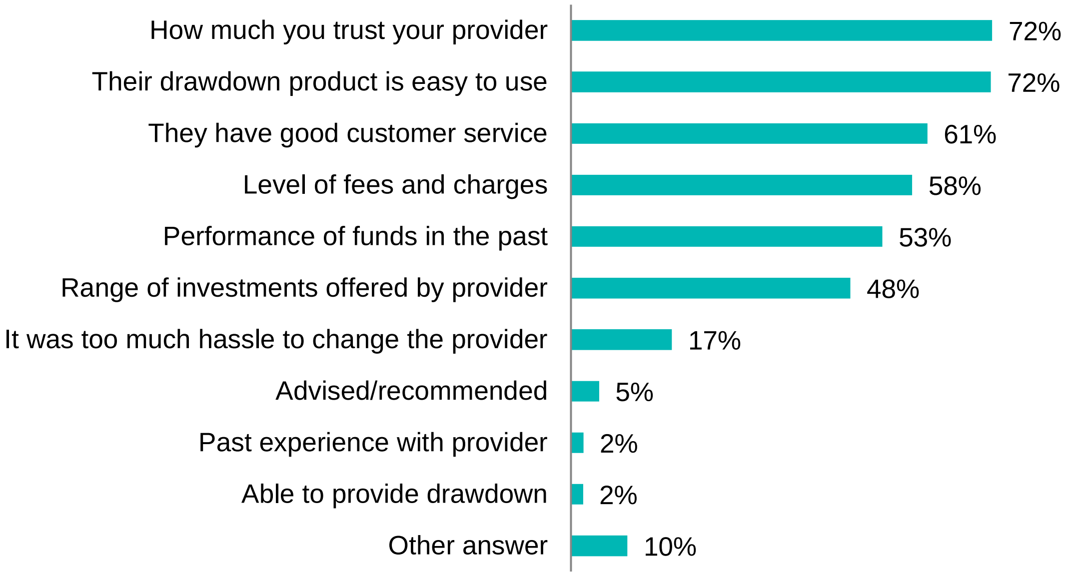
5.5.3 Important factors for selecting or choosing to remain with a provider

Those who said that they chose to move to a new provider, or considered moving providers and decided not to, are defined here as people who *actively* chose to select their provider. This group of customers were asked to say what factors were important to them when selecting their new provider or choosing to stay with their current provider. They were given a list of possible factors, and able to select as many as applied.

As with those who did not consider moving, trust was a key motive; 72% said how much they trust their provider was important to them in their decision to choose them (Figure 5-12). Also central for customers was how easy to use the drawdown product is; this was cited by 72% as important in their decision to move providers.

Slightly fewer said that customer service (61%), and the level of fees and charges (58%) were important, followed by past performance of funds (53%) and range of investments (48%).

Figure 5-12 Important factors for selecting provider



Base: All who actively chose a provider (457)

Note: Customers could give multiple answers, so percentages sum to more than 100.

There were some differences in the important factors for provider choice between those who had moved providers, and those who had considered moving but chose their own provider. The range of investments the provider offered was a more important factor for those who moved to a new provider, with 57% mentioning this compared with 38% of those who considered moving but didn't. A third (33%) of those who considered moving providers but remained said it was too much hassle for them to change provider, while only 1% of those who moved said this.

In general each of the important factors for selecting a provider were more likely to be mentioned by the more engaged customers. For example, 81% of the Most Engaged group mentioned the drawdown product is easy to use compared with 53% of the Least Engaged group, and 72% of the Most Engaged mentioned level of fees and charges compared with 38% of the Least Engaged. The exceptions to this were 'it was too much hassle to change provider', and being advised or recommended to choose that provider, which were not significantly different across the groups. This suggests that even among those who actively chose their providers (either by moving or considering others and deciding to stay where they were), there was a divide between more engaged customers who had considered numerous provider features before making a decision, as opposed to the Least Engaged who were less likely to have done this.

As SIPP customers are found to be generally more engaged, it follows that SIPP customers were also more likely to select many of these factors as important than life insurer customers, including ease of use of drawdown product (82% of SIPP compared with 67%), good customer service (74% compared with 55%), level of fees and changes (70% compared with 53% of life insurance customers), and range of investments (73% compared with 37%).

Factors influencing the choice of provider did not vary by pot size.

When asked to choose the single most important factor for choosing their provider of all the factors mentioned, the most common response was the drawdown product is easy to use (23%), followed by how much you trust the provider (22%) and performance of funds in the past (15%).

Among those depth interviewees who had moved providers at drawdown, the reasons given for doing so are outlined below:

- Wanted to invest in a drawdown product and their current provider did not provide drawdown, so had to switch provider, or had to switch provider for other reason, such as current scheme no longer being compliant with regulations;
- Wanted more control of drawdown product than was available from their current provider. Aware charges were higher with the provider moved to but willing to pay for more control over investments and better customer service with new provider.

It is worth noting that during the depth interviews, the rate of fees charged by a provider did not feature prominently in customer's descriptions of why they chose to stay with their provider, or switch.

Where customers did switch, they sometimes relied on recommendations of providers from family, friends or colleagues in the first instance, often accompanied by their own research via techniques such as looking at provider websites, speaking to providers and reading financial media.

5.5.4 Reported awareness of fees

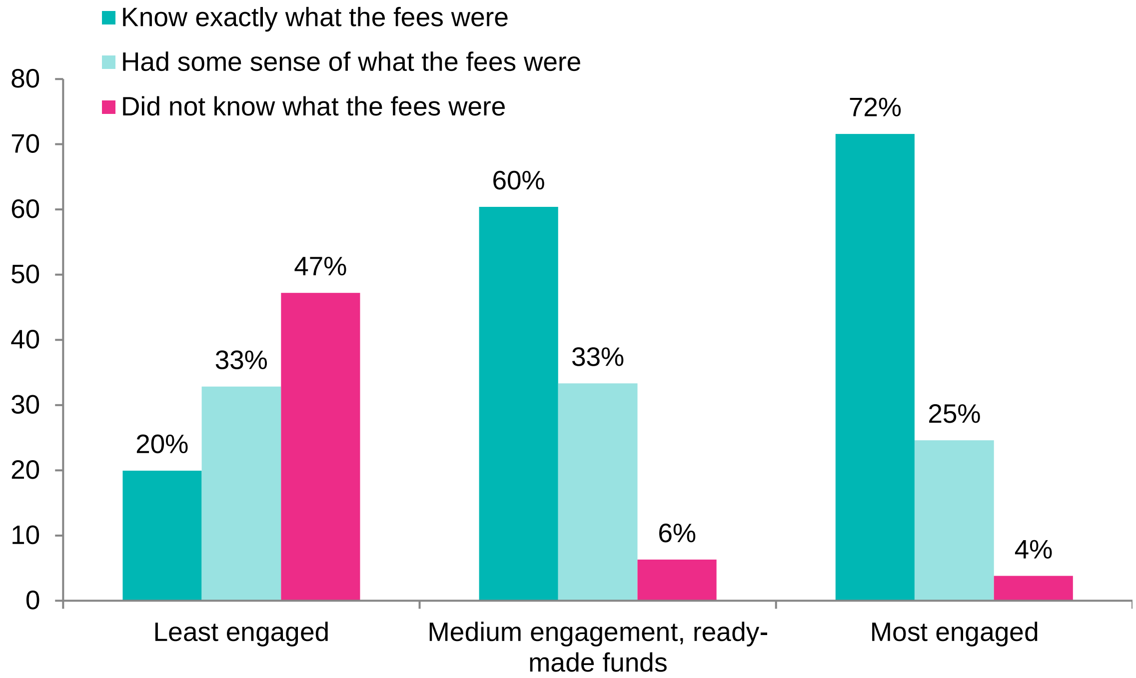
Non-SIPP customers[44] were asked how aware they were with fees associated with your drawdown product. The aim of this question was to test customers' self-perceived awareness of fees, note that it was not tested whether customers' perceptions were in fact accurate, and there is a possibility that some customers would overstate their awareness of fees.

Less than half (46%) said that they knew exactly what the fees were associated with their drawdown product. A third (32%) said they had some sense of what the fees were, while 22% did not know what the fees were.

As described in Section 3, self-perceived awareness of fees was associated with engagement. Only a fifth (20%) of the Least Engaged customers said they knew exactly what the level of fees associated with their product are, while nearly half (47%) said they did not know. Self-perceived awareness was much higher among the Medium Engagement (ready-made funds) group, among whom 60% said they knew the fees exactly, and the Most Engaged group, among whom 72% knew the fees exactly. Only 6% of the Medium Engagement (ready-made funds) and 4% of the Most Engaged groups felt they did not know their fees (Figure 5-13).

[44] Due to an oversight in the questionnaire design process, this question was not asked of SIPP customers.

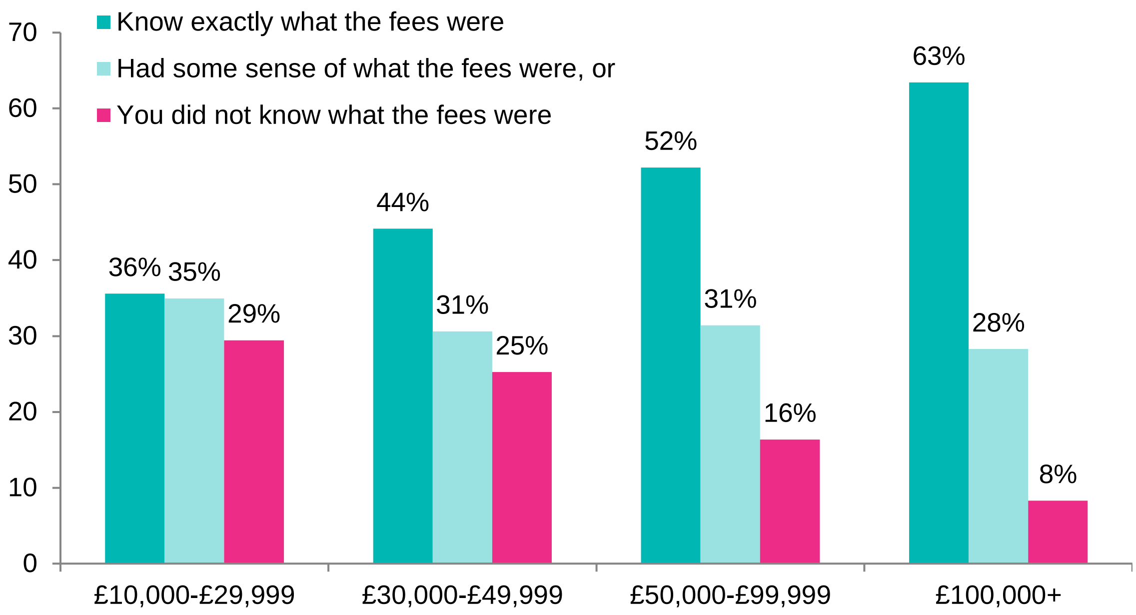
Figure 5-13 Self-perceived awareness of fees, by engagement group



Base: All who recall drawdown or took a lump sum (not SIPP) (529)

Lack of awareness of fees was also associated with smaller pot sizes, 29% of those with a pot of £10,000-£29,999 said they did not know what the fees were, compared with 8% of the highest pot size group (Figure 5-14). Lower self-perceived levels of awareness were also associated with having low pension knowledge (32% compared with 12% of those with high pension knowledge), having no other pension pots (29% compared with 19% of those with other pots) and no engagement with Pension Wise (24% compared with 15% of people who did engage with Pension Wise). Although it is not clear whether increased fee awareness is a result of using Pension Wise or a result of other characteristics associated with those who choose to use Pension Wise (for example, lower engagement among those who did not seek guidance from Pension Wise).

Figure 5-14 Self-perceived awareness of fees, by pot size



Base: All who recall drawdown or took a lump sum (not SIPP) (529)

Qualitative depth interviews uncovered a wide variety of awareness of fees. Some customers were able to give the exact percentage of fees they were charged and what fees were charged for (though this was not checked against actual fees), others had a broad sense that there were charges of some kind levied on their product, while some had no idea of charges. These differences in awareness of fees fitted broadly with the customers' overall engagement profile, as outlined in Section 4.

Among depth interviewees, only among the most engaged group and those invested in cash was there a sense that some customers had actively picked one provider over another because of an aspect of the service they delivered, such as providing a wider variety of options for investment, or the ability to hold the entire drawdown pension in cash. The level of fees charged by different providers did not feature prominently in customers' thinking.

> *"I was and am increasingly aware that there are other companies like [pension provider] around but I found with [pension provider] that their website's quite easy for me to use; it's quite self-explanatory. I have compared it against other companies and they seem to be slightly more complicated to use. The terminology is clear. Every time I have a question, if I can't resolve it online, they have a very good helpline service. When I did my first transactions, they talked it through with me and, and now I can swap my funds myself quite comfortably…I am aware that [pension provider] is more expensive and I could swap to another company, but right now for me as…I've just, sort of, expressed what I think what the benefits are of, of the [pension provider], so I'm prepared to trade off the extra charges at the moment in terms of the fact that I find their system and their support services very good."*
>
> Aged 55-59; working; £100k+; SIPP, has a separate DB pension & separate DC pension

"Because my pension was in what was called a crystalline state. So, we couldn't actually ask the pension company – I had to then change it, take the money from them to [another pension company]. So, I did a little research with [pension company] and other companies, and which one I should take it to. I also took personal recommendations from people that have done this in the last couple of years, since their pensions have become available. And my best one was [pension company]. I thought well, I'll pop it there because, A) I can get to it, B) I can invest it, I can be - if I leave it as it is I'll get no interest at all, but I can invest some of it or part of it or all of it, if I wanted to, in various projects. And every month [pension company] now are sending me things I can invest in if I want to. There's no pressure to, there never is any pressure".

Aged 65+; retired; £10-50k; SIPP; drawdown invested in cash only, has a separate DC pension

6. Current use of drawdown product

Section summary

- The majority of customers were satisfied with their decision to move to drawdown. More engaged customers were most likely to be ‘very satisfied’ with their decision.
- The main reasons contributing to satisfaction was taking control of their money and getting access to lump sum.
- 2 in 5 customers had taken either regular income or were taking money as and when needed from the drawdown product after taking PCLS.
- Taking money as and when needed was more common among people holding their entire pot in cash.
- The main reason for not taking money was not needing it.
- Of those who had not taken money, 7 in 10 planned to do it in the future.

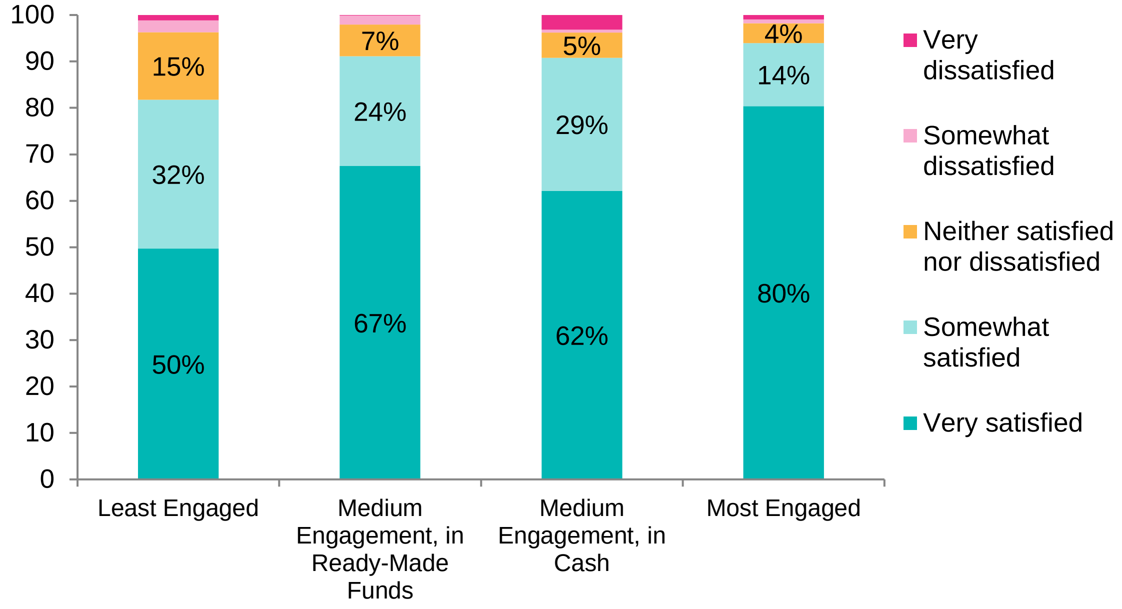
In Section 3 we focused on how customers engaged with their investment decision; here we look more broadly at how they engage with their product, including how satisfied they are with it and how they interact with it. Drawdown products allow customers to be more engaged with their investment than regular pension products, as well as allowing more flexible access to their money; which they can withdraw as an income or take as and when they need to. In this section we investigate how customers are using drawdown and their intentions for the future.

6.1 Satisfaction with moving to drawdown

Customers were asked overall how satisfied they were with their decision to move to a drawdown product. An overwhelming majority of customers said they were satisfied with their decision to move to drawdown: Almost two-thirds (65%) were ‘very satisfied’ with this decision and about a quarter (24%) were ‘somewhat satisfied’. Only 3% said they were somewhat or very dissatisfied. These high levels of satisfaction are perhaps not surprising, as recent outcomes of the decision are likely to have been positive: most customers would have seen their investments grow and many had gained access to a lump sum. As customers are unlikely to have shopped around by considering moving to another provider (see Section 5.5), it is also likely that many customers are not aware of alternatives, and so are unable to make an informed judgement in context of other drawdown products.

Engagement with the investment decision was strongly associated with satisfaction with the drawdown product. Satisfaction was high among the Most Engaged group, with 80% saying they were ‘very satisfied’ (Figure 6-1). The Moderately Engaged, in ready-made funds (67%) and Moderately Engaged, in cash (62%) groups had similarly average levels of satisfaction, while only around half of the Least Engaged group said they were ‘very satisfied’. Satisfaction levels are also higher among those who had taken money from their product (72%), compared with those who had not (61%).

Figure 6-1 Satisfaction with decision to move to drawdown, by engagement group



Base: All who recall drawdown or took a lump sum (978)

Related to this, those who were not aware of where their money was invested were less likely to say they were 'very satisfied'; 47% of the 'not aware' group said this compared with 63% who have a broad idea of their investments and 79% who know exactly.

Satisfaction was also related to pot size: 91% of those with pots of £200,000 or more said they were 'very satisfied'. While all pot size groups under £200,000 were approximately as likely to be satisfied with their decision to move to drawdown overall, the share of people saying they were 'very satisfied' was lower among the lower pot sizes.

SIPP customers also had higher satisfaction levels. Nearly 4 in 5 (79%) SIPP customers said they were 'very satisfied', compared with 62% of life insurance customers.

Customers in the low pension knowledge group (56%) were less likely than those in the medium (61%) or high pension knowledge (72%) groups to be 'very satisfied' with their decision to move to drawdown.

Customers who took part in qualitative interviews appeared broadly happy with their decision to move to a drawdown. They felt like they had taken control of their money, both in terms of having been able to withdraw a 25% tax-free lump sum, and also in being able to decide when and how to drawdown the remainder of their money. They saw the drawdown option as far more preferable than an annuity, which they saw as the only realistic alternative to a drawdown pension. While this general sense of satisfaction applied across the customer groups, some in the Least Engaged group displayed a sense of fatalism about how their investment would ultimately perform, while others described being happy because the value of their drawdown pension was increasing, or at least not declining. It would be interesting to explore customer satisfaction with drawdown pensions if there is a fall in equity values, to explore the extent to which this might affect customer satisfaction of drawdown pensions.

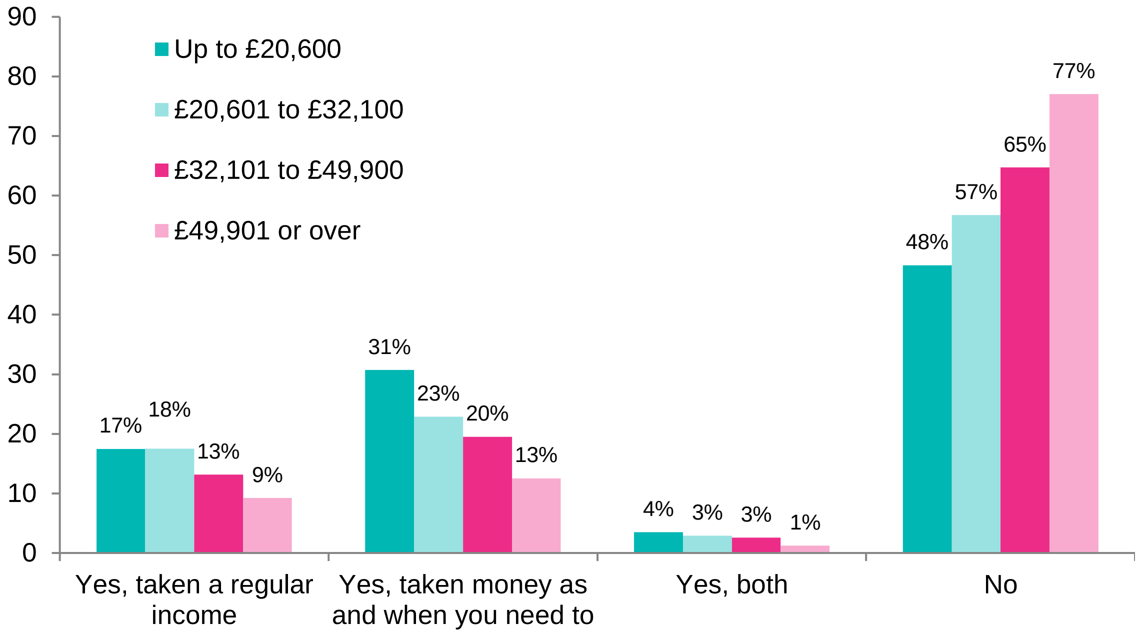
6.2 Taking an income

6.2.1 Taking money from the drawdown product

Drawdown products are designed to give customers easier access to their pension money. Yet only 2 in 5 customers (39%) said they had taken an income from their drawdown product since moving their pension into drawdown.[45] This included taking a regular income (15%), taking money as and when it was needed (22%), and for a very small proportion for both of these reasons (2%). 61 per cent of customers said they were not taking any form of income, which links to the fact that a majority (68%) said the lump sum was their main reason for moving to a drawdown product (see Section 4).

Taking income from the drawdown product was related to a customer's own annual income. Those in the lowest income group (with an income of up to £20,600 per year) were most likely to have taken an income; with just over half (52%) having taken an income (Figure 6-2**Error! Reference source not found.**). This lower income group were particularly likely to have taken money as and when they needed it (31%, compared with just 13% of the highest income group).

Figure 6-2 Whether taken money from drawdown product, by annual household income



Base: All who recall drawdown or took a lump sum, and have a pot size of £30,000 or more (759)

Pot size was also related to taking an income, although to a lesser extent. Those with pot sizes of £30,000-£49,999 (27%) were more likely than those with larger pot sizes of £100,000-£199,999 (15%) or £200,000 or more (21%) to have taken money as and when needed. However those with the largest pots were more likely to have taken a regular income (20%, compared with 14% of those with pots of £30,000-£49,999).

Perhaps unsurprisingly, taking an income was strongly associated with employment status. Over half (53%) of retired customers said they had taken an income, whether regular (27%) or as and when they needed (22%). This compared with 38% of those working part-time or who are semi-retired, and just 20% of people working full-time.

45 This refers to those with pot sizes of £30,000 or more only. The survey sample only included customers who had taken withdrawals if they had pots of £30,000 or more. For more details see technical report.

SIPP customers were more likely to have withdrawn money as a regular income (19% compared with 13% of life insurance customers), although they were just as likely as life insurance customers to have withdrawn as and when they needed (21% compared with 22% respectively).

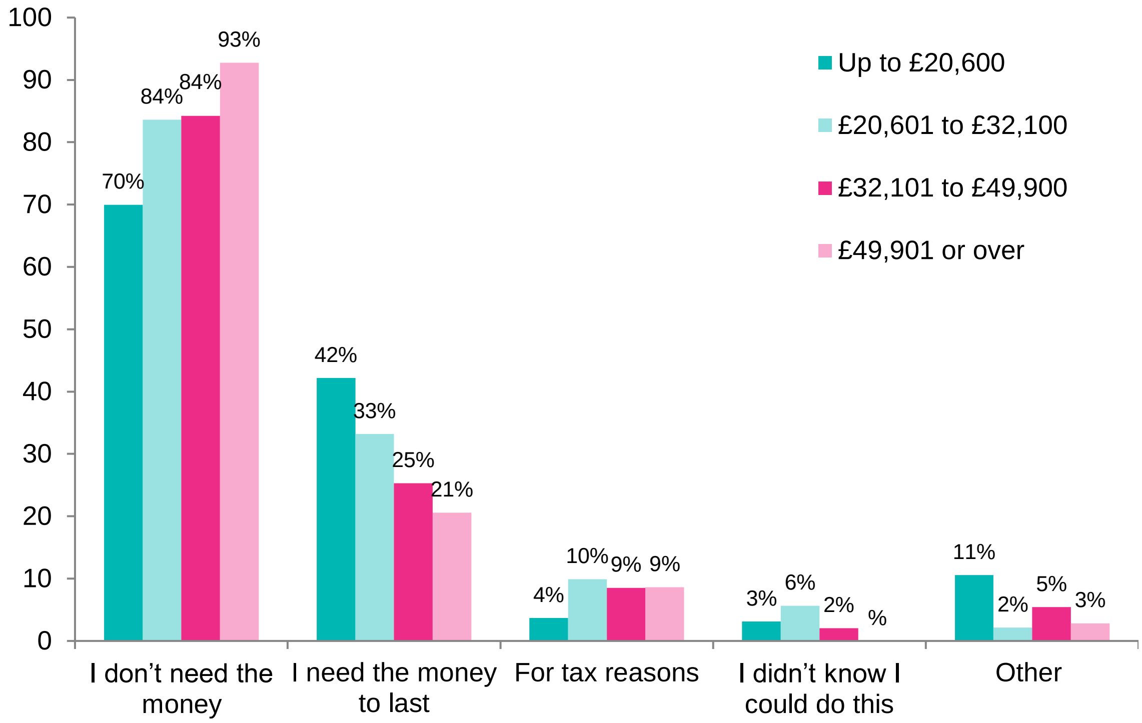
There was little difference between the most and least engaged groups in whether they had withdrawn money. However, those in the Medium Engagement (In Cash) group were more likely than the other groups to have withdrawn money as and when they needed to (38% compared with 19%-23% in the other engagement groups). This pattern is replicated when we look at those holding their entire pot in cash or in a deposit account, 38% take money as and when they need to, compared with 18% who hold money in cash but also have money in other investments, and 22% of those without any money in cash or a deposit account.

Overall, 40% of those whose pots were held entirely in cash or a deposit account had not withdrawn money.

6.2.2 Reasons for not taking money from the drawdown product

The main reason customers cited for not making withdrawals was not needing the money (82%). Slightly less than a third (30%) also mentioned that they needed the money to last. While a majority across all groups said they don't need the money, this was markedly lower among low income customers (70% for those with up to £20,600, compared with 93% of those with £49,901 or over) (Figure 6-3). Conversely 42% of the lowest income group said they needed the money to last, compared with just 21% of the highest income group.

Figure 6-3 Reasons for not taking money from drawdown product, by annual household income



Base: All who have not taken money from drawdown product (611)
Note: Customers could give multiple answers, so percentages sum to more than 100.

A similar pattern was seen with pot sizes. Those with larger pots were more likely to say they don't need the money (92% of those with a pot of £100,000 or more), compared with the lowest pot size (76% of those with a pot of £10,000-£29,999). While the lowest pot size group were more likely to say they need the money to last (35% compared with 25% of the highest pot size group).

Those holding their money entirely in cash were less likely to be concerned with needing the money to last; only 9% of this group mentioned this, compared with 40% of those with money in cash but also money elsewhere, and 25% with no money in cash. A majority of this group (79%) cited not needing the money, but this was lower than among those with cash and other investments (84%) and those with no money in cash (86%).

Other areas where differences were found between groups include engagement profiles, SIPP and non-SIPP customers, and pension knowledge. For example those with lower pension knowledge were more likely to say they needed the money to last (35% compared with 25% of those with the highest pension knowledge). For these three dimensions, conceptually it is likely that the differences can be explained by differences in pot sizes and incomes (for example 79% of people with pot sizes of £200,000 or more had high pension knowledge, compared with 33% of those with the smallest pot sizes of £10,000-£29,999).

In the qualitative interviews, the Most Engaged group of customers had not withdrawn money from their drawdown product, since opening it. These customers planned to use their drawdown pension in one of three ways:

- A long-term investment and not something that would need to be accessed in the near future.

"At the moment I'm just leaving it to increase. I don't really know what to do with it to be honest. I don't actually need the income from it."

- An income source to plug the gap between early retirement, in a few years' time, and when other pension income starts to be paid.

- A source of funds for leisure pursuits when retirement arrives.

Those in the Least Engaged customer group were more varied in the current use of their drawdown pension, doing so in the following ways:

- Drawing down money as and when needed to pay for particular things;

- Drawing down money as a monthly income for a particular period, before stopping;

- Not drawing down money since opening the drawdown pension, as money has not been required, and viewing it as a long-term investment.

In the Least Engaged group, some customers envisaged drawing down the remaining funds from their pension in the near future, in one or two withdrawals, as they viewed what was left as a small amount.

Those customers who were identified as being in one of the middle-engaged groups in the qualitative interviews, also displayed varied behaviour in terms of their use of their drawdown pension and their plans for it. As with the other groups, some customers had no plans to drawdown any money in the foreseeable future and saw their drawdown pension as a long-term investment and something that would provide security in later life. However, customers were also using their drawdown pensions in the following ways:

- Drawing regular monthly income to plug the gap over the next few years, until state pension becomes payable, in the knowledge that little of the drawdown pension will remain at the end of this period;

- Planning to start drawing a regular income from the drawdown pension, upon retirement and seeing this as part of overall retirement income.

6.3 Future plans

6.3.1 Future plans to withdraw money

This section focuses on how customers planned to use or manage their product in the future.

Among those who had not yet taken any money out of their product, a majority (71%) planned to do it in the future, while 29% of those who had not yet withdrawn had no intention to do so in the future. Customers who were already retired were more likely than others to plan to do so (83% of retired customers compared with 72% of those working part-time – including those who are semi-retired and 67% of those working full-time).

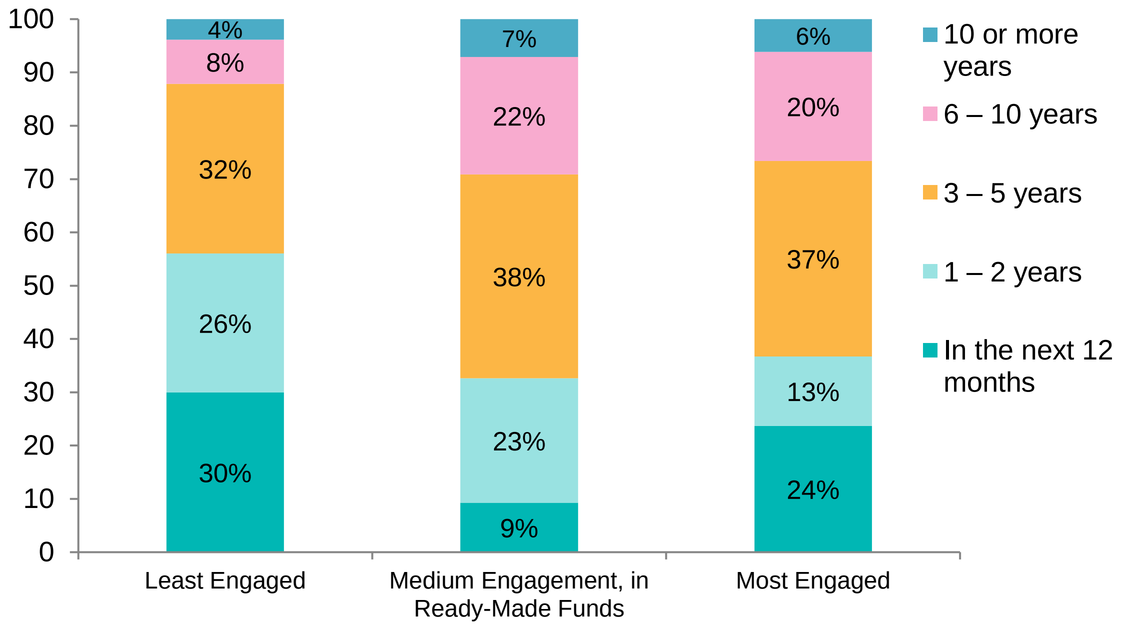
Interestingly, this also correlates with the level of knowledge of pensions. Indeed, people with a higher knowledge of pensions were much more likely than people with medium and low level of knowledge to plan to take out money from their product in the future (81% of those with higher pension knowledge compared with 66% of those with medium knowledge and 59% of those with lower knowledge).

Most of the people planning to take money out saw it as a short to medium term plan. Indeed 78% of them planned to do so within the next five years and 43% within the next two years. Only very few customers (6%) planned to do so in ten or more years.

Customers who were in the Least Engaged group were more likely than others to plan to take money out in the shortest term: 30% planned to take money out in the next 12 months compared with 24% of the Most Engaged group and 9% of those with Moderate Engagement, Invested in ready-made funds (Figure 6-4).

There were no differences found by where customers' pension money was invested.

Figure 6-4 When intend to start taking out money from the drawdown product, by engagement group



Base: All who recall drawdown or took a lump sum and had not yet taken money from the drawdown product, but intended to do so in the future (374)

How soon customers planned to take money from their drawdown product also correlates with employment status, as retired customers were more likely to plan to take out money in the shorter term while customers in employment (part-time or full-time) were more likely to plan to do it in the longer term. 30% of retired people plan to take out money in the next 12 months compared with 19% of those working part-time and 15% of those working full-time. On the other hand, 63% of those working full-time planned to take money out in three to ten years compared with 52% of those working part-time and 39% of retired people.

Intentions to take money out also relate to the wider pension situation as customers with only one pot were more likely than others to plan to take out money in the short term (45% of those with no other pot planned to take out money in the next 12 months). The majority of customers with more than one pension pot planned to take money out in the next three to ten years.

6.3.2 Intentions to withdraw money when moving to drawdown

Overall, 40% of customers said they did not intend to withdraw money from their drawdown product at the time they took out the product. A further 38% intended to take it out as and when they needed to, 14% intended to withdraw regularly and 3% both of these. The proportion saying they intended to take money as and when they needed to was higher for those whose pot was held entirely in cash (53% compared with 37% of those invested in cash and also elsewhere, and 37% of those with no money in cash). Conversely, only 22% of this group said they did not intend to take an income, compared with 36% of those with some money in cash, and 42% of those with no money in cash. There were no other differences by where funds were invested.

Customers with no other pension pots were more likely to intend to take an income in the future as and when they need to; 46% said this compared with 35% of those with other pension pots.

When compared to the proportions who actually had taken money (22% taking money as and when it is needed, 12% taking a regular income, and 2% both of these), it seems there were a number of people who have not taken money although they planned to, particularly taking money as and when needed.

When asked why this was the case, the most common reason was not needing the money yet (59%), followed by carrying on working or starting to work (33%), wanting to make sure the money lasts (26%), and receiving guidance suggesting to do this (7%).

7. Conclusion

Since April 2015 pension customers have had greater freedom as to what to do with their accumulated pension savings and from an earlier age than before. The rules around annuitisation before age 75 were removed and individuals were able to choose when and how they access their savings. As a result of these freedoms many have taken the Pension Commencement Lump Sum and moved the rest of the investment into a drawdown product that allows them easier access to their pension money. This requires the individual to make decisions about where the money in drawdown product is invested.

The FCA is conducting the Retirement Outcomes Review to assess how effectively the retirement income market is performing since the introduction of pension freedoms. The results from the Interim Report of the review showed that non-advised customers often went down the path of least resistance when choosing drawdown products and did not have the financial capability to make informed investment decisions for their drawdown product. There is a risk that customers whose main aim is to get access to PCLS do not engage with their drawdown product and are therefore more likely to make poor investment choices, particularly if they do not seek regulated advice about their decision.

The aim of this study was to explore how engaged customers were with their investment decisions in drawdown and to understand customers' needs in retirement in the context of their wider wealth and potential income sources. The results of this study will feed into the final report of the Retirement Outcomes Review.

7.1 Engagement with investment decision

Our results show that the level of engagement with the investment decision was mixed. We used the awareness of where the money in drawdown product is invested as a key measure of engagement and saw that while slightly more than a third of customers said they knew exactly where their money was invested, 28% did not know even in broad terms where their money was invested.

Disengagement with the investment decision was linked to a few different reasons:

- First, there was a group of customers with smaller pension pots who did not view this investment as a major source of income in the retirement and therefore felt it was not worth the effort to engage with the investment.
- Secondly, some customers were not interested in investing, either because they preferred not to ‘gamble’, had no confidence in the financial sector or they invested the money only because they had to for tax reasons.
- And finally, some customers admitted not feeling confident about making investment decisions due to lack of skills and experience and trusted their provider to look after their investment.

7.2 Types of engagement

We used Latent Class Analysis to investigate whether there are groups of customers who differ by their level and type of engagement with both the investment decision and the decision to enter drawdown. Our findings from this analysis reveal large differences in the level of engagement: ranging from customers who were very aware of their drawdown product and who made active investment decisions to those who did not know where their drawdown product was invested, what the associated fees were and who sometimes were not even aware that they had a drawdown product.

The Least Engaged group made up around one third of all customers and was likely to be in a more precarious situation financially. In particular, they stood out as having lower income and no other pension pots available to them compared to the others. They were also younger and had smaller pension pots, which explains some of their disengagement with their drawdown product, as they felt that their retirement was still far in the future or the pot involved was unlikely to be a major source of income. This group was most likely to enter drawdown because they wanted to take a cash lump sum, which may mean that buying a drawdown product may have been a necessity rather than an end in its own right.

In contrast, the Most Engaged group, consisting of around a quarter of customers, was more financially secure: they had higher levels of income and other pension pots, including defined benefit pensions available to them. They also had larger pension pots, where the risks of not engaging can be higher.

Besides these two groups there were those with intermediate levels of engagement and with distinct investment patterns. One of these, comprising one-third of customers, had chosen to invest in ready-made funds, thus delegating the more detailed investment decisions to their provider who had put together these lifestyle funds based on customers' risk appetite. The other consisted of only 5% of customers but was distinct from other groups in its conscious decision to keep the money in their drawdown product in cash, i.e. not invested due to their low risk appetite.

7.3 Inertia to change

While a majority of customers were aware that they could change pension providers when entering drawdown, only a minority of them did or even considered doing so. Qualitative research in particular revealed a level of inertia among customers. There was a sense that changing providers can be a hassle and may not be worth the effort as all of the providers were seen to be similar. Among those who did not change there was also a strong sense of satisfaction with the current provider in terms of investment performance, customer service and overall trust. The level of fees charged by different providers featured less prominently in customers' decision making.

The majority of customers were satisfied with their decision to move into drawdown and confident in their investment decision. From the qualitative interviews there was also a general sense of satisfaction with the way investments in their drawdown product were performing, which led customers to feel confident in their investment decisions and their ability to manage their drawdown product. There was little recognition of the fact that there has been a favourable investment climate in the past years and that most investments are likely to have increased in value.

7.4 Limitations

Qualitative findings and the profile of customers suggests that the pots they have entered into drawdown were often not central to their retirement plans, either because the pots were relatively small or customers had other sources of income, such as defined benefit pensions or other investments to fall back on. Some customers used the pot to plug a gap in their income before their defined benefit pension or state pension kicked in, while others kept it for possible emergencies. Some younger customers were still in employment and had no immediate need for money in the drawdown product. These factors may explain why some customers are not particularly engaged with their drawdown product. Interestingly though, qualitative research suggests that the same factors can also lead to higher engagement among some customers, who see it as their 'hobby pot' that they can 'play around with'.

The findings in this report cover the first two and half years since the pension freedoms were introduced. It also pertains to a specific group of people who were at a point in their life where they could exercise this freedom. It is important to bear in mind that both the type of people able to access their pensions and the broader context in which they are doing it is likely to change in the future. Our results showed that for many customers the pension that they moved into a drawdown was not intended to be the main source of income in their retirement. For instance, around half had a defined benefit pension that their household could rely on in retirement. This is unlikely to be the case for many younger cohorts, as a majority of defined benefit schemes have now been stopped or closed to new members. It is therefore likely that pensions that these cohorts can take to drawdown will be more instrumental to their retirement plans.

Also, as discussed already, the past few years have seen a steady stock market growth, which means that most investments, including those in drawdown products, have been growing as well.

Taken together, these limitations mean that the results apply to customers who were in scope of this study at this point of time. The situation may change for customers who enter drawdown in the future.

Appendix A. Latent Class Analysis

Latent Class Analysis (LCA) consists of:
1. identifying the number of classes that best fit the data and;
2. generating probabilities, per case, of class membership.

A case is then assigned to the class for which they have the highest probability. Latent Gold version 4.0 was the software used to carry out the analysis. We used weighted data and took account of clustering and stratification in the analysis.

We first chose 11 variables that were likely to measure different aspects of engagement. Two of these did not contribute significantly to the model and were therefore excluded from the final models.

The final number of groups was not pre-determined and a number of possible solutions were available to consider. One crucial aspect of LCA is to identify the number of latent classes that best fits the data. In order to do so, we examined a range of models with different numbers of classes (from two to six). In order to select the most appropriate model we looked at both statistical and substantive considerations.

Firstly, to assess the goodness of fit we used several statistical tests: BIC (Bayesian Information Criterion) and AIC (Akaike Information Criterion) (**Error! Reference source not found.**). The recommended guidelines for good fitting models indicate that smaller values of BIC and AIC correspond to a better fit. This suggested that the number of clusters should be between four and six.

Table A.1 Latent Class Models and goodness of fit statistics

	BIC(LL)	AIC(LL)	Classification errors	Number of parameters
Model 2 clusters	9,271	9,157	8%	21
Model 3 clusters	9,157	9,005	13%	31
Model 4 clusters	9,132	8,930	13%	41
Model 5 clusters	9,114	8,864	16%	51
Model 6 clusters	9,148	8,849	20%	61

Secondly, we examined class size, classification errors and parsimony. The size of the clusters showed that all models with four or more clusters had some clusters with a small number of cases (76 cases or less). Classification errors suggested that out of the models with lowest BIC and AIC values, the model with four clusters was the best fit (as it miss-classified fewer cases). The principle of parsimony, which suggests that a model with fewer parameters that fits the data well should be preferred over one with more parameters, indicated that a model with four clusters was the best solution for our data.

Finally, we examined the classes within the four-cluster model to ensure they had a meaningful interpretation on the basis of the engagement variables used. We observed that each class was distinctive from the rest and had a meaningful interpretation. All variables used in the model made a statistically significant contribution to the model. Thus, based on all these considerations, we chose a model with four latent classes.

The variable 'Do you know what your pension money is invested in?' proved to differentiate among the groups most strongly (the LCA model explains 57% of the variance of the responses to this question). In other words, people's responses to this question help, to the greatest extent (compared to the other eight variables), to derive four distinguishable clusters.

Appendix B. Engagement profiles breakdown

Table B.2	Distribution of engagement measures by engagement groups				
		Least Engaged	Medium Engagement, ready-made funds	Medium Engagement, in cash	Most Engaged
		%	%	%	%
Whether aware of having a drawdown product	Yes	82	97	100	98
	No	18	3	0	2
	Unweighted base	*282*	*282*	*76*	*360*
Whether aware that it is possible to change providers when moving into drawdown	Yes	74	97	85	96
	No	26	3	15	4
	Unweighted base	*261*	*283*	*76*	*360*
Level of awareness of where pension money is invested	Know exactly	0	42	83	68
	Have a broad idea	20	53	17	32
	Not sure	80	5	0	0
	Unweighted base	*257*	*281*	*76*	*361*
Whether any money in drawdown product invested in ready-made funds	Yes	(34)	99	0	28
	No	(66)	1	100	72
	Unweighted base	*47*	*270*	*76*	*361*
Whether any money in drawdown product invested in individual funds	Yes	(12)	0	6	72
	No	(88)	100	94	28
	Unweighted base	*47*	*270*	*76*	*361*
Whether any money in drawdown product invested in individual stocks and shares	Yes	(39)	6	3	43
	No	(61)	94	97	57
	Unweighted base	*47*	*270*	*76*	*361*
Whether any money in drawdown product held in cash	Yes	(0)	8	100	10
	No	(100)	92	0	90
	Unweighted base	*47*	*270*	*76*	*361*
Whether checked performance of investment	Yes	22	73	37	93
	No	78	27	63	7
	Unweighted base	*261*	*283*	*76*	*361*
Level of awareness of fees associated with drawdown product	Know exactly	20	60	-	72
	Have a broad idea	33	33	-	25
	Not sure	47	6	-	4
	Unweighted base	*204*	*202*	*18*	*105*

Appendix C. Questionnaire

Non-advised pension drawdown survey (phone/web)

Feedforward data required
- Respondent name: customer_name
- Provider name: firm_name
- Product name: product_name
- Whether SIPP product: sipp_flag
- Pot size: Pot_size
- Date entered drawdown: date_entered_dd
- Royal London Retirement Account flag: RLFlag

Variables to display on dial screen:

- customer_name
- PhoneNumber/PhoneNumber2/PhoneNumber3/ PhoneNumber5/PhoneNumber6/PhoneNumber7
- Firm_name
- product_name
- pot_size
- date_entered_dd
- sipp_flag

Maxtries: 8

Move all cases where modeweb=1 into transfer to web queue

Interview instruction definitions:

G_Grid_II1 “Grid instructions 1”
_WEB: “Please select one answer on every row”
_TEL: “INTERVIEWER: READ OUT EACH STATEMENT AND THE ANSWER CODES. REPEAT ANSWER CODES AS REQUIRED.”

G_Multi_II1 “Multicode instructions 1”
_WEB: “Please select all that apply”
_TEL: “INTERVIEWER: READ OUT EACH OPTION AND CODE ALL THAT APPLY”

G_MultiUpTo2_II1 “Multicode up to 2 instructions 1”
_WEB: “Please select up to two”
_TEL: “INTERVIEWER: ‘Please select up to two’
INTERVIEWER: READ OUT ALL OPTIONS AND THEN CODE UP TO 2”

G_MultiUpTo3_II1 “Multicode up to 3 instructions ”
_WEB: “Please select up to three”
_TEL: “INTERVIEWER: ‘Please select up to three’
INTERVIEWER: READ OUT ALL OPTIONS AND THEN CODE UP TO 3”

G_ReadOut_II1 “Read out instructions 1”

_WEB: ""
_TEL: “INTERVIEWER: READ OUT”

G_NoReadOut_II1 “Interviewer do not read out instructions 1”
_WEB:""
_TEL:"INTERVIEWER: DON’T PROMPT"

G_NoPrompt_II1 “Interviewer no prompt instructions 1”
_WEB:""
_TEL:"INTERVIEWER: DO NOT PROMPT"

Screening questions (phone)

{IF MODE = PHONE}
S1
“Good morning/afternoon/evening. My name is [INTERVIEWER NAME] and I’m calling from NatCen Social Research, an independent social research company. Please can I speak to [customer_name]”
VARLAB: Confirm speaking to respondent

- RespAnswers "Respondent/Proxy answers phone"
- TransToResp "Transferred to respondent"
- NoAnswer "No answer"
- WrongNo "Wrong number"
- Appt "APPOINTMENT"
- Refused "Refused"
- NotAvail "Not Available During Fieldwork"
- LangBarr "Language Barrier"
- Deceased "Deceased" **=> Ncoutcome = 781. END**
- Incapable "Physically/mentally incapable of taking part" **=> Ncoutcome=> 530. END**
- LateOptOut "Late Opt-outs" **=> Ncoutcome=410. END**

{IF MODE = PHONE}
S2ELIG
“(Good morning/afternoon/evening. My name is [INTERVIEWER NAME] and I’m calling from NatCen Social Research, an independent social research company).
We are carrying out an important research study about private pensions, on behalf of the Financial Conduct Authority, the FCA. The FCA is the independent watchdog that regulates financial services in the UK.
As part of this study, we want to speak to people who have a private pension. Your details have been passed to the FCA by the pension provider [firm_name]. The FCA has confidentially provided us with your details, on the basis that they will be used for research purposes only. The FCA’s records show that you have a pension with [firm_name]. Is this correct?”
VARLAB: Whether aware has pension with named provider

1. Yes: continue
2. No
3. NODK
4. NOREF

{IF S2ELIG=2}
S2CHECK
“You may also know it as [product_name]. Does this sound familiar?”
VARLAB: Check if familiar with product name.
1. Yes
2. No

{IF MODE = PHONE AND S2CHECK=2}
FinishInelig

"In that case, it may be that the information we have about you is incorrect or out of date. If this call has caused you to have any questions about pensions you can contact Pension Wise on 0800 138 3944. Thank you for your time."
VARLAB: Screened out
NCOutcome=789

{IF MODE = PHONE}
{IF S2ELIG=1 OR S2CHECK=1}
S2
"We would like to ask you some questions about your pension with [firm_name]. We'd like to ask you about how you have made decisions about your pension, how you are managing your pension, as well as some more general questions about financial planning and your circumstances.
We are talking to a range of individuals and would really value your input into this study. The results will only be published as aggregate statistics and no one will be able to identify your answers. Findings from this research will be used to inform pension regulation.
We won't ask you for any specific account details, and we will not try to sell or market you anything.
It should take around 20 minutes and we'll treat everything you say as confidential. Are you happy to do the interview now?
INTERVIEWER: PLEASE CODE WHETHER TO PROCEED"
VARLAB: Consent to be interviewed

1. TakePartNow "Yes, will take part now"
2. YMakeApp "Yes, will take part but not available now - make APPOINTMENT" => goto S1c
3. DoOnline "(Wants to take part online)"
4. ResendEm "(Would like letter to be re-sent before decides whether to take part)"
5. DefRef "No, definitely does not want to take part" => Ncoutcome= 430. END

{IF MODE = PHONE}
{IF S2 = 1}
Identifypot
"We would like you to think specifically about your pension with [firm_name] that has approximately [£Pot_size ROUNDED TO NEXT FIVE THOUSANDs] in it. Do you know which pension we are talking about?
INTERVIEWER ADD IF NECESSARY: You may also know it as [product_name].
INTERVIEWER ADD IF NECESSARY: Our records show that you entered drawdown with this account on [date_entered_dd]. This means you took out some cash or moved it into a different product.
INTERVIEWER ADD IF NECESSARY: This is the amount you had in the pension when you entered drawdown. It may have changed since then.
INTERVIEWER: If participant has more than one pension with the provider and is not sure which one we are talking about, ask them to think about the largest pot (or the pot they think is the largest) that they have taken a lump sum from or moved to another product, and to think of only this pot throughout the interview."
VARLAB: Identifying correct pension pot

1. Yes: continue
2. No
   NOREF
   NODK

{IF MODE = PHONE AND Identifypot=2}
FinishInelig2
"In this instance, we want to ask questions about this specific pension, so we will not be able to interview you on this occasion. If this call has caused you to have any questions about pensions you can contact Pension Wise on 0800 138 3944. Thank you for your time."
VARLAB: Screened out 2
NCOutcome=789

{IF MODE = PHONE AND Identifypot = 1}
PensDec
“Are decisions about this pension…
G_ReadOut_II1”
VARLAB: Who are decisions about this pension made by

1. Made by you only
2. Made by you with the help of someone else
3. Or made entirely by someone else?

{IF MODE = PHONE AND PensDec=3}
FinishInelig4
“In this instance, we want to ask questions only to people who make the decisions on their pensions.

If this call has caused you to have any questions about pensions you can contact Pension Wise on 0800 138 3944.

Thank you for your time.”
VARLAB: Screened out 4
NCOutcome=789

{IF MODE = PHONE}
{IF Identifypot = 1 AND PENSDEC=1 OR 2}
Finadvice
“Thinking specifically about {if S2Elig=1: this pension with [firm_name]}{if S2Check=1: the [product_name] pension you have}, since April 2015, have you received any guidance or advice on this pension?”
VARLAB: Any advice or guidance received

1. Yes
2. No

{IF Finadvice=1}
FinAdWho
“Who gave you this guidance or advice. Was it …”
TEL: “INTERVIEWER: READ OUT EACH OPTION AND CODE ALL THAT APPLY”
VARLAB: Who gave guidance or advice

1. Pension Wise, The Pensions Advisory Service or Citizens Advice
2. Friends or family
3. Accountant or lawyer
4. Financial Advisor
5. Someone else?

{IF FinadWho=4}
Paidadvice
“To check, were you charged for the advice given by a Financial Advisor? It could have been either a direct payment or a commission.”
VARLAB: Whether were charged for advice from Financial Advisor

1. Yes
2. No: continue
3. NORF
4. NODK

{IF MODE =WEB AND Paidadvice=1}
FinishInelig3
"In this instance, we are looking to speak to people who did not have paid professional advice in relation to their pension.

If this call has caused you to have any questions about pensions you can contact Pension Wise on 0800 138 3944.

Thank you for your time."
VARLAB: Screened out 3
NCOutcome=789

Screening questions (web)

{IF MODE = WEB}
WebWelcome

"Welcome to the Pensions and Retirement questionnaire.

To take part, please enter your unique login (it is the six digit code from your letter or email) in the box below and click 'Next'.

If you are experiencing any problems logging in or other technical problems then please get in touch using our contact details below:

Email: retirementresearch@natcen.ac.uk

Freephone: **0800 652 0201** "

{IF MODE = WEB}
WebIntro

"Hi {INSERT NAME}

Welcome to the Pensions and Retirement Survey.

This study is being conducted by NatCen Social Research, an independent social research company. We are carrying out an important research study about private pensions, on behalf of the Financial Conduct Authority, the FCA. The FCA is the independent watchdog that regulates financial services in the UK.

We'd like to ask you about how you have made decisions about your pension. We are talking to a range of individuals and would really value your input into this study. The results will only be published as aggregate statistics and no one will be able to identify your answers. Findings from this research will be used to inform pension regulation.

We won't ask you for any specific account details, and we will not try to sell or market you anything.

All responses will be treated with strict confidence. It should take you around 20 minutes to complete the survey.

You don't have to complete the whole survey in one go - any progress you make will be saved and you can start where you left off when you next log in.

To get started, simply click the 'Next' button below:"

DISPLAY

{IF MODE = WEB}
S2Elig

"As part of this study, we want to speak to people who have a private pension. Your details have been passed to the FCA by the pension provider [firm_name]. The FCA has confidentially provided us with your details, on the basis that they will be used for research purposes only. The FCA's records show that you have a pension with [firm_name]. Is this correct?"

VARLAB: Whether aware has pension with named provider

1. Yes
2. No

{IF S2ELIG=2}
S2CHECK
“You may also know it as [product_name]. Does this sound familiar?”
VARLAB: Check if familiar with product name
1. Yes
2. No
3. NOREF
4. NODK

{IF MODE = WEB AND SCHECK=2}
FinishInelig
“In that case, it may be that the information we have about you is incorrect or out of date.

If this call has caused you to have any questions about pensions you can contact Pension Wise on 0800 138 3944.

Thank you for your time.”
VARLAB: Screened out
NCOutcome=789

{IF MODE = WEB}
Identifypot
“We would like you to think specifically about your pension with [firm_name] that has approximately [£ PENSION POT AMOUNT ROUNDED TO NEXT FIVE THOUSAND] in it. Do you know which pension we are talking about?”
You may also know it as [product_name]. Our records show that you entered drawdown with this account on [date_entered_dd]. This means you took out some cash or moved it into a different product.
This is the amount you had in the pension when you entered drawdown. It may have changed since then.
If you have more than one pension with the provider and are not sure which one we mean then think about the largest pot that you have taken a lump sum from or moved to another provider (or the pot you **think** is the largest). Please think of only this pot throughout the questionnaire.”

VARLAB: Identifying correct pension pot
1. Yes
2. No

NOREF
NODK

{IF MODE = WEB AND Identifypot=2}
FinishInelig2
“In this instance, we want to ask questions about this specific pension, so we will not be able to interview you on this occasion.

If this call has caused you to have any questions about pensions you can contact Pension Wise on 0800 138 3944.

Thank you for your time.”
VARLAB: Screened out 2
NCOutcome=789

{IF MODE = WEB}

{IF Identifypot = 1}
PensDec
"Are decisions about this pension…
G_ReadOut_Il1"
VARLAB: Who are decisions about this pension made by
1. Made by you only
2. Made by you with the help of someone else
3. Or made entirely by someone else?
NODK
NOREF

{IF MODE = WEB AND PensDec=3}
FinishIneliq4
"In this instance, we want to ask questions only to people who make the decisions on their pensions.

If this call has caused you to have any questions about pensions you can contact Pension Wise on 0800 138 3944.

Thank you for your time."
VARLAB: Screened out 4
NCOutcome=789

{IF MODE = WEB}
{IF Identifypot = 1 AND PESNDEC=1 OR 2}
Finadvice
"Thinking specifically about {if S2Elig=1: this pension with [firm_name]}{if S2Check=1: the [product_name] pension} you have, since April 2015, have you received any guidance or advice on this pension?"
VARLAB: Any advice or guidance received
1. Yes
2. No

{IF Finadvice=1}
FinAdWho
"Who gave you this guidance or advice. Was it …
Please select all that apply."
VARLAB: Who gave guidance or advice
1. Pension Wise, The Pensions Advisory Service or Citizens Advice
2. Friends or family
3. Accountant or lawyer
4. Financial Advisor
5. Someone else?

{IF MODE = WEB}
{IF Finadwho=4}
Paidadvice
"To check, were you charged for the advice given by the Financial Advisor? It could have been either a direct payment or a commission."
VARLAB: Whether were charged for advice from Financial Advisor
1. Yes
2. No
NORF
NODK

{IF MODE =WEB AND Paidadvice=1}
FinishIneliq3

“In this instance, we are looking to speak to people who did not have paid professional advice in relation to their pension.

If this call has caused you to have any questions about pensions you can contact Pension Wise on 0800 138 3944.

Thank you for your time.”
VARLAB: Screened out 3
NCOutcome=789

Entering drawdown and choosing providers

{ASK ALL}
DDIntro
“The next questions are about this {IF sipp_flag=1 AND S2ELIG=1: SIPP} {IF sipp_flag=0 OR S2CHECK=1: “”} {IF S2Elig=1: pension that you have with [firm_name]}{IF S2Check=1: [product_name] you have}. Please only answer about this pension and ignore any other pensions you may have.
{IF sipp_flag=0:This pension product allows you to access your pension as and when you like and it is often called a ‘drawdown product’. }
{IF sipp_flag=1: “”}
Do you recall {IF sipp_flag=0: moving your pension into this product}{IF sipp_flag=1: activating the drawdown option on your pension?”
{IF sipp_flag=1 AND MODE=TEL}: INTERVIEWER ADD IF NECESSARY: SIPP stands for Self-Invested Pension Plan and allows people to choose how they invest their pension money from a full range of investments.”
{IF sipp_flag=0 AND MODE=TEL} “ “
{IF sipp_flag=1 AND MODE=WEB}: HELP: “SIPP stands for Self-Invested Pension Plan and allows people to choose how they invest their pension money from a full range of investments.”
VARLAB: Whether remember moving to drawdown product

1. Yes
2. No

{ASK ALL}
DDLSum
“Since April 2015 have you taken out a cash lump sum from {IF NOT SIPP: this pension}{IF SIPP: your SIPP pension}? Some or all of this lump sum may have been tax free.”
VARLAB: Whether remember taking cash lump sum

1. Yes
2. No

{IF DDLSum=1 AND DDINTRO=2}
LSLeft
“Do you know what happened to the money that was left in that pension after you took the lump sum?
G_Multi_II1”
VARLAB: What happened to money left in pension after lump sum taken (unaware of moving to drawdown)
MULTICODE

1. No {EXCLUSIVE}
2. Yes, you left it where it was
3. Yes, you moved it into a new product with the **same** company
4. Yes, you moved it into a new product with a **different** company
5. There was no money left {EXCLUSIVE}

{IF DDIntro=1 AND DDLSum=1 AND SIPP_FLAG=0}
DDLSWhy
“Was taking this lump sum the main reason you moved your pension into a drawdown product?”
VARLAB: Whether lump sum was the main reason for moving into drawdown
1. Yes
2. No

{If DDLSum=1 }
DLSFO
“How did you find out you could take this lump sum?
G_Multi_II1”
VARLAB: How found out could take a lump sum

MULTICODE
RANDOMISE codes 1-4
1. From your pension provider
2. Through the news or media
3. Through a friend or family member
4. You've just always known this
5. Another way (please specify)
6. Don't remember {EXCLUSIVE}

{If ((DDIntro=1 AND DDLSum=2) OR DDLSWhy=2) AND SIPP_FLAG=0}
DrawWhy
"What was your main reason for moving the pension into a drawdown product?"
G_Multi_II1"
VARLAB: Why decided to move to a drawdown product
MULTICODE
1. To get a regular income
2. To have easier access to your pension
3. Because you thought you had to do it
4. Or for another reason (please specify)?

{IF DDIntro=1 AND SIPP_FLAG=0 }
DDAn
"Why did you decide to move your pension into a drawdown product rather than buying an annuity?
G_Multi_II1"
VARLAB: Why didn't buy an annuity
MULTICODE
RANDOMISE codes 1-5
1. You didn't know you could put your money into an annuity
2. You didn't know what an annuity was
3. Drawdown allows you to spend more money now and when you need it
4. Drawdown allows you to leave your pension money as inheritance
5. Annuity value was too low to be worth it
6. For another reason (please specify)?

{IF (DDIntro=2 AND DDLSum=1)}
DDExp
{If sipp_flag=1: Taking out this cash lump sum is known as activating a drawdown option.}
{IF sipp_flag=0: To be able to take out a cash lump sum from your pension, you had to move your pension into what is called a 'drawdown product'.}
"The next questions are about how you decided to do it."
{IF WEB: "To continue, click the 'Next' button below:"
VARLAB: Introduce term drawdown to SIPP and those not aware of it
DISPLAY

{If DDIntro=1 or DDLSum=1}
DDSat
"Overall, how satisfied are you with your decision to {IF SIPP_FLAG=0: move to a drawdown product} {IF SIPP_FLAG=1: activate the drawdown option on your pension}? Are you ..
G_ReadOut_II1"
VARLAB: Satisfaction with moving to a drawdown pension
1. Very satisfied
2. Somewhat satisfied
3. Neither satisfied nor dissatisfied

4. Somewhat dissatisfied
5. Very dissatisfied?

{If DDIntro=1 or DDLSum=1}
GuidePr
“Before you {IF SIPP_FLAG=0: moved your pension into a drawdown product; IF SIPP_FLAG=1: activated the drawdown option on your pension}, did you receive any guidance on your decision from any of the following sources? Please include sources where you got general information and information about products, but not recommendations of specific products.
G_Multi_II1”
VARLAB: Sources of guidance on decision to enter drawdown
MULTICODE

1. Pension Wise
2. Citizens Advice
3. The Pensions Advisory service
4. Your pension provider
5. Friends or family
6. Another source (please specify)

{If DDIntro=1 or DDLSum=1}
ResrchPr
“And did you use any of the following sources of information?
G_Multi_II1”
VARLAB: Sources of information on decision to move into drawdown
MULTICODE
RANDOMISE codes 1-6

1. Consumer information websites (e.g. Which? Moneysavingexpert.com)
2. Information from your pension provider
3. Government website
4. Financial or money media including websites (e.g. Money Mail, FT)
5. General internet search
6. Friends or family
7. Other (please specify)
8. Did no research {EXCLUSIVE}

{If DDIntro=1 or DDLSum=1}
NewProv
“Did you change pension providers when you {IF SIPP_FLAG=0: moved to a drawdown product }{IF SIPP_FLAG=1: activated the drawdown option on your pension}?”
INTERVIEWER: If an original provider was taken over by another company, then code No.
WEB: If your pension provider was taken over by another provider, then please answer ‘No’ to this question.”
VARLAB: Whether changed pension providers when moved to a drawdown product

1. Yes
2. No

{IF NEWPROV=2 or LSLeft=2 or =3}
AwreProv
{IF ROUTED FROM NEWPROV: “Did you know you could change the provider?”}
{IF ROUTED FROM LSLEFT: “You said earlier that the money that was left in your pension stayed with the same pension provider. Did you know you could change the provider at that point?”}
VARLAB: Whether knew could change providers

1. Yes
2. No

{IF AwreProv=1}
ConsProv

"Did you consider moving your pension to a different provider {IF sipp_flag=0: when taking out drawdown product}{IF sipp_flag=1: when activating the drawdown option on your pension}?"
VARLAB: Whether considered moving to a different provider
1. Yes
2. No

{IF ConsProv=2}
WhyNCns
"Why did you not consider moving to a different provider?
G_Multi_II1"
VARLAB: Reason for not considering moving to a different provider
MULTICODE
RANDOMISE codes 1-7
1. Your provider had investment products that suited you
2. Your provider has reasonable charges or fees
3. You trusted your provider
4. Your provider's funds performed well in the past
5. Easier or quicker to stay with the same provider
6. Your provider has good customer service
7. Did not think about it
8. Another reason (please specify)

{IF MORE THAN 1 ANSWER in WhyNCns}
WHYNCnsM
"And what was your main reason for not considering moving to a different provider?
{G_ReadOut_II1}"
VARLAB: Main reason for not considering moving to a different provider
Selected codes from WhyNCns

{IF NEWPROV=1 or CONSPROV =1 or LSLEFT=4}
WhyProv
"Thinking about your decision to *{IF NEWPROV=YES OR LSLEFT=4 : choose}{IF CONSPROV=1 stay with}* your provider, which of the following were important for you?
G_Multi_II1"
VARLAB: Important factors for choosing provider
MULTICODE
RANDOMISE codes 1-7
1. Range of investments offered by provider
2. How much you trust your provider
3. Performance of funds in the past
4. Level of fees and charges
5. Their drawdown product is easy to use
6. They have good customer service
7. {IF CONSPROV=1} It was too much hassle to change the provider
8. Another reason (please specify)

{IF MORE THAN 1 ANSWER in WhyProv}
WHYProvM
"And what was most important to you?
{G_ReadOut_II1}"
VARLAB: Most important reason for choosing provider
Selected codes from WhyProv

{If (DDIntro=1 or DDLSum=1) and sipp_flag=0}
FeeAwre
How aware would you say you were with fees associated with your drawdown product. Did you..
{G_ReadOut_II1}"

VARLAB: Awareness of fees

1. Know exactly what the fees were,
2. Had some sense of what the fees were, or
3. You did not know what the fees were?

Considerations for investment decision

{(If DDIntro=1 or DDLSum=1)}
InvAw
"The next questions are about how your {IF **DDLSum**=1 remaining} pension money in {IF sipp_flag=0: the drawdown product}{IF sipp_flag=1: your SIPP pension} is **invested**. Do you know what your pension money is invested in. Do you…"
VARLAB: Awareness of where pension money invested
1. Know exactly,
2. Have a broad idea,
3. Or you are not sure what your money is invested in?

{If InvAw=1 or =2}
InvWh
"Is it invested in ….
{G_Multi_II1}"
VARLAB: Where money is invested in
1. Ready-made funds put together by your provider
2. Individual funds
3. Individual stocks and shares
4. In a deposit account,
5. In other investments such as real estate
6. It is not invested / it is held in cash?

{If (InvWh at least one answer 1-5 OR InvWh=DK/Ref) AND RLFLAG=0}
InvDec
"Did **you** choose where your money is invested? This could be either selecting exactly where your money is invested or choosing between options given to you by your provider."
VARLAB: Whether chose where money is invested
1. Yes
2. No

{IF InvWh includes 1}
RMInf
"Before you chose the ready-made fund or funds, did your provider ask you any questions about…
{G_Multi_II1}"
VARLAB: Whether were profiled
1. How open you are to taking risks,
2. When you intend to take the money?
3. None of these EXCLUSIVE

{IF (InvDec=2 OR InvAw=3) AND RLFLAG=0}
InvAwr
Before {IF TEL: speaking to me}{IF WEB: completing this questionnaire} did you know that you could choose how your {IF DDLSum=1 remaining} money in your {IF SIPP_FLAG=0: drawdown product}{IF SIPP_FLAG=1: SIPP pension} is invested?"
VARLAB: Aware could choose where money invested

1. Yes
2. No

{IF (DDINTRO=1 OR DDLSUM=1) AND {RLFLAG=1})

RLAwr

"The money in your drawdown retirement account is invested in one ready-made fund, and it is not possible for you to decide how your money is invested. Were you aware of this when you chose this drawdown product?"

VARLAB: Aware invested in one ready-made fund (RL customers)

1. Yes
2. No

(IF INVDEC=1)
InFactor1
"When you chose how your money was invested, how important was the potential return on investments for you. Was it .."
VARLAB: How important return on investment
1. Very important
2. Important
3. Not important
4. Not at all important?

{IF INVDec=1}
InFactor2
"And how important for you was the risk of losing money on your investment?
TEL: READ OUT IF NECESSARY"
VARLAB: How important risk
1. Very important
2. Important
3. Not important
4. Not at all important

{IF INVDec=1 AND ((INFACTOR1=1 AND INFACTOR2=1) OR (INFACTOR1=2 AND INFACTOR2=2))}
InFW
"And which was more important to you…
TEL: READ OUT"
VARLAB: Whether return or risk more important
1. The potential return on investments
2. Or the risk of losing money on your investment?

{IF INVDec=1}
InFactor3
"And how important were the charges associated with the investment for you?
TEL: READ OUT IF NECESSARY"
VARLAB: How important charges
1. Very important
2. Important
3. Not important
4. Not at all important

{IF INVDec=1}
InFactor4
"And how important was ease of access to your money?
TEL: READ OUT IF NECESSARY"
VARLAB: How important ease of access
1. Very important
2. Important
3. Not important
4. Not at all important

{IF INVDEC=1}
InvTime
“How long did you take to make your investment decision. Did you make it …
G_ReadOut_II1
VARLAB: How long it took to make investment decision
1. Then and there
2. In a few hours
3. In a few days but less than a week
4. In a week or longer?

Engagement with investment choices

(IF INVDEC=1)
InvWhr
"When you decided how to invest this pension money, how confident would you say you felt in your decision. Were you...
G_ReadOut_II1"
VARLAB: Confidence in investment decision
1. Very confident
2. Fairly confident
3. Not very confident
4. Not at all confident?

(IF INVDEC=1)
GuidIFF
"And before choosing how to invest your money, did you receive any guidance from family or friends?"
VARLAB: Guidance from family and friends on investment decision
1. Yes
2. No

(IF INVDEC=1)
ResrchIn
"Did you use any of the following sources of information before choosing how to invest your money?
G_Multi_II1"
VARLAB: Sources of information for making decision
MULTICODE
RANDOMISE codes 1-6
1. Consumer information websites (e.g. Which? Moneysavingexpert.com)
2. Information from your pension provider
3. Specialist fund performance or investment tracking services
4. Financial or money media including websites (e.g. Money Mail, FT)
5. General internet search
6. Friends or family
7. Other (please specify)
8. Did no research {EXCLUSIVE}

Current use of drawdown product

{If DDIntro=1 or DDLSum=1}
DrwIncm
“(IF DDLSum=1 Aside from the lump sum you have taken), Have you taken money out of {IF SIPP_FLAG=0: this drawdown product}{IF SIPP_FLAG=1: your SIPP pension}? This could be either regularly or as and when you need to
{TEL: INTERVIEWER - PROMPT IF YES: ‘are you taking a regular income, or taking money as and when you need to?’}”
VARLAB: Whether has taken money from drawdown product
1. Yes, taken a regular income
2. Yes, taken money as and when you need to
3. Yes, both
4. No

{IF DRWINCM=4}
DrwINo
“Why have you not taken money from this {IF SIPP_FLAG=0: drawdown product}{IF SIPP_FLAG=1: SIPP pension}?
{TEL: Because…}
G_Multi_II1”
VARLAB: Why not taken money

1. I don’t need the money
2. I need the money to last
3. I didn’t know I could do this
4. Other (please specify)

{IF DRWINCM=4}
IncmPln
“Are you planning to take money from this {IF SIPP_FLAG=0: drawdown product}{IF SIPP_FLAG=1: SIPP pension} in the future?”
VARLAB: Plan to take money in the future
1. Yes
2. No

{INCMPLN=1}
IPwhen
“When do you plan to take money?
G_ReadOut_II1”
VARLAB: When plan to take money
1. In the next 12 months
2. 1 – 2 years
3. 3 – 5 years
4. 6 – 10 years
5. 10 or more years

{If DDIntro=1 or DDLSum=1}
DDInt
“Thinking back to when you first {IF SIPP_FLAG=0: moved to the drawdown product}{IF SIPP_FLAG=1: activated the drawdown option on your pension}, was it then your intention that you would take some of this money out by now? This could be regularly or as and when you needed it.

{TEL: INTERVIEWER - PROMPT IF YES: ‘did you intend to take money regularly, or take money as and when you needed to?’}”
VARLAB: Intention to take income
1. Yes, intended to take regularly
2. Yes, intended to take money as and when I needed to
3. Yes, both
4. No, did not intend to take income
5. I wasn’t sure at that point

{IF (DDInt=4) AND DRWINCM=1-3}
DDChn1
“Why did your plans change? Because you…
G_Multi_II1”
VARLAB: Why took income even though didn’t plan to
MULTICODE
1. Became aware you could
2. You were made redundant
3. Because your income reduced for another reason
4. Used it for a specific purchase (for example a new car, holiday or home improvements)
5. You or your family member became ill
6. Another reason (please specify)

{IF (DDInt=1-3 AND DRWINCM=4) }
DDChn2
“Why did your plans change? Because you…
G_Multi_II1”
VARLAB: Why did not take income even though planned to
MULTICODE
1. You carried on working or started to work (full or part time)
2. You want to make sure the money lasts
3. You received guidance suggesting to do this
4. You don’t need the money yet
5. Another reason (please specify)

Engagement with the drawdown product

{If DDIntro=1 or DDLSum=1}
InvChk
“Since {IF SIPP_FLAG=0: moving this pension to a drawdown product}{IF SIPP_FLAG=1: activating the drawdown option on your pension}, have you checked how your investments in your drawdown product are performing?”
VARLAB: Whether have checked how product performing
1. Yes
2. No

{IF InvChk=1}
InvReg
“How often do you check its performance?
G_ReadOut_II1”
VARLAB: How often check how product performing
1. At least once a month
2. At least once every 6 months
3. At least once a year
4. Less than once a year

{If DDIntro=1 or DDLSum=1}
InvCh
“{IF SIPP_FLAG=0: Since moving to your drawdown product; IF SIPP_FLAG=1 since you activated the drawdown option on your pension} have you made changes to how your money is invested?”
VARLAB: Whether has changed the way invested
1. Yes
2. No

{IF InvCh=1}
InvChHow
“How have you changed it?
G_Multi_II1”
VARLAB: How has changed the way it is invested
MULTICODE
1. Have changed what the pension money is invested in
2. Have changed how much is invested in different funds
3. Have changed pension providers
4. Other (please specify)

{IF INVCH=2}
InvChInt
“Have you considered changing the way your pension money is invested?”
VARLAB: Whether considered changing the way invested
1. Yes
2. No
3. No, didn’t know it could be changed

{InvChInt=1}
ChInHow
“In what ways have you considered changing it?
G_Multi_II1”

VARLAB: In what way considered changing the way invested
MULTICODE
1. Changing pension providers
2. Changing what the pension money is invested in
3. Changing how much is invested in different funds
4. Other (please specify)

{IF HAS CONSIDERED CHANGING INVESTMENTS}
{InvChInt=1}
ChIncExp
“Have you done anything to explore these options?”
VARLAB: Whether has done anything to explore these options
1. Yes
2. No

{IF ChIncExp=1}
ChExpHow
“What have you done?”
VARLAB: Action(s) has done to explore options to change the way money is invested
G_Multi_II1”
MULTICODE
1. Have spoken to your pensions provider or looked at their website
2. Have spoken to other pension providers or looked at their websites
3. Have spoken to family or friends
4. Have read financial press
5. Have looked at pension guidance websites, such as Pension Wise, Pension Advice Service etc
6. Have looked at other websites
7. Other (please specify)

Investment decision wrap up questions

{If DDIntro=1 or DDLSum=1}
DDSec
"Have you {IF SIPP_FLAG=0: moved any other pensions to a drawdown product}{{IF SIPP_FLAG=1: used the drawdown option on any other pensions} since April 2015. This could be either with your current provider or with any other providers."
VARLAB: Whether moved any other pension pot to drawdown product
1. Yes
2. No

{IF DDSec=1}
DDSAdv
"Thinking about the decision to move the largest of these other pensions into drawdown, did you get financial advice about that decision?
Please only include the advice you paid for or were charged a commission."
VARLAB: Whether had advice on decision to move another pension pot to a drawdown product
1. Yes
2. No

{IF DDSAdv=2}
DDSDif
"Did you make that decision to move into a drawdown product for broadly the same reasons as your decision to move into drawdown for the pension we have just asked you about?"
VARLAB: Whether made decision on other drawdown product for the same reasons as for this drawdown product
1. Yes
2. No

{IF DDSDif=2}
DDDifHow
"What were your reasons for move to the other drawdown product?"
VARLAB: OPEN: Reasons for moving to other drawdown product
[STRING] 1…2,000

{IF DDSAdv=2}
DDSDif2
"And did you make similar investment decisions with this product compared to the pension we have just asked you about?"
VARLAB: Whether made investment decision in the same way as for this drawdown product
1. Yes
2. No

{IF DDSDif2=2}
DDDifHow2
"What did you do differently?"
VARLAB: OPEN: how did things differently with other pension pot
[STRING]

{IF DDSDif2=2}
DifWhy1
"Why did you make this decision differently?"
VARLAB: Reasons for different investment decision with other pots
1. It was a smaller pension
2. It was a larger pension
3. Other reason (Please specify)

{IF DDSDif2=1}
DifWhy2
"Why did you make this decision the same way?"
VARLAB: Reasons for similar investment decision with other pots
1. It was a similar size pension
2. It was easier to make a similar decision
3. Other reason (Please specify)

Financial capability

COMPUTE NCOUTCOME=210
{ASK ALL}
Finconf
"The next few questions will be about how you deal with finances more generally.
How confident would you say you are when it comes to making financial decisions. Would you say you are…
G_ReadOut_II1"
VARLAB: Self-reported financial confidence
1. Very confident
2. Fairly confident
3. Not very confident
4. Not at all confident

{ASK ALL}
PensUnd
"How much do you agree or disagree with the following statements: I feel I understand enough about pensions to make decisions about savings for retirement. Do you …
G_ReadOut_II1"
VARLAB: I feel I understand enough about pensions to make decisions about savings for retirement
1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly

{ASK ALL}
PensPlan
"I have planned carefully for my retirement. Do you …
G_ReadOut_II1"
VARLAB: I have planned carefully for my retirement
1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly

{ASK ALL}
ConfFtIc
"How confident are you that your retirement income will be enough to fund the kind of lifestyle you would like to have in retirement?
G_ReadOut_II1"
VARLAB: confidence that will be able to fund the lifestyle want in retirement
1. Very confident
2. Fairly confident
3. Not very confident
4. Not at all confident

{ASK ALL}
LifeExp
"Have you considered how long you might live when making plans for retirement?"
VARLAB: If has considered life expectancy

1. Yes
2. No

{ASK ALL}
Finmedia
“How interested, if at all, would you say you are in financial issues?
G_ReadOut_II1”
VARLAB: Self-reported interest in financial issues
1. Very interested
2. Fairly interested
3. Neither interested nor uninterested
4. Not very interested
5. Not at all interested

{ASK ALL}
PensKnow1
“{IF TEL: I am now going to read out a few statements about private pensions. For each could you please tell me whether you think it’s true, false or you are not sure.}
{IF WEB: We will now show you a few statements about private pensions. For each could you please indicate whether you think it’s true, false or you are not sure.}
Pension money that is in a drawdown product can be passed on to dependants in case of death.”
VARLAB: Dependants can access drawdown product in the case of death (true/false)
1. True
2. False
3. Not sure

{ASK ALL}
PensKnow2
“{IF TEL:(Please tell me whether you think this is true, false or you are not sure)} {IF WEB:””}
Pension pots can be accessed when you reach 55.”
VARLAB: Pension pots can be accessed when you reach 55 (true/false)
1. True
2. False
3. Not sure

{ASK ALL}
PensKnow3
“{IF TEL:(Please tell me whether you think this is true, false or you are not sure)} {IF WEB:””} Once you have purchased an annuity, you can take money out of it as and when you need to.”
VARLAB: Can take out cash from annuity (true/false)
1. True
2. False
3. Not sure

{ASK ALL}
PensKnow4
“{IF TEL:(Please tell me whether you think this is true, false or you are not sure)} {IF WEB:””}
A drawdown pension product guarantees an income for life.”
VARLAB: A drawdown pension product guarantees an income for life (true/false)
1. True
2. False
3. Not sure

Background characteristics

{ASK ALL}
Empstatus
“Now I would like to ask you some questions to help us understand a bit more about your current situation. Are you…
G_ReadOut_II1”
VARLAB: Employment status

1. Working 30 hours or more a week
2. Working less than 30 hours a week
3. Retired
4. Caring for a family member
5. Not working for another reason

{IF Empstatus = 2}
Semiret
“Would you say you are semi-retired?”
VARLAB: Whether semi-retired

1. Yes
2. No

{IF Empstatus =1 or =2 or =4 or =5}
Whenret
“When do you think you will fully retire from paid work?
G_ReadOut_II1”
VARLAB: When planning to retire

1. Sometime in the next year
2. More than a year but less than 2 years from now
3. Between 2 years and 5 years from now
4. Between 5 years and 10 years from now
5. In over 10 years’ time

{IF EmpStatus=1-5}
EmpCh
“And were you [Employment status] in {DATE_ENTERED_DD [month] [year]}?”
VARLAB: Whether had same employment status when entered drawdown
1. Yes
2. No

{if EmpCh=2}
EmpDD
“Were you …
G_ReadOut_II1”
VARLAB: Employment status when entered drawdown

1. Working 30 hours or more a week
2. Working less than 30 hours a week
3. Retired
4. Caring for a family member
5. Not working for another reason

{IF EmpDD=2}
DDSeRe

"And would you say you were semi-retired?"
VARLAB: Whether semi-retired
1. Yes
2. No

{ASK ALL}
Partner
"Are you currently living with a partner?"
VARLAB: Whether living with partner
1. Yes
2. No

{ASK ALL}
Tenure
"Which of these best describes how you occupy your current home? Do you…
G_ReadOut_II1"
VARLAB: Tenure
1. Own outright
2. Buying it with the help of a mortgage
3. Rent privately
4. Rent from a local authority or housing association
5. Another way

{IF TENURE=2}
Deposit
"How much did you put down as your original cash payment on deposit for your current home? You do not need to tell me the amount in pounds, just tell me as a percentage of the value of your home, using the following options. Was it…
G_ReadOut_II1
TEL ONLY: INTERVIEWER: Treat equity the same as a cash deposit"
VARLAB: Percentage deposit
(1) Zero down payment
(2) up to 25%
(3) 26% to 50%
(4) 51% to 75%
(5) 76% to 99%

{ASK ALL}
Internetacc
"Do you have access to the internet, either at home, work, or elsewhere, either on a computer, or on a smart phone, tablet or other mobile device?"
VARLAB: Internet access
1. Yes
2. No

{IF Internetacc = 1}
Internetuse
"Approximately how much time have you spent actively using the internet in the last seven days?
This includes e-mail, web browsing/surfing and other on-line services such as downloading. Please include both work and personal use."
VARLAB: Internet usage
1. Not used internet in last week
2. Less than 1 hour
3. 1-3 hours
4. 4-9 hours

5. 10+ hours

{ASK ALL}
Education
“What is your highest educational qualification?
G_ReadOut_II1”
VARLAB: Highest educational qualification
1. Degree
2. A-Level or post-16 diplomas or vocational qualifications
3. GCSE, O-level or vocational qualifications taken at 16
4. “Other qualification (please specify)
5. None of these

{ASK ALL}
IncSour
“What are the **sources** of income for you {IF partner=1: and your partner}{IF partner=2:””} at the moment?
G_Multi_II1”
MULTICODE
{WEB: Please select all that apply}”
VARLAB: Income sources
1. Income from employment or self-employment
2. State pension
3. Other benefits
4. Income from a private pension
5. Rental income
6. Savings or other non-pension investments
7. Support from family and friends
8. Any other source (please specify)

{ASK ALL}
IncSrFt
“And what do you expect your {IF PARTNER=1:and your partners’}{IF partner=2:””} **sources** of income to be {IF empstatus=1, 2, 4,5: when you retire/{IF empstatus=3 or DK/Ref: in five years’ time}?
G_Multi_II1”
MULTICODE

{WEB: Please select all that apply}”
VARLAB: expected sources of income in 5 years’ time
1. Income from employment or self-employment
2. State pension
3. Other benefits
4. Income from a private pension
5. Rental income
6. Savings or other non-pension investments
7. Support from family or friends
8. Any other source (specify)

{ASK ALL}
TotIncPer
“Next questions are about your {IF PARTNER=1: and your partner’s}{IF partner=2:””} total income. Would it be easier for you to tell me a weekly, monthly or annual amount?”

TEL: "INTERVIEWER ADD IF NECESSARY: This will allow us to see if things are different for people with different levels of income."
WEB: "This will allow us to see if things are different for people with different levels of income."

VARLAB: Income for respondent and partner– weekly/monthly/annual
1. Weekly
2. Monthly
3. Annual

{ASK ALL}
IncBand
"{IF TEL: I will now read out some income bands. Please stop me when I get to the band that includes your {IF partner=1: and your partners'}{IF partner=2:""} income.}
{IF WEB: Now looking at these income bands, please select the band that includes your {IF partner=1: and your partners'}{IF partner=2:""} income.}
Please think about income you receive after tax.
G_ReadOut_II1"
VARLAB: income for respondent and partner
Weekly bands:
1. {IF totincper=1: Up to £240}{IF totincper=2: Up to £1,000}{IF totincper=3: Up to £12,600}
1. {IF totincper=1: £241 to £400}{IF totincper=2: £1,001 to £1,700}{IF totincper=3: £12,601 to £20,600}
2. {IF totincper=1: £401 to £620}{IF totincper=2: £1,701 to £2,700}{IF totincper=3: £20,601 to £32,100}
3. {IF totincper=1: £621 to £960}{IF totincper=2: £2,701 to £4,200}{IF totincper=3: £32,101 to £49,900}
4. {IF totincper=1: £961 or over}{IF totincper=2: £4,201 or over}{IF totincper=3: £49,901 or over}

{IF TENURE=1 OR =2}
PropVal
"What is the value of all the properties that you own?"
VARLAB: value of properties

1. £100,000 or under
2. Over £100,000 but under £200,000
3. Over £200,000 but under £300,000
4. Over £300,000 but under £400,000
5. Over £400,000 but under £500,000
6. Over £500,000 but under £750,000
7. £750,000 or over

{ASK ALL}
DCOth
"Besides your pension with [PROVIDER] do you {IF PARTNER=1: or your partner}{IF partner=2:""} have any other defined contribution pensions? This can be a pension that you are still contributing to, or that you are now receiving money from. A defined contribution pension is a pension where the value of the pot depends on how much you have paid into it.

TEL: INTERVIEWER ADD IF NECESSARY: A DC pension scheme invests contributions made by members (and sometimes their employers) into individual funds. The size of pot in retirement is the value of contributions plus investment returns. The member can generally choose how to convert the savings pot into an income. Also known as "money purchase" pensions.
WEB: A DC pension scheme invests contributions made by members (and sometimes their employers) into individual funds. The size of pot in retirement is the value of contributions plus investment returns. The member can generally choose how to convert the savings pot into an income. Also known as "money purchase" pensions.
TEL – INTERVIEWER PROMPT: Is this a pension you are still contributing to or that you are now receiving money from?

G_Multi_II1"
VARLAB: Any other DC pensions
1. Yes: I am contributing to a defined contribution pension
2. Yes: I am receiving money from a defined contribution pension
3. Yes: I have a defined contribution pension but I am not contributing or receiving money from it
4. No (EXCLUSIVE)

{IF DCOth=1 or 2}
DCVal
"What is the total value of these pensions that you {IF PARTNER=1: and your partner}{IF partner=2:""} have?
G_ReadOut_II1"
VARLAB: Total value of other DC pensions
1. £10,000 or under
2. Over £10,000 but under £50,000
3. Over £50,000 but under £100,000
4. Over £100,000 to £250,000
5. Over £250,000

{ASK ALL}
DB
"Do you {IF PARTNER=1: or your partner}{IF partner=2:""} have a final salary or a defined benefit pension? By this I mean a pension that gives you a guaranteed income when you retire."
VARLAB: Whether respondent or partner has a DB pension

1. Yes
2. No

{DB=1}
DBNo
"How many final salary or defined benefit pensions do you {IF PARTNER=1: and your partner}{IF partner=2:""} have?"
VARLAB: How many DB pensions
ENTER NUMBER 1…25

{ASK IF HAS A DB PENSION, DB=1}
DBVal
"How much annual income do you expect from {IF DBno=1: the/ IF DBno>1: the largest} defined benefit pension? G_ReadOut_II1"
VARLAB: annual income from DB pensions

1. £10,000 or under
2. Over £10,000 but under £30,000
3. Over £30,000 but under £50,000
4. Over £50,000 but under £100,000
5. £100,000 or more

{ASK IF HAS A DB PENSION, DB=1}
DBValR
"And how old will you be, or were you, when you start to receive money from { IF DBno=1: this/ IF DBno>1: the largest} defined benefit pension?"
VARLAB: How old when will or did start to receive money from DB scheme
YEAR [30…100]

{ASK ALL}
OthInv
“Not including pensions or property how much money, if any, do you have in savings or investments?
G_ReadOut_II1”
VARLAB: savings and investments total
1. Nothing
2. £10,000 or under
3. Over £10,000 but under £30,000
4. Over £30,000 but under £50,000
5. Over £50,000 but under £100,000
6. £100,000 or more

{ASK ALL}
SubjWB
“Which of the following phrases comes closest to your feelings about your household's income these days?
G_ReadOut_II1”
VARLAB: feelings about household income
1 Living really comfortably on present income
2 Living comfortably on present income
3 Neither comfortable nor struggling on present income
4 Struggling on present income
5 Really struggling on present income

Consent and close

{ASK ALL}
ConsQual
"Thank you very much for talking to us today. We are interested in speaking to some people in more depth about their experiences with their pension. Would you be happy for us to re-contact you about this research?"
VARLAB: Consent to qual recontact

1. Yes
2. No

{ASK ALL}
ConsLong
"And would you be happy to be re-contacted to take part in any other follow-up research that the Financial Conduct Authority may wish to do?"
VARLAB: Consent to longitudinal research recontact

1. Yes
2. No

{ If DDIntro=1 or DDLSum=1}
ConsLink
"With your permission the Financial Conduct Authority would like to link information about your drawdown product to your answers for this study.

This will let them to look in more detail at how products match up with people's retirement needs.

Any linkage will be done in line with the Data Protection Act. Information is confidential and will be used for research purposes only. Names and addresses will never be included and no one reading the results will know who took part.

Are you happy for the FCA to link information about your drawdown product to your answers?"

VARLAB: Consent to data linkage

1. Yes
2. No

{IF ConsQual=1}
PhoneChk2
If we need to contact you about the in depth research then we will do it over the phone. Can I just check What is the best number for us to call you on?
[ENTER NUMBER]

{ASK ALL}
END
"This is the end of the {IF TEL:interview/IF WEB: survey}. Thank you very much for your time!"

Appendix D. Topic Guide

Non-advised drawdown research: topic guide

1. About the in-depth interviews

Aims and objectives

The overall research aim is to enable the FCA to develop an understanding of **consumer behaviour, engagement and awareness**, **in relation to the decision to enter into a pension drawdown product**, particularly the investment decision when entering a drawdown product, **without receiving regulated financial advice**. As part of this study, **in-depth interviews** will be conducted with customers who have entered into a drawdown product, without receiving independent financial advice. The customers we interview will have recently completed a survey about their decision to enter into a drawdown product.

The **in-depth** interviews will allow us to build on the survey data, by **deepening our insight** into customers' **motivations** for entering a drawdown product**; the extent of engagement** with provider, product and investment choices**; the level of understanding and awareness** of products held**;** and ways in which **drawdown products are being used.**

This guide for discussion will explore **motivations, engagement with choices and levels of understanding and awareness**, at each stage of the journey involved that results in a consumer holding a drawdown product:

- **Initial decision to get access to pension money in some way:** how heard about ability to get access to pension money; motivations for wanting access to pension money; information consulted regarding getting access to pension money; awareness of implications of getting access to pension money. Extent to which had plan regarding accessing pension money. If did have plan, what was it and how was plan developed.
- **Decision to enter a drawdown product:** awareness and understanding of drawdown product held; motivations for entering into a drawdown product; information consulted regarding entering into a drawdown product; engagement with choice regarding providers of products; factors considered when choosing provider.
- **Investment decision when entering drawdown product**: awareness and understanding of investment mix within product held; extent of engagement with deciding investment mix in product; information consulted regarding investment decision; how chose investment mix; awareness and understanding of implications for potential increase or decrease in value of product, based on investment mix.
- **Using the drawdown product**: how product being used at present; reasons for using product in this way; awareness of implications of using product in this way; monitoring of product performance; consideration of switching provider; consideration of changing investment mix; reflections on choice of drawdown product; plans for how to use product in future.

2. About the discussion flow

The guide manages the discussion in three ways:

- **Facilitating depth of discussion**. The guide limits the discussion to the key issues so that there is scope for participants to discuss these issues as fully as possible within the 45-60 minutes timeframe.

- **Participant led**. The discussion will be as participant led as possible, allowing participants to spontaneously generate views and provide the reasons underpinning these. Probes and prompts will only be used to stimulate and expand the discussion where appropriate.
- **A chronological approach:** to help the participant reflect on their journey to holding a drawdown product.

3. About the format of the topic guide

The topic guide is arranged in a table format listing the key phase of the discussion, the topics to be covered at each phase and the follow-up probes and prompts that can be used. Key features of the guide include:

- **The topics are not worded in the form of questions –** this encourages researchers to be responsive to the concepts, language and terms used by participants.
- **It does not include many follow-up questions like Why? When? How?** as it is assumed that participants' contributions will be fully explored throughout in order to understand how and why views are held.
- **Probes and prompts are for guidance only**, and are therefore not exhaustive. These are presented as bullet points in the topic guide.
- **Fonts.**
    - Text in red indicates instructions to interviewers.
    - Text in blue provides outlines the purpose of each topic.
    - *Text in italics* conveys worded instructions for interviewers to use with participants – i.e. these instructions will be read out.

4. The topic guide

Topic	Purpose	Probes/prompts/notes
1. Introduction (5 minutes)	**Introducing the purpose of the interview and seeking consent to interview**	• **Thank you for having already taken part in the survey.** • **Content of discussion**: *further explore your decisions regarding your pension product with {PROVIDER}. We will cover similar areas to the survey but the purpose of this interview is to go more in-depth than is possible in a survey, to get a deeper insight into the decisions you have made regarding your pension.* • **The funder and value of the study**: To remind you: the study is funded by the Financial Conduct Authority (FCA), which is the independent body that oversees the UK Financial Sector, offering protection to customers. The findings of the research will feed into the FCA's policy-making on pensions. • **Purpose of discussion**: Pensions are a priority area for the FCA given their economic and social importance and the recent changes to pension policy. It is the FCA's responsibility to ensure the pensions market is working well so that consumers get a fair deal. We will produce a report that will be given to the FCA and will be made available publicly.. **Reassurances**: o No wrong or right answers. It is fine to answer don't know if not sure about something. *We are not judging your decisions; we just want to understand more about your decisions*. o Confidentiality: *we will treat what you say in accordance with the Data Protection Act, your name will not appear in the published research report.* o Voluntary participation: *do not have to answer anything do not want to – free to withdraw at anytime*. • **Permission to record (verbal)**: Reasons for this is to have an accurate record of what is said. Data is stored securely on encrypted digital recorder and secure folders on NatCen's computer system. (Ask to repeat permission for benefit of recording, when interview commences) • **FCA observation**: if FCA present and listening in, get confirmation that participant is still happy for this to happen. (Main consent would have happened at the recruitment stage) • **Incentive**: *we will send you a cheque for £25 as a thank you for taking part in this interview. It will be sent recorded delivery, so I will ask for your address details at the end of the interview*. • **Any questions**
2. Background (5 minutes)	**Provides useful contextual information that can be drawn on throughout interview. Also helps ease participant into interview**	• **ASK PARTICIPANT HOW THEY FOUND TAKING PART IN THE SURVEY** • **Acknowledge might have provided some of this info in survey but want to make sure that we have correct info for purposes of this interview.** • **Household**: where lives, who lives with • **Employment status** o Day-to-day activities o Paid employment (full-time/part-time) o Retired/semi-retired o Caring responsibilities • **Employment status of partner (if has one)** • **Financial capability** o Involvement in household financial decisions o Confidence in making financial decisions – Home/motor insurance – Pensions - Investments
3. Setting the scene and	**Interviewer introduces terms**	**CONFIRM PARTICIPANT IS AWARE OF CORRECT PRODUCT:** ***We want you to think about the same pension product that they***

Topic	Purpose	Probes/prompts/notes
terms of discussion (2-3 minutes)	**of reference for interview**	***answered about in the survey, that is the product with [PROVIDER], which has approximately [£X] in it. Confirm participant is aware of the product.*** **IF PARTICIPANT STRUGGLING TO RECALL PRODUCT: tell participant name of product [available from original sample file]. If participant still not aware of the product, we will need to terminate interview and provide re-assurance and provide Pension Wise, FCA, pension provider contact details.** **READ TO PARTICIPANT:** ***This pension product allows you to access your pension money as and when you like and it is often called a 'drawdown product'.***

4. Initial decision to get access to pension money
(5 minutes)
	Takes the participant back to the start of their journey towards being in a drawdown product. Helps to frame the rest of the interview, where the key areas of interest (decision to enter drawdown & investment decisions) will be explored	• **ASK PARTICIPANT TO THINK BACK TO THE PERIOD BEFORE THEY HAD ENTERED DRAWDOWN PRODUCT/ACTIVATED DRAWDOWN OPTION (IF SIPP) AND DESCRIBE IN THEIR OWN WORDS THEIR JOURNEY TO MOVING INTO DRAWDOWN PRODUCT/ACTIVATING DRAWDOWN OPTION**
		• **ASK PARTICIPANT IF THEY HAVE/HAD HAVE OTHER DEFINED CONTRIBUTION SCHEME PENSION POTS. IF THEY HAVE, ASK THEM TO BRIEFLY DESCRIBE WHAT THEY HAVE DONE/PLAN TO DO WITH THESE OTHER PENSION POTS**
		• **Extent to which retirement planning has taken place**
		  o How long spent thinking about decision to move to drawdown
		  o How drawdown product fits in with rest of retirement plan
		  o How made retirement plan
		    - **Life expectancy**
		    - **Health**
		    - **Tax**
		    - **Inheritance**
		• **IF NOT COVERED ALREADY, PROBE ON THE FOLLOWING**
		• **Where first heard could get access to pension money**
		  o Family/friends
		  o Media
		  o Contact from pension provider
		  – Type of contact (website/emails/documentation sent by provider/speaking to provider)
		• **Motivation for wanting to get access to pension money**
		  o Tax free lump sum
		  o Wanted regular income from pension
		  o Ability to access pension money flexibly
		  o
		• **Sources consulted about options for getting access to pension money**
		  o Friends/family
		  o Media/internet
		  o Pension provider
		  o Pension Wise
		  o The Pensions Advisory Service (TPAS)
		  o Money Advice Service (MAS)

5. Decision to enter drawdown product/activate drawdown option, understanding of product and choosing provider
(10-15 minutes)
	Key section, exploring awareness of the drawdown product the participant holds, how the participant made the decision to enter drawdown product/activate	• **Decision to enter drawdown product/activate drawdown option (if SIPP customer)**
		  o How went from decision to get access to pension money to entering into the drawdown product.
		• **Sources consulted about drawdown product/activating drawdown option (if SIPP customer) and whether helpful**
		  o Friends/family
		  o Media/internet
		  o Pension provider
		  – Pension wake up packs
		  – Provider website tools (e.g. projections of income/product

Topic	Purpose	Probes/prompts/notes
	drawdown option and why they did so. Also, explores decision on which provider to use	comparison tools) o Pension Wise • **Whether considered consulting financial adviser – why decided against doing so** • **Understanding of drawdown product held by participant** o Ask participant to describe drawdown product they hold o Purpose of product, as understood by participant o Awareness of any charges related to product • **Choice of drawdown product provider** o Drawdown product with same provider that pension was with before entering drawdown product, or different provider o Awareness that there are a variety of providers who provide drawdown products that consumers can choose between o Whether considered other providers o How explored other providers • **Factors considered when deciding product provider** o Trust of brand o Charges – admin, fund, special o Easy to stay with current provider o Range of products/investments offered o Ease of managing product
6. Investment decision when entering drawdown product/activating drawdown option (10-15 minutes)	**Key section, exploring awareness of how the participant's product is invested, the extent to which the participant was engaged in decisions about how the product was invested and awareness of implications of how the product is invested**	• **Understanding of how product is invested** o Ask participant to describe what the money in their product is invested in o Cash/bonds/stocks and shares/funds o Awareness of approximate investment mix o Ability to name fund invested in o **Pre-packaged funds from the provider** • **Engagement with investment decisions** o Whether involved in decisions about what product should be invested in (if so why? If not, why not) o Others involved in investment decisions (who and why) o How investment decisions made o Why invested in this way o Off-the-shelf product o Bespoke product where individual investments selected • **Information from provider** o Information about investment decision from provider o Tools given by provider to help decsions o Extent to which information from provider influenced investment decision • **Factors considered when making investment decisions** o Potential return on investment o Potential risk of investment o Length of time money likely to be invested • **Implications of investment decisions** o Awareness of pros/cons of investing in cash/bonds/equities
7. Using the drawdown product (5-10 minutes)	**How the drawdown product is being used and future plans for use**	• **How product is being used and why** o Taking regular income o Taking money as and when required o Not withdrawing money • **Monitoring of product performance** o Information from provider o Whether considered switching provider since entering product o Whether considered changing investment mix since entering product • **Plans for future use of product** o Whether planning to continue using product in same way in future o How long expect money in drawdown product to last o Extent of planning for retirement generally

Topic	Purpose	Probes/prompts/notes
		○ How drawdown product fits with wider plans for income in retirement ○ Whether other DC or DB pensions are part of retirement plan
8. Close and confirm details for incentive (5 minutes)	**Thanks for taking part, confirm details for incentive. Provide Pension Wise/provider contact details if the interview has raised any concerns for participant**	• Thank participant for their time • Confirm participant name and address so we can send incentive (off tape) • Ask if participant has any questions or concerns • If taking part has raised concerns for participant, give them contact details for Pension Wise/their pension provider/FCA

Appendix E. Technical summary

Research design

The results presented in this report are based on a mixed method study of non-advised pension drawdown customers. The design involved:
- Telephone and web surveys with 1,005 customers, and
- 25 follow-up qualitative interviews with customers.

The aim of the survey was to establish the key prevalence estimates relating to customer engagement with investment decision, while the qualitative interviews were aimed to provide greater depth to findings and explore customers' reasons for behaving in particular ways.

Survey methodology

The survey had a mixed mode design:
- 60% of the sample were designated for telephone interviewing; and
- 40% of the sample were designated for telephone interviewing.

The questionnaire was designed to be suitable in both modes.

Sampling

Sample cleaning

The FCA contacted a purposeful sample of eight UK pension providers (among them, two SIPP providers and six life insurers) and requested that they provided files containing data on pots that have been entered into drawdown without regulated financial advice in the period from 1st May 2015 – 1st May 2017. The following customers were defined as the target population for the survey:
- Customers aged 55+;
- Customers with a pot-size of £10,000 or more;
- For pot-sizes between £10,000 and £30,000 only records with no withdrawals (zero income customers) (except for one provider who gave information about withdrawals later – this was taken into account when estimating the population totals for weighting),
- For pot-sizes above £30,000 – both zero and non-zero income customers were eligible;
- Customers who had not made additional contributions into the drawdown pot.

In total, 36,831 records were supplied and combined into one file. The file included individuals with multiple pots, therefore to enable sampling customers (not pots) and estimating the population totals that could be used in weighting adjustments, NatCen identified pots of the same individuals using a combination of date of birth, customer name and surname. It allowed us to identify 672 cases with more than one pot and transform the dataset into customer-level one (35,960 cases).

Following the de-duplication process, we excluded customers with a non-UK address (treated as ineligible for the study), and those with a non-UK telephone number who did not have address details (as they could not have been contacted and were possibly living abroad).

255 customers were found to have data on multiple pots and after careful considerations we decided to select one pot at random to be discussed in the interview.

Sample selection

For the selection of the sample for the main survey as well as for the allocation to the mode of interview, we took into account customers' marketing, research and communication preferences. Based on this 1,368 customers were excluded from the mainstage sample frame.

Based on the availability of contact details, customers without postal or email address were excluded from the sampling frame (the phone survey opt-out letter/web survey invite was sent by mail or email). Similarly, cases without UK address who had an email but preferred not to be contacted by email were excluded; and cases with UK address and without an email that did not want to be contacted by mail were excluded from the sample frame.

Given the population distribution and analysis requirements, it was decided that the sample would be drawn using systematic sampling stratified by type of provider and pot size. In order to enable robust sub-group analysis of SIPP customers it was necessary to oversample this group. Due to a very low prevalence of customers with small pots from SIPP providers (1%: 270 cases), we suggested oversampling both small and large pots categories within SIPP customers. Table E-3 summarizes the number of customers issued within each category of the main strata (in total: 6,250 cases; the required achieved sample size was 1,000). Oversampling of SIPP customers with both small and large pots enabled us to increase the proportion of SIPP customers in the issued sample from 9% to 30% (see Table E-3).

Table E-3 Sample design

Sub-group	Sample frame		Suggested issued		est. achieved
Provider type by pot size (Main strata)	**N**	**%**	**N**	**%**	
SIPP £10,000-£29,000	270	1%	270	4%	43
SIPP £30,000+	2,929	9%	1,605	26%	257
Large/Medium £10,000-£29,000	9,712	29%	1,250	20%	200
Large/Medium £30,000+	21,085	62%	3,125	50%	500
Total	33,996	100%	6,250	100%	1,000
Provider Type					
SIPP	3,199	9%	1,875	30%	300
Large/Medium	30,797	91%	4,375	70%	700
Total	33,996	100%	6,250	100%	1,000
Pot size					
£10,000 - £29,999	9,982	29%	1,520	24%	243
£30,000+	24,014	71%	4,730	76%	757
Total	33,996	100%	6,250	100%	1,000

Prior to sampling the frame was sorted by provider name, customer age and whether the customer had one or more pots, ensuring representativeness of the sample with regards to these characteristics.

Customers selected to the sample were further allocated to either web (40%) or telephone interview mode (60%) based on the availability of their contact details and contact preferences.

Questionnaire design

The questionnaire was designed by the research team in close collaboration with the FCA. It had the following structure:

1. Screening questions to exclude customers who did not recognise the selected drawdown product, who had received regulated financial advice or who had not made the decision about entering drawdown themselves.
2. Entering drawdown section, which crucially covered questions introducing the term 'drawdown product' that was the used throughout the questionnaire.
3. Sections on investment decision and current use of drawdown product to measure engagement with investment decision.
4. Section on other pensions taken to drawdown to establish to what extent customer behaviour varies between pension pots.
5. Questions on retirement planning and understanding of drawdown products. The latter were used to create a measure of pension knowledge that has been used throughout the report.
6. Background questions about customers' socio-demographic characteristics as well as their financial and broader pension situation.
7. Consent questions to seek permission for qualitative follow up and data linkage to individual level investment information held by the FCA.

The questionnaire was tested using cognitive piloting approach, where a member of the research team interviewed six customers and probed them for how they understood the questions and why they gave certain answers. While the questionnaire was mostly well understood, there were a number of changes that were made for the mainstage survey to improve the quality of the questionnaire.

Contact strategy

Initial contact was made with sampled customers in one of two ways:

- Customers sampled to take part in the **web survey** were contacted via email or letter (depending on the availability of their contact details and contact preferences) to take part by clicking on a link to the survey;
- Customers sampled to take part in the **telephone survey** were sent a letter giving them 14 days to opt-out of the study.

The advance email and letter included information on what the study is about, how the customer's name was selected, who is funding the research, who is carrying out the research, what will happen to the data collected, and how to take part or opt-out of the research.

Telephone survey customers who did not opt out of the survey during the opt-out period were then contacted by NatCen's Telephone Unit to ask them to participate in the survey over the phone.

Response

The table below outlines the final response rates for the whole survey sample, and by survey mode. Overall 1,005 customers responded to the survey. The final response rate was 29% across the telephone and web survey.

Table E-4 Summary survey response

	Telephone survey		Web survey		All	
	n	%	n	%	n	%
Issued cases	3,287		2,496		5,783	
Outcome not finalised	0	0	2,353	94	2,353	41
Completed cases	3,287	100	143	6	3,430	59
Interviewed cases						
Full interview with main respondent	885	27	120	84	1,005	29
Partial interview with main respondent	1	0	10	7.0	11	0
Total interviews	886	27	130	91	1,016	30
Cases where no interview was achieved						
Non-contact	1,107	34	-	-	1,107	32
Refusal	842	26	-	-	842	24
Other non-response	65	2	-	-	65	2
Unknown eligibility*	302	9	-	-	302	9
Ineligible	75	2	13	9	88	3
Other non-response	10	0	-	-	10	0

*Number disconnected or other telecoms barriers

Questionnaire length

The median questionnaire length was 21.1 minutes. Customers interviewed by telephone had a median interview length of 21.5 minutes. Customers who completed a web questionnaire had a median interview length of 16.3 minutes.[46]

Weighting

In order to compare the profile of the achieved sample to the population totals, the eligible population demographics needed to be first estimated. This is because the data received from the UK pension providers needed to be transformed from the pot- to customer-level (the de-duplication process is described in section related to sampling). Moreover, it did not include all eligible customers from two providers. The additional

[46] Very long interviews of 1 hour or more were excluded from these calculations (24 cases).

information received from these providers later was used to adjust the estimated population totals of eligible customers (under the assumption that there was no reason to believe that the customers excluded from the initial data were particularly distinctive from the rest of the population).

The profile of achieved interviews was compared to the available population demographics to determine whether weighting would be required. The comparison showed significant difference on the profile by provider type, pot size, whether the customers made withdrawals or not and whether the customer was under or over retirement age ( ). This is due to disproportionate sampling approach and different levels of non-response across the groups. Hence, a decision was made to use calibration weighting to align the sample profile to the eligible population profile.

Table E-5 Weighting summary

Weighting variables	**Population**		**Achieved sample (unweighted)**		**Achieved sample (weighted)**	
Provider type by pot size by whether withdrew money	n	%	n	%	N	%
SIPP £10,000-£29,000	873	2%	51	5%	23	2%
SIPP £30,000+ No withdrawals	3,121	8%	221	22%	81	8%
SIPP £30,000+ withdrawals	2,914	8%	191	19%	76	8%
Insurer £10,000-£29,000	9,880	26%	180	18%	258	26%
Insurer £30,000+ No withdrawals	13,834	36%	235	23%	361	36%
Insurer £30,000+ withdrawals	7,897	21%	127	13%	206	21%
Total	38,519	100%	1,005	100%	1,005	100%
Age						
55-64	28,345	74%	666	66%	740	74%
65+	10,174	26%	339	34%	265	26%
Total	38,519	100%	1,005	100%	1,005	100%

The design effect[47] due to complex sample design and weighting is estimated at 1.33, which means the effective sample size[48] for the analysis of the total sample is c. 754.

[47] The *design effect*, often called just *deff*, quantifies the extent to which the expected sampling error in a survey departs from the sampling error that can be expected under simple random sampling. The design effect increases for more complex sample designs and when weighting adjustments are applied to the final results of the survey.
[48] The *effective sample size* is an estimate of the sample size that a survey conducted using simple random sampling would have required to achieve the same sampling error as computed in the study that did not employ simple random sampling. The effective sample size is computed by dividing the sample size by the design effect (*deff*).

Coding

The questionnaire included some open questions and several 'Other' answer categories where customers could give an answer in their own words if none of the pre-defined options matched their situation. All open and other answers were examined and either coded back to the existing code-frame from the questionnaire or to new categories. New categories were created only when a sufficient number of customers gave a similar response. Back-coding was carried out by experienced coders and their work was checked by a supervisor and a member of the research team.

Qualitative research methodology

Rationale for approach

25 depth interviews were conducted with non-advised drawdown pension customers who had participated in the survey. The aims of the depth interviews were to build on the survey data by deepening insight into:

- Customers' motivations for entering a drawdown product;
- The extent of customer engagement with choices relating to the pension provider, drawdown product and most importantly, the investment choices related to the drawdown product;
- The level of understanding and awareness of the drawdown product held;
- Ways in which the drawdown product is being used and how customers plan to use it in the future.

Researchers used a topic guide (see Appendix C) to manage interviews with customers. The topic guide was designed to allow interviews to be approached in the following ways:

- **Facilitate depth of discussion**: the topic guide limited the discussion to the key areas of interest, allowing participants to discuss these issues as fully as possible within the time available;
- **Participant led**: researchers strived for discussions to be led by participants as much as possible, allowing participants to spontaneously generate views and provide the reasons underpinning these. Interviewer probes and prompts were only used to stimulate and expand discussion where appropriate;
- **Chronological approach**: to help participants reflect on their journey towards holding a drawdown product and how they got there.

Depth interviews took place both face-to-face with participants and over the telephone.

Sampling

The ability to draw wider inference from qualitative research depends, in part, on the nature and quality of sampling. A purposive sampling approach was used to identify relevant survey respondents who had agreed to be contacted about the possibility of taking part in a depth interview.

The aim of purposive sampling in qualitative research is to ensure that key characteristics, relevant to the study in question, are represented in the sample. This ensures there is sufficient diversity in the sample, allowing for the capture of a range of views and experiences in the population in question (as opposed to a survey sample, where statistical generalization of the population is the aim).

The two primary sampling criteria used were as follows:

- **Self-reported engagement with investment decision (based on answer to survey question)**: given that a key focus of this piece of research was to explore customers' understanding of how their drawdown product was invested, it was important to speak to people who had expressed differing views about their level of engagement with the investment decision;
- **Drawdown pension pot size**: it was important to hear the views and experiences of customers with pension pots of differing sizes.

The table below provides a breakdown of the 25 depth interviews conducted, based on the primary sampling criteria.

Table E-6 Qualitative depth interview sample

Engagement with investment of drawdown product (answer to survey question)	**Pension pot size**			**Total**
	£10-49.9K	£50-99.9K	£100k+	
Know exactly what invested in	3	3	5	***11***
Broad idea what invested in	1	3	-	***4***
Not sure what invested in	3	3	4	***10***
Total	***7***	***9***	***9***	***25***

The following secondary sampling criteria were also monitored, to ensure diversity among depth interview participants across these areas. Most of these criteria were measured using answers given to survey questions.

- Sex;
- Age;
- Employment status;
- Pension provider;
- SIPP/Non-SIPP;
- Whether withdrawn money from drawdown pension;
- Whether household has separate Defined Contribution or Defined Benefit; pension pots and size of any other pensions;
- Whether invested in cash only;
- Whether changed pension provider at drawdown;
- How carefully planned for retirement;
- How confident in making financial decisions;
- Whether consulted Pension Wise before drawdown; and
- Whether got at least 2 out of 4 'pension knowledge' questions correct.

Although the focus of the research was on 'non-advised' customers, it was inevitable that a small number of 'advised' customers would take part in the survey. During one of the depth interviews, it became clear that the participant had been 'advised' about their decision to enter a drawdown pension. Following consultation with the FCA, we decided that it would be of interest to keep this one 'advised' case as part of the 25 depth interviews and refer to it in the report.

Recruitment

Informed consent of participants to take part in depth interviews was achieved as follows:

- Towards the end of the survey, respondents were asked whether they would be willing to be contacted about the possibility of being contacted about taking part in a depth interview;
- Only those who answered yes to the above question were among survey respondents contacted by a NatCen researcher, who explained in more detail about what a depth interview would involve and how the data collected would be used;
- Those people who agreed to take part in a depth interview were sent a follow-up email by NatCen, confirming the date and time of the interview, the name of the interviewer and a leaflet giving more information about the study and who to contact if they had any questions;
- At the time of interview, the NatCen interviewer explained the purpose of the depth interview and how the data would be used again. Following this, the NatCen interviewer asked the participant whether they were happy to take part in an interview and if so, whether they were happy for the interview to be recorded.

Analysis

Consent was given for all interviews to be recorded. Following the interview, the recordings were written up as detailed field notes, which summarised key areas of initiative delivery and intended impact under the following headings:

- Background and financial capability (based on participant responses)
    - Participant's background and household situation;
    - Participant's financial capability.

- Decision to access drawdown pension (based on participant responses)
    - Participant's unprompted description of journey from before they accessed pension to holding the drawdown product;
    - Extent to which retirement planning had taken place and how drawdown product fits into retirement plan;
    - Motivations for wanting access to pension money and how heard could get access to pension money;
    - Sources consulted about options for getting access to pension money.

- Entering drawdown product (based on researcher reflections)
    - Decision to enter drawdown product, sources consulted about drawdown product and whether considered consulting financial adviser;
    - Understanding of drawdown product participant holds;
    - Choice of drawdown product provider;
    - Factors considered when choosing product provider.

- Investment decision (based on researcher reflections)
    - Understanding of how drawdown pension is invested;
    - Engagement with investment decision;
    - Information from provider about investment decision;
    - Factors considered when making investment decisions and awareness of implications of investment decisions.

- Using drawdown pension product (based on researcher reflections)
    - How product is being used and why;
    - Monitoring of drawdown product performance;

- Plans for future use of drawdown product.

Field notes were then managed using the Framework approach; a systematic and comprehensive approach to qualitative data management and analysis developed by NatCen. The first stage of the process involved familiarisation with the data and identification of emerging themes and issues. This was augmented by a discussion session for researchers designed to reflect emerging themes from fieldwork. This informed the development of thematic matrices or charts, each chart representing a key theme (e.g. engagement with investment decision).

The headings on each thematic chart related to key sub-topics and the rows to individual participants or cases such as a group discussion. Data was charted by placing it in an appropriate cell by case (participant) and theme (issue).

Organising the data in this way enabled the views, circumstances and experiences of all participants to be explored within a thematic framework that was both grounded in, and driven by, their own accounts. The thematic matrices allowed for the full range of views and experiences to be compared and contrasted both across and within cases, and for patterns and themes to be identified and explored.

Appendix F. Logistic regression results

Table F-7 Logistic regression results of probability of not knowing where drawdown product was invested				
	Coefficient	Standard error	Significance level	Exp(B)
Pot size (£10,000-£29,999)* **			0.000	
£30,000-£49,999	-0.274	0.232	0.236	0.760
£50,000-£99,999**	-0.712	0.241	0.003	0.491
£100,000-£199,999***	-1.410	0.360	0.000	0.244
£200,000+*	-3.794	1.788	0.034	0.023
Whether has other pots (No other pots)				
Other pots	-0.300	0.221	0.173	0.741
Income banded (up to £12,600)			0.786	
£12,601 to £20,600	-0.203	0.340	0.551	0.816
£20,601 to £32,100	-0.290	0.340	0.394	0.748
£32,101 to £49,900	-0.328	0.354	0.354	0.720
£49,901 or over	-0.474	0.375	0.206	0.623
Employment status (Retired)			0.330	
Part-time (including semi-retired)	0.416	0.265	0.116	1.516
Working full-time	0.234	0.231	0.310	1.264
Not working and not retired	-0.165	0.403	0.682	0.848
Type of provider (SIPP) **				
Life insurance**	0.839	0.318	0.008	2.314
Pension knowledge (High)* **			0.000	
Medium***	0.952	0.239	0.000	2.59
Low***	1.621	0.222	0.000	5.056
Engagement with Pension Wise (Received guidance)* **				
No guidance***	0.792	0.193	0.000	2.208
Constant* **	-2.166	0.473	0.000	0.115

Note: *p<0.05, **p<0.01, ***p<0.001

Base: All who recall drawdown or took a lump sum (975)

Note: Reference category in brackets

Appendix G. Dominance analysis results

Dominance analysis was used to identify how much each of the predictor variables was contributing to the overall model fit, as measured by the pseudo R-squared.[49] The pseudo R-squared is a statistic that measures the predictive ability of the model (i.e. how well the model predicts the outcome variable).

The table below shows the standardised dominance statistic, which is the proportion of the R-squared explained by each variable, and the rank. It does this for each answer category in the model. The lowest pension knowledge category has the greatest contribution as it explains 40% of the predictive power of the model.

Table G-8 Dominance analysis results of probability of not knowing where drawdown product was invested

	Standardised dominance statistic	Rank
Pot size (£10,000-£29,999)		
£30,000-£49,999	0.007	13
£50,000-£99,999	0.033	7
£100,000-£199,999	0.113	3
£200,000+	0.116	2
Whether has other pots (No other pots)		
Other pots	0.024	8
Income banded (up to £12,600)		
£12,601 to £20,600	0.005	14
£20,601 to £32,100	0.002	16
£32,101 to £49,900	0.010	12
£49,901 or over	0.012	11
Employment status (Retired)		
Part-time (including semi-retired)	0.014	10
Working full-time	0.021	9
Not working and not retired	0.005	15
Type of provider (SIPP)		
Life insurance	0.088	5
Pension knowledge (High)		
Medium	0.046	6
Low	0.402	1
Engagement with Pension Wise (received guidance)		
No guidance	0.103	4

Base: All who recall drawdown or took a lump sum (975)
Note: Reference category in brackets

[49] Specifically, McFaddens Pseudo R-squared.