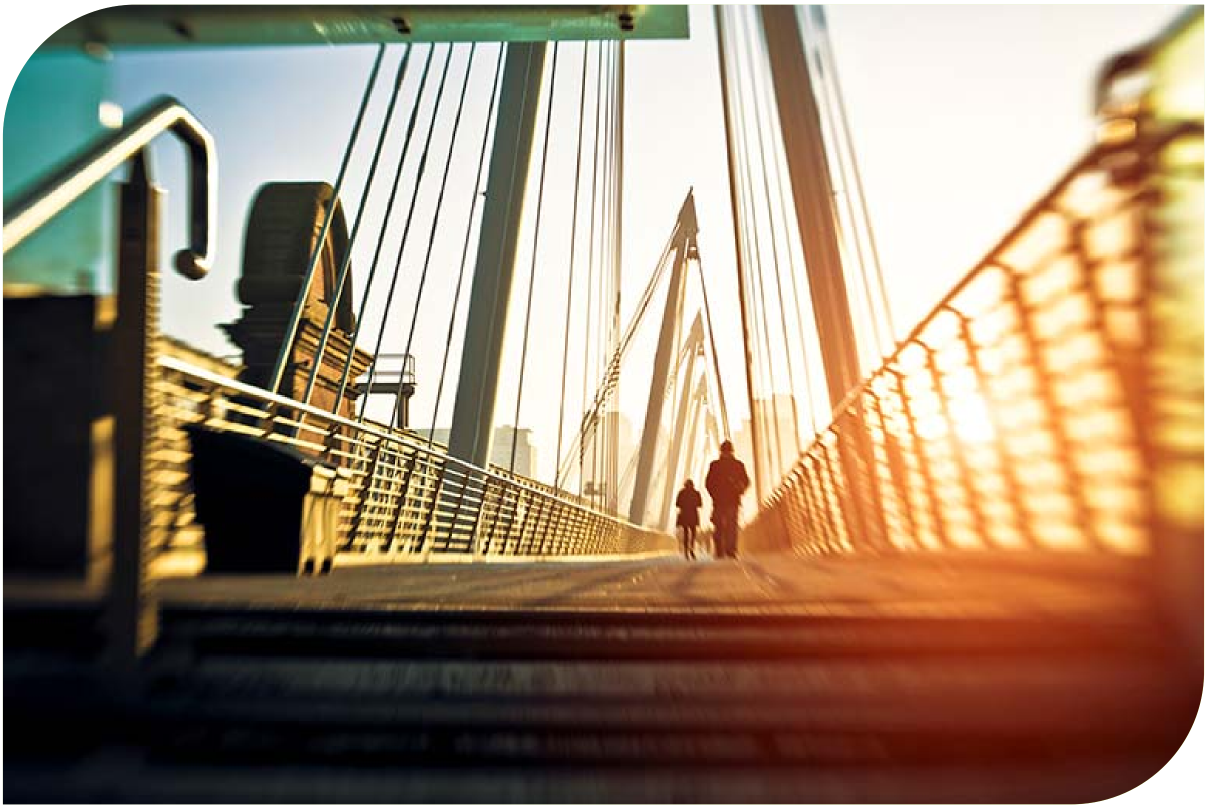
Retirement Outcomes Review Interim Report: Annex 4

Consumer research for fully withdrawn pension pots
Prepared by IFF for the Financial Conduct Authority (FCA)

8 March 2017



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Executive summary

The purpose of this research was to explore why people are fully withdrawing given pension pots, how they are doing it, and their understanding of alternative options when doing so.

Which consumers withdrew all their pension savings?

80% of consumers in this research withdrew savings of less than £29,999 which is in line with trends observed in FCA Retirement Income Market Data. 85% were aged under 65 and the majority were still working. For the majority of those, retirement was still some distance in the future.

37% had some form of debt (of which 57% was in the form of a mortgage only) and 84% owned their own home (65% own it outright). Only 3% of consumers in our research identified the withdrawn pension savings as the most significant source of income in retirement. On average, they had four expected sources of income in addition to the withdrawn pension savings.

What did consumers do with their pension savings?

Consumers predominantly kept hold of the pension savings they withdrew, for example by switching it to investments that they can understand, such as property or cash. 52% saved or invested the largest share, 14% paid off debts and 25% spent their pension savings.

84% of consumers who spent their pension savings withdrew less than £29,999. The wider wealth of this group and level of indebtedness was in line with the average.

What are consumers' motivations?

The reasons given for withdrawing all pension savings from a given pot were varied, but the primary motivations that came out of our research were a general climate of mistrust and a focus on the present.

Mistrust grows from the constant stream of 'bad news' pension stories in the press and historic "pension scams" (for example, BHS) and spills over onto annuities with a general perception that annuities do not provide good value for money. It was also typical for consumers to describe the income an annuity could provide as not large enough to make much of a difference and to display a preference for consumption in the present.

What are consumers' considerations and understanding of their actions?

42% of consumers looked for information or guidance from Pension Wise while 22% said they did no research at all. The most common considerations centred on tax and charges although few knew the intricacies of this and a number voiced shock at receiving a much higher tax bill than anticipated.

While it was not common for consumers to have worked out the amount of money they would need to live on each year, it was characteristic that they had roughly worked out the number of years they would need to live, in order to get back the pot value in the form of an annuity.

The majority of consumers who had a GAR attached to their pension pot and did not take this up when they took a full withdrawal were aware of this guarantee. This research found that the primary motivations for consumers taking full withdrawal and not taking up a GAR were very similar to the motivations for consumers taking full withdrawal and did not have a GAR. Namely, the aversion to annuities and a focus on the present.

Glossary and abbreviations

Term	Abbreviation	Definition
Annuity	-	An insurance product that can be purchased with pension savings that provides a guaranteed income for life or for a fixed number of years. There are a number of different types, including *single life annuities* that are paid just to the policy holder, *joint life annuities* that continue to pay out to a spouse or partner after the policy holder dies, and *enhanced or impaired annuities* that pay more if the policy holder smokes or has any medical conditions.
'Defined Benefit' pension scheme	DB	A type of workplace pension that promises to pay an income in retirement; calculated using a formula based on their salary and how long they worked for their employer. Also known as a final salary or career average pension.
Defined Contribution pension scheme	DC	A type of pension where the value of the pension is determined by the amount paid in by the individual (or their employer) and any investment returns. The value of the pension can go up or down depending on investment performance. They may be set up by an individual or by an employer, including: *personal pension, group personal pension*, *self-invested personal pension*, *stakeholder pension*, *workplace pension,* or *money purchase scheme*.
Guaranteed Annuity Rate	GAR	This guarantees the income per year that the pension would pay out when you choose to purchase an annuity or fixed income for life. These rates are often higher than the current rates available on the open market.
Pension Wise	-	Pension Wise is the government service, offering free and impartial government guidance to help you understand what you can do with your pension pot.
State Pension	-	The State Pension is a regular payment from the government that UK citizens who have paid or been credited with National Insurance contributions receive once they have reached their State Pension age. It is intended to ensure that everyone has a basic amount of money to support them in their old age. The most you can currently get is £119.30 per week.

1 Introduction

Background

The FCA is the conduct regulator for financial services firms and markets in the UK. It aims to make financial markets work well so that consumers get a fair deal.

Pensions are a priority area of focus for the FCA given their social and economic importance and the fundamental changes there have been to this market. Reforms in pension legislation, introduced in April 2015, increased the number of options available to consumers when they decide to access their pension savings, from the age of 55[1]. One of these being the ability for people to take the entirety of their pension pot as a cash lump sum (or a 'full withdrawal').

According to FCA data, since 2015, there have been a substantial number of consumers that have fully withdrawn. 54% of those accessing their pension savings took a full withdrawal of which, 90% were taken from a pot of less than £30,000 (60% were taken from a pot of less than £10,000)[2].

The FCA's RIMS[3] in March 2015 identified a number of issues relating to consumer decision-making following the introduction of the pension reforms. Given the reforms have now come into effect the FCA are keen to explore the consumer decision-making process further.

Research aims

Ideally, the decision to withdraw should be well understood by the consumer, with consideration given to their retirement income needs and sources, both now and in the future.

However, consumers fully withdrawing a pension pot on a non-advised basis run the risk of making choices detrimental to their long term financial security. For example, by having insufficient income in their later years, falling into a higher tax bracket due to withdrawing their pot or potentially losing longer-term returns on pension savings. In addition, consumers with a GAR attached to their DC pension scheme risk giving up a potentially valuable guaranteed income if they fully withdraw their pension pot.

In this context the FCA set out to understand:

- What consumers who fully withdraw their pension savings are doing with these monies;
- What their motivations and considerations for fully withdrawing were;
- What their understanding of the choice to fully withdraw was;
- What their motivations and understanding of giving up a Guaranteed Annuity Rate (GAR), where relevant, was;
- What other sources of retirement income they have, other than the withdrawn DC pension pot.

Pre-pension freedoms, if an individual was age 55 or over, they were able to take up to three small pots of £10,000 each from DC pension schemes. Therefore, small pots of £10,000 or less are outside the scope of this research.

Alongside this research, the FCA also commissioned independent market research agency, Ignition House, to carry out qualitative research to understand whether non-advised consumer journeys have become more complex and whether consumers can go through the journey and interact with it effectively. This provides a deeper insight into the pension decisions of consumers. The two studies are complementary and findings from the Ignition Houses' qualitative research are referenced in this report.

[1] GOV.UK (2016) Pension flexibility 2016
[2] FCA Retirement Income Market data, Q4 2015 – Q3 2016
[3] FCA (2015) Retirement income market study: Final report

This report

This report details the findings from two stages of research:

- A quantitative stage of 1,000 interviews; and
- A qualitative stage of 30 follow-up interviews with consumers that had participated in the quantitative stage to explore their survey responses and motivations in more detail.

The interviews focused on **one specific** withdrawal of a DC pension worth £10,000 or more, made by each consumer between April and June 2016 and done so on a non-advised basis.

Further details on the sampling, questionnaire development and fieldwork stages can be found in the Technical Appendix.

Reporting conventions

The responses given in the survey reflect the respondents' attitudes and perception of their wider wealth.

Throughout the report, where differences are noted and discussed these differences are statistically significant at the 95% confidence level.

Where a consumer type is labelled as 'more' or 'less' likely to say something or behave in a certain way, this means they are 'more' or 'less' likely compared to the overall average of all consumers (minus their own type), unless otherwise stated.

Some charts in the report may not sum to 100%, this is due to rounding or to 'don't know' responses not being shown.

The term 'consumer' has been used throughout the report to refer to the 1,000 individuals who took part in the research, all of whom had fully withdrawn a DC pension pot of more than £10,000, on a non-advised basis.

When we refer to 'income' in the report, we mean consumers income in retirement, including any income from a DB pension scheme, any income from a partner's pension and any other sources of income expected in retirement, such as rental income from a buy-to-let property.

When we refer to 'savings' in the report, this includes standard savings and any money currently in a DC pension scheme.

2 WHO: Which consumers withdrew all their pension savings?

To understand the motivations and decision-making process of consumers who fully withdrew a pension pot it is important to understand who these consumers are. We consider the following: withdrawn pension pot size, age, working status, and broader financial situation (including other sources of savings and income, and debt situation).

This section looks at how our sample of consumers breaks down along these lines.

Summary

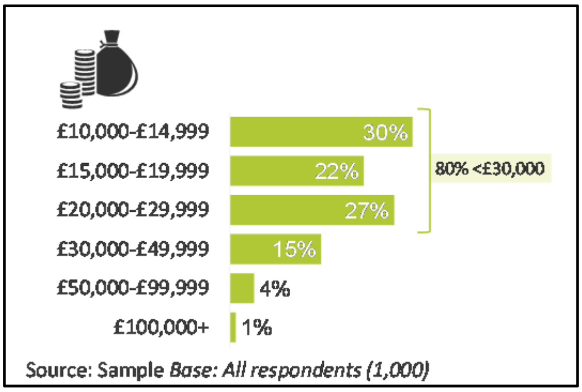
80% of consumers withdrew savings of less than £29,999, which is in line with trends observed in the FCA Retirement Income Market Data[1]. 85% were aged under 65 and the majority were still working. For the majority of those, retirement was still some distance in the future[2].

37% had some form of debt (of which 57% was in the form of a mortgage only) and 84% owned their own home (65% own it outright). Only 3% of consumers in our research identified the withdrawn pension savings as the most significant source of income in retirement. On average, they had four expected sources of income in addition to the withdrawn pension savings.

Profile of those who fully withdrew

Consumers had a range of withdrawn pot sizes, although 80% had a withdrawn pot size of less than £29,999 (Figure 2.1). This is in line with trends observed in the FCA RIMD[3] where 90% of all full withdrawals were taken from a pot of less than £30,000.

Figure 2.1 Pot size of full withdrawers surveyed



Of consumers surveyed, 66% were male and 34% were female. They tended to be aged under 65 years old; 38% were between 55 and 59, 47% were between 60 and 65. 11% were between 66 and 70 years old and a minority were older than this (2% were over 70 years old).

As shown in Table 2.1, there were not clear patterns of pot size by age.

Table 2.1 Pot size by age

Pot size	<60	60-65	65<
£10k - £14.9k	28%	32%	26%
£15k - £19.9k	20%	24%	24%
£20k - £29.9k	27%	27%	31%
£30k - £49.9k	19%[4]	12%	14%
£50k-£99.9k	5%	4%	2%
£100k+	1%	1%	3%

The majority of consumers (78%) were married, in a civil partnership or living with a partner.

[1] Between Q42015 and Q3 2016 90% of all full withdrawals were taken from a pot of less that £30,000

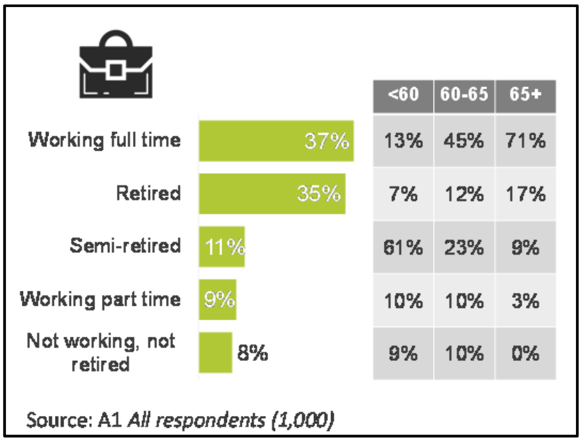
[2] IFF research, (57% working full time, working part-time or semi-retired, 57% of those not currently retired envisaged retiring in between two and ten years time and 22% thought retirement was more than 10 years away)

[3] FCA Retirement Income Market data, Q4 2015 – Q3 2016

[4] Red denotes significantly lower compared to average responses and green denoted significantly higher

A significant number of those who had fully withdrawn were still working (Figure 2.2). 57% will receive a regular income outside of their fully withdrawn monies. 37% were working full time and a further 20% were working in some capacity (part time or were semi-retired).

Figure 2.2 Working and retirement status



For the majority of those who were not currently retired, retirement was still some distance in the future. 57% said they envisaged retiring somewhere between two and ten years from the time of interview and 22% thought retirement was more than ten years away.

84% of consumers said they owned their home and for 55% of consumers this was owning their home outright (not on a mortgage). Comparing this to the general UK population of over 55 year olds who own their home outright (63%)[5] suggests this group of fully withdrawing consumers are slightly less likely to own their home outright. Fully withdrawing consumers however were more likely to own their home on a mortgage (29%) than the general UK population over 55 years old (13%), reflecting higher prevalence of those aged between 55-65 in the consumer sample compared to the general population (85% of the consumer sample was aged between 55-65 years old, compared to 36% of the general UK population over 55 years old).

Wider wealth

This section outlines consumers' expected (or current) financial sources for retirement. Consumers were asked to identify any anticipated sources for retirement, and their estimated values (overall for any DC pensions and savings/investments, and per annum for any DB pensions and/or other sources of income). It also explores consumers' debt situation and the extent to which they consider this to be a burden, as well as the perceived importance of their cash lump sum for retirement funds.

Other (expected) sources of income in retirement

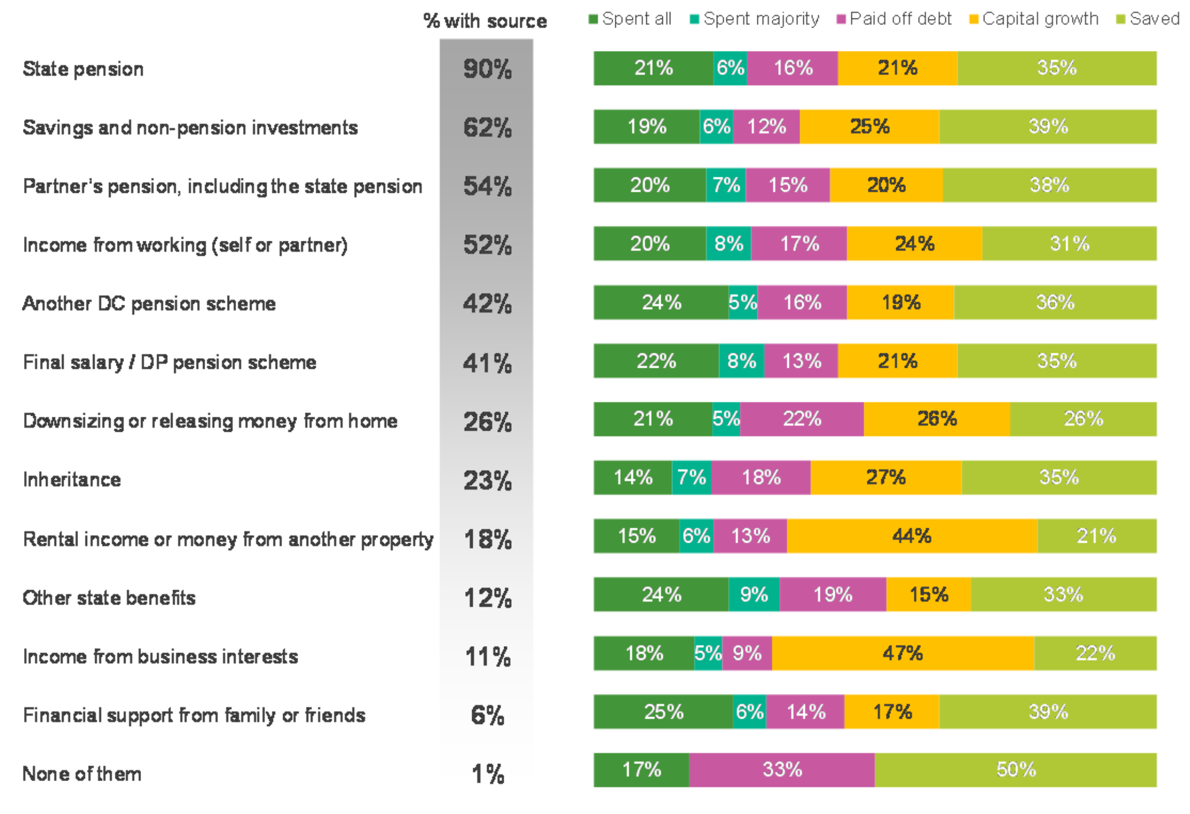
On average, consumers had four expected sources of income for retirement in addition to their withdrawn pension pot. For the vast majority, additional sources went beyond the state pension; only 4% were not expecting any income aside from this or none at all.

As shown in Figure 2.3 (overleaf), reliance on an income (from either themselves or their partner working) and a partner's pension were also comparatively common sources of income in retirement, cited by 52% and 54% of consumers, respectively.

Pensions, aside from the one they had already withdrawn, were not expected by 35% of consumers, with fairly equal numbers expecting (another) DC pension, or a DB pension (42% and 41%, respectively). Perhaps in part due to the increasing rarity of DB pension schemes being offered by employers, retired consumers were more likely to state that they have this form of pension (50%), while DC pension schemes were cited by a higher proportion of consumers who had not yet retired (46%).

[5] National Statistics English Housing Survey https://www.gov.uk/government/statistics/english-housing-survey-2014-to-2015-headline-report

Figure 2.3 Sources of income and savings in retirement, aside from withdrawn pension pot



Source: D1A *Base: All respondents (1,000)*

**% do not add to 100% as consumers were able to select more than one source*

Consumers who reported that their only income in retirement would be the state pension (if anything), were typically skewed towards having a larger withdrawn pension pot (0). 49% saved the majority of this money, and 17% has used the majority to pay off debts. Interestingly, these individuals were significantly less likely to have debt than those with other sources of income (20% compared with 38%). A very small minority had invested the majority in capital growth (3%).

That said, 14% of consumers with no income beyond the state pension had spent all their withdrawn pot. Among this group of individuals, 50% had spent the cash lump sum on home repair and improvements, 33% had gone on a holiday and 17% had passed the money on to family.

Table 2.2 Other sources of income, by pension pot size

	Any pensions, savings or income other than state pension	State pension only or nothing
£10k - £14.9k	30%	20%
£15k - £29.9k	50%	49%
£30k - £49.9k	15%	23%
£50k+	5%	9%
Base	*961*	*35*

Most significant source of income in retirement

Consumers were most likely to state that a DB scheme would be their most significant source of income in retirement (24%; Figure 2.4). This proportion increased to 36% among individuals who had spent the majority of their withdrawn pension pot.

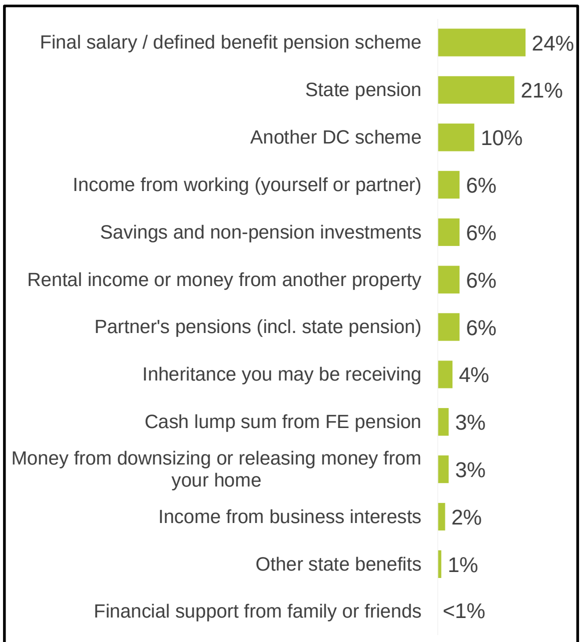
21% identified the state pension as their main retirement income. The likelihood of doing so increased with age (31% for 65+), and was more common for those who lacked confidence in their funds for retirement (37%), but also, consumers who had spent the majority of their cash lump sum (27%).

DC schemes were considered the greatest source of retirement income by 10% of consumers, while slightly smaller proportions felt that savings and non-pension investments, rental income or money from another property, income from work and their partner's pension would be their leading source of income (all 6%).

Likelihood of expecting a partner's pension(s) to be a main source of income in retirement was higher among females (11%), consumers who lack confidence in making financial decisions and tend to leave such decisions to others (12% and 18%, respectively), and those who are not working but not yet retired (12%). It was also more common for those who had spent the majority of their withdrawn pension paying off debt (10%).

Fully withdrawn pension pots were rarely identified as the most significant source of income in retirement (3%), although this increased to 9% for those with a pension pot of £100,000+.

Figure 2.4 Main source of retirement income



Source: D1B *Base: All respondents (1,000)*

Other pension schemes

Defined Contribution[9]

On average, consumers tended to have two DC pension pots in addition to their withdrawn pension. This average was not significantly higher among any subgroups.

Typically, the total amount consumers expected from other DC pensions was £40,000[10]. Figure 2.5 shows the distribution of expected income from DC pensions.

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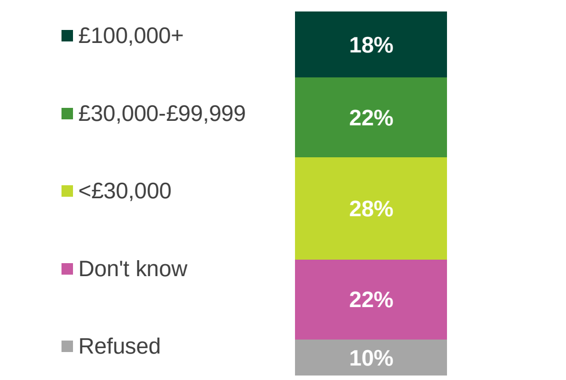
[9] Analysis in this subsection is based on the 42% of all consumers who stated that they had an additional DC pension.
[10] Median, rounded to nearest 100.

Figure 2.5 Expected total amount from additional DC pensions



Source: D4 & D5 *Base: All with other DC scheme(s) (415)*

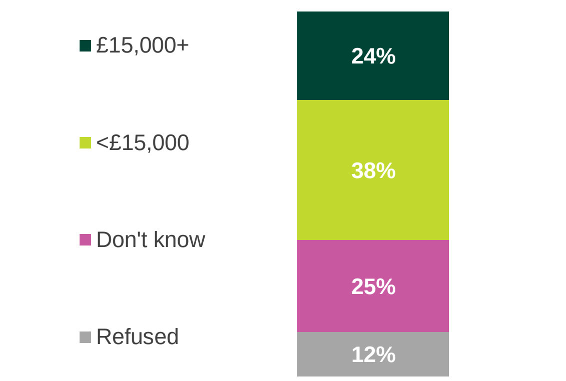
Likelihood of additional DC pension pots falling below £30,000 was significantly higher among those who lacked confidence in making financial decisions (56%) and who tended to leave financial decisions to others (60%). It was also relatively high among consumers who lacked confidence in their funds for retirement (48%).

Defined Benefit / Final Salary[11]

On average, consumers tended to have one DB pension scheme. This increased to two schemes among those aged 65+ (as previously noted, this may relate to the movement away from DB schemes in recent decades).

Typically, the total amount consumers expected to receive *annually* from their DB pension scheme(s) was £12,000[12]. Figure 2.6 shows the distribution of expected annual income from DB pensions.

Figure 2.6 Expected total annual amount from DB pensions



Source: D6 & D7 *Base: All with DB scheme(s) (405)*

24% expected to receive £15,000 or more a year from their DB pension(s) in retirement. This proportion increased with withdrawn pot size, up to 42% for those who withdrew a pot worth £50,000 +, indicating that those with DB schemes may have comparatively comfortable funds for retirement. This goes some way in explaining the previous finding that these individuals were more likely to have spent their pot. Consumers who had retired were also more likely to state that their DB pension scheme would give them at least £15,000 per year (35%), as were those who spent the majority of their withdrawn pot in capital growth (37%).

Partner's pension(s)

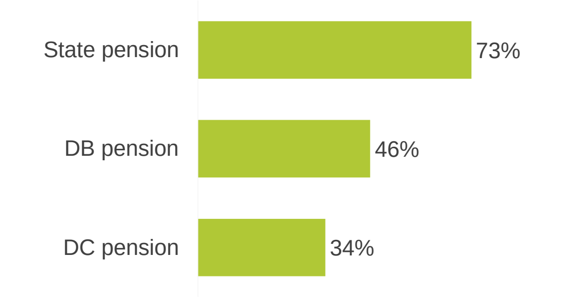
As previously stated, 54% of consumers expected to rely on a pension from their partner in some capacity in retirement, with 6% stating this would be their main source of retirement income. As expected, these proportions increase (to 63% and 7%, respectively) when only consumers that have a partner are looked at.

As shown in Figure 2.7, among consumers expecting to use a partner's pension(s) in retirement, 73% stated that this included a state pension. For 22%, it was the case that this was the only type of pension expected through their partner.

[11] Analysis in this subsection is based on the 41% of all consumers who stated that they had a DB pension scheme
[12] Median, rounded to nearest 100.

46% of consumers stated they will use their partner's DB pension in retirement, while 34% said their same in relation to a DC pension.

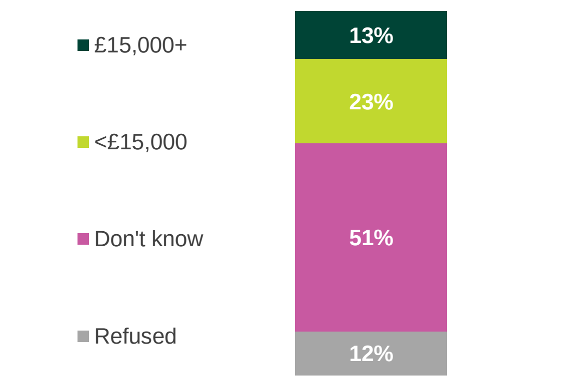
Figure 2.7 Types of pension from partners



Source: D9 *Base: All with partner's pension (538)*

A large proportion of consumers did not know how much they are or will be receiving through their partner's pension scheme (51%; this reduced to 35% for those retired). Among those who were able to provide this information, partner's pensions equated to, on average, £10,200 a year. Figure 2.8 shows the distribution of expected annual income from a partner's pension(s).

Figure 2.8 Expected total annual amount from partner's pension(s)



Source: D9 & D10 *Base: All with partner's pension(s) (538)*

13% thought that their partner's pension(s) equated to £15,000+ a year, with this proportion rising to 17% among females.

Other financial sources

Savings and investments

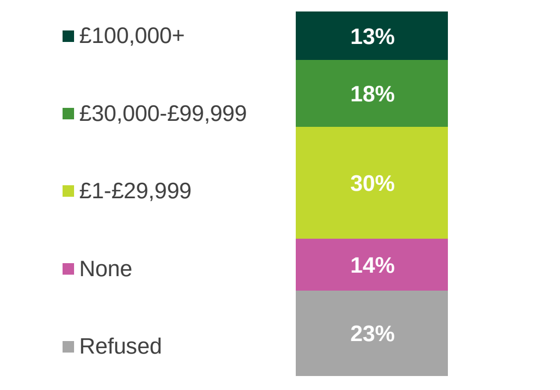
14% of consumers had no savings or investments[13]. These individuals tended to be younger (27% for under 55s) and lack confidence in making financial decisions (28%), usually leaving them to others (24%).

Consumers who provided responses indicated a generally more strained financial situation were also more likely to have no savings or investments, such as those:

- expecting no retirement income (26%);
- not confident in their funds in retirement (41%);
- with debt that they find a burden (34%); and
- who had used the majority of their cash lump sum to pay debt off (23%).

Overall (i.e. including those with no savings), the average total amount of savings was £20,000[14]. The distribution of savings amounts is shown in Figure 2.9.

Figure 2.9 Total savings and investments



Source: D11A *Base: All (1,000)*

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[13] Consumers were explicitly asked to consider savings and investments outside of their pensions and property.
[14] Median, rounded to nearest 100.

Other sources of annual retirement income

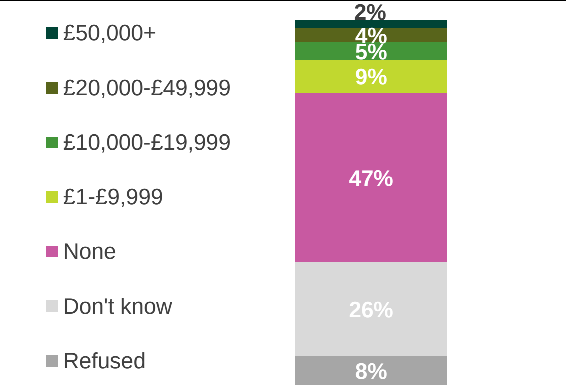
Consumers were also asked to consider whether they have or expected to receive an *income* during retirement from any other sources excluding all pensions. 47% stated that they did not, with this proportion rising for older (54% for 65+) and, relatedly, retired individuals (57%).

As with a lack of savings or investments, individuals with no further expected income were also in more difficult financial situations more broadly. Proportions were higher among:

- those with no savings, investments or DC pensions beyond what they withdrew (61%); and
- those who had spent the majority of their withdrawn pot paying off debt (55%).

The distribution of savings amounts is shown in Figure 2.10. Of note, 26% did not know whether they would be receiving further income in retirement.

Figure 2.10 Income in retirement (excluding all pensions)



Source: D11 *Base: All (1,000)*

Wider wealth summary

As presented in Figure 2.11 (overleaf), wider wealth totals were derived for all consumers who gave a sufficient amount of data[15].

Totals were split into two categories, based on whether total cash amounts or (expected) annual amounts were provided.

Sum of (other) DC pension(s), savings and investments

Across all consumers, the average total amount of DC pensions (excluding the withdrawn pot), savings and investments was £32,000[16]. This was higher for those who had already retired (£43,300), compared with those who had not (£25,000).

A small minority (9%) not did not have any finances of this nature. This increased to 23% for the under 55s and those with debt that they consider a burden, and 24% for those lacking confidence in their funds for retirement. It was also higher among consumers who had used the majority of their withdrawn pot to pay off debt (15%).

Annual sum of retirement income

Overall, the average (expected) annual income was £12,000[17], with 24% not expecting any. It is important to note that this does not consider income from state pension.

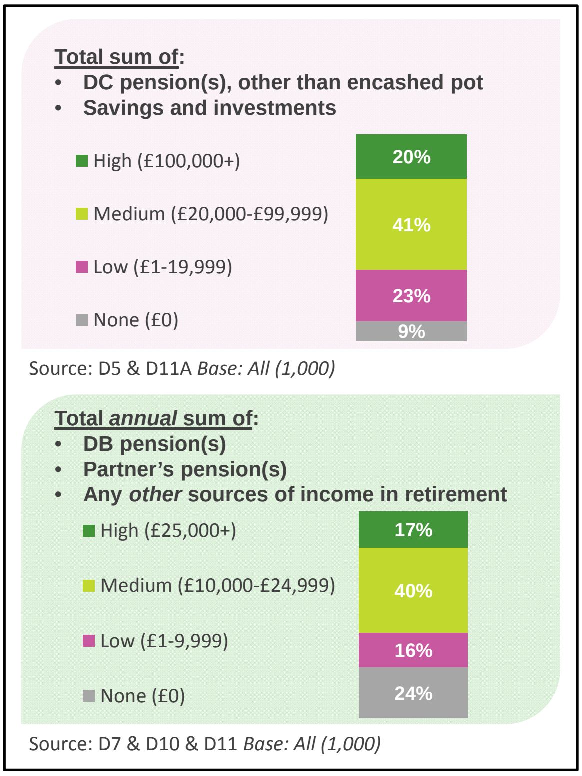
Likelihood of no annual retirement income was higher among 65+ consumers (39%; there were no differences between those who had retired and those who had not) and who were not confident in their funds for retirement (52%). There was also a relationship between having no retirement income and a lack of understanding options when they fully withdrew, with proportions rising among those who had a GAR and were not aware (62%), and those who stated they were not confident in their understanding of options when they withdrew their cash lump sum (47%).

[15] We did not derive totals for respondents who did not provide an answer (i.e. Refused / Don't Know) for all questions underlying each total. For those who gave at least one response, data for the remaining questions was modelled on the median for their age group and pot size.

[16] Median, rounded to the nearest 100.

[17] Median, rounded to the nearest 100.

Figure 2.11 Wider wealth summary



Overall wider wealth

In total, across all sources of retirement funds explored (and excluding state pension), 5% reported that they would not have any retirement finances beyond the pension pot that they had withdrawn. This was more likely if a consumer was:

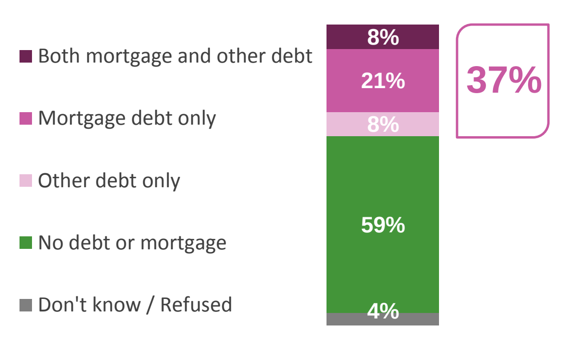
- Younger than 55 (15%);
- Had a GAR and unaware (23%);
- Not confident in making financial decisions (12%);
- Not confident in their funds for retirement (17%); or

Had debt that they found a burden (12%).

Outstanding debt

37% had some form of debt (Figure 2.12). Usually, this debt was in the form of a mortgage only (21% overall), but 16% did report having unsecured debt. Likelihood of having some form of debt was higher among those who were younger (65% for <55) and still working full time (55%), and those who had spent the majority of their withdrawn pot on paying off some debts (68%).

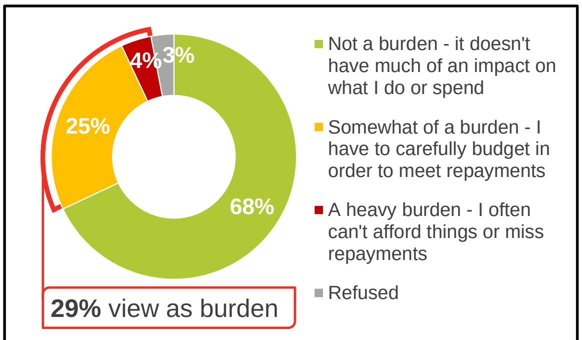
Figure 2.12 Debt situation



Source: A4A & D13 *Base: All respondents (1,000)*

That said, only 29% of consumers who have debt find this to be a burden to some extent (equating to 11% of all consumers), with only 4% finding their debts a heavy burden (Figure 2.13).

Figure 2.13 Perceived burden of debt



Source: D14 *Base: All with debt / mortgage (371)*

A view that their debt was a heavy burden was more likely if the consumer was younger (12% for <55). It was also correlated with lower wealth and financial knowledge and understanding:

- None or low wider wealth (both 8%)
- Not confident for funds in retirement (16%)
- Not confident in their understanding of options when withdrawing (24%)

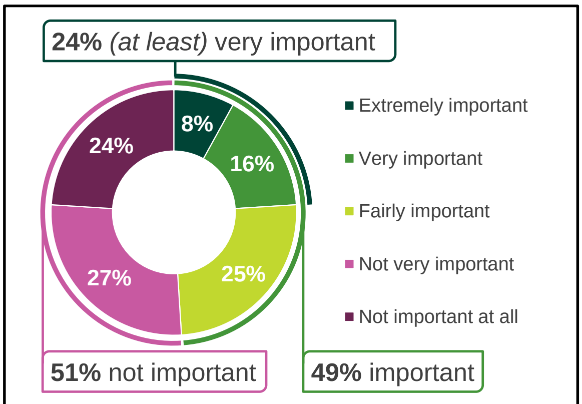
Among individuals who find their debt a heavy burden, 54% spent their cash lump sum paying some of it off. However, 23% spent all the cash.

Perceived importance of withdrawn pension pot

49% felt that their fully withdrawn pension pot would be important in supporting their financial needs in retirement (Figure 2.14), with 24% stating that it would be at least *very* important.

As one might expect, likelihood of viewing their withdrawn pot as important increased with its size, from 16% for £10,000-£14,999 pots, to 38% for pots worth over £50,000.

Figure 2.14 Perceived importance of withdrawn pension pot



Source: D12 *Base: All (1,000)*

The proportion of consumers who viewed their withdrawn pot as at least very important in supporting them in retirement was higher among those who had debt that they found a burden (29%) and those who had used the majority of their pot to pay off debt (32%). This may suggest some individuals consider a reduction in debt pressures important for feeling more financially secure in retirement. Indeed, this notion was supported by findings from some qualitative interviews:

"It was to help out with the savings etc. and clear all the debts. I wanted to make sure that everything was done before I retired so there was nobody having a pull on me."

Male, 60-65, £10,000-£14,999

Likelihood of viewing their withdrawn pot as very important also increased slightly, albeit significantly, for consumers who had transferred the majority of it into savings (27%).

18% of consumers who had spent all their cash lump sum on things such as a new car or home improvements viewed their withdrawn pot as very important for financially supporting them in retirement. Although this is lower than average, it is arguably considerable given that they will have no further access to these funds. Findings from the follow-up interviews indicate that for many of these individuals they perceived spending of their pot on things such as a new boiler, or home improvements as a way of investing in their future by reducing the chances of having to spend money on these things later (and potential stress this may cause).

"I felt I wanted to do something to benefit my life now; things that I needed to have and not worry about things breaking down, and because my husband had been so ill things were getting a bit shabby."

Female, 65+, £15,000-£29,999

3 WHAT: What did consumers do with their pension savings?

This section explores what consumers have done with their withdrawn cash lump sum and whether there are any common factors underlying these spending behaviours.

Summary

Consumers predominantly kept hold of the pension savings they withdrew; it was switched to investments that they understood, such as property or cash. 52% saved or invested the largest share, 14% paid off debts and 25% spent their pension savings.

84% of consumers who spent their pension savings withdrew less than £29,999. The wider wealth of this group and level of indebtedness was in line with the average.

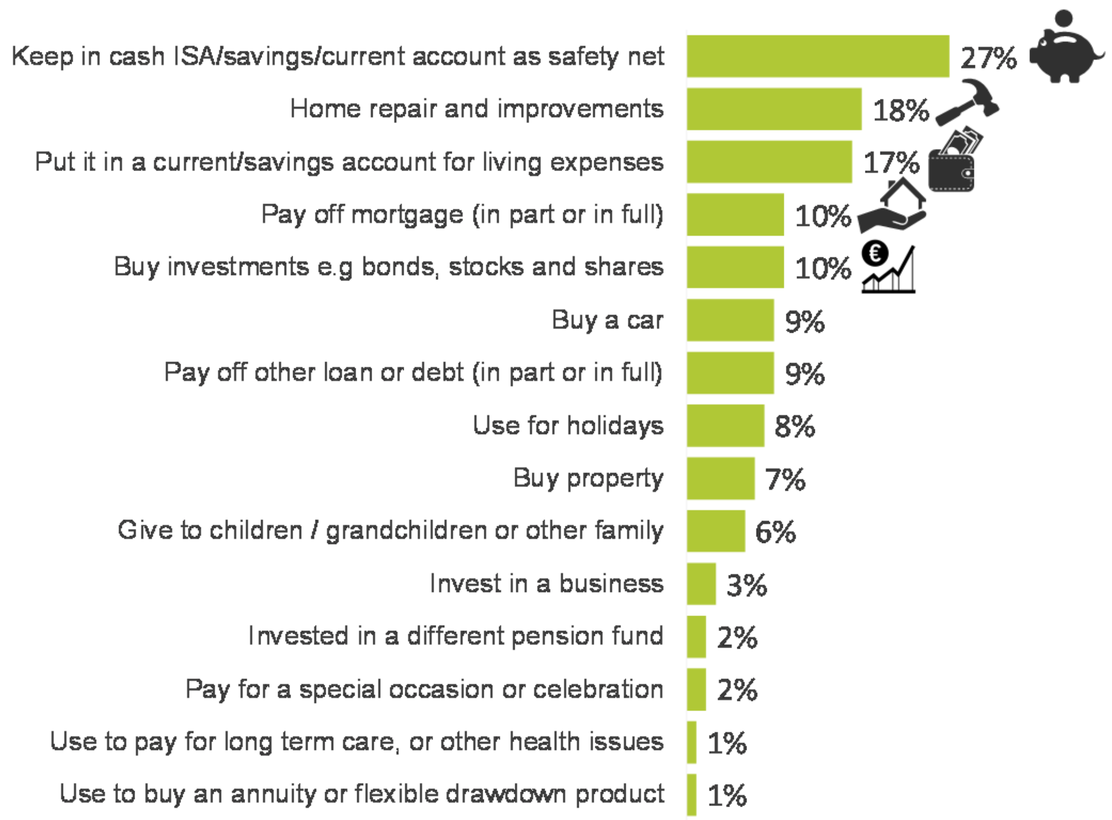
Spending the cash lump sum

Consumers who fully withdrew their pension pot typically still had access to at least some of their cash lump sum. 27% had put the cash lump sum in a cash ISA, savings or current account to use as a safety net or 'rainy day fund' and 17% had put it in a savings or current account to draw on for living expenses.

Also fairly common, 10% use the cash lump sum to pay off their mortgage, in part or in full, and the same proportion (10%) buying investments such as bonds, stocks and shares.

Figure 3.1 details everything that consumers had done with their cash lump sum.

Figure 3.1 What consumers have done, or intend to do, with the cash lump sum



Source: B2 *Base: All respondents (1,000)*

**% do not add to 100% as consumers were able to select more than one source*

Savers that had opted to keep the cash lump sum in a cash ISA, savings or current account as a safety net were more likely to be aged between 60 and 65 years old (33%), to be retired (34%) and to have between £20,000 and £99,999 in other savings (34%).

Consumers who used their cash lump sum to pay off their mortgage (in part or in full) were more likely to be younger and still active in terms of working (14% were aged between 55 and 59 years old and 14% were working full-time). They were also more likely to have a relatively significant pot size of between £30,000 and £99,000 (36%).

Consumers were also asked what they spent the largest share of their cash lump sum on. Keeping the money in a savings or current account as a safety net, again, came top of the list, with 20% saying this accounted for the largest share of the lump sum. However, the largest share of expenditure did vary between consumers, with similar proportions spending the largest share on each of the following; home repair and improvements (13%), putting in an account to draw on for living expenses (11%), buying investments (9%), paying off some or all of the mortgage (9%).

Table 3.1 shows a breakdown of where the largest share of the cash lump sum was spent by pot size. Spending behaviour did not vary greatly by pot size, although those with a pot size of £30,000 to £49,999 were more likely to use the biggest share to pay off their mortgage.

Table 3.1 What the largest share of the lump sum was spent on by size of pension pot[18]

	£10k - £14.9k	£15k - £29.9k	£30k - £49.9k	£50k+
Keep in account as safety net	23%	21%	16%	10%[19]
Home repair and improvements	15%	13%	12%	6%
Keep in account for living expenses	12%	12%	11%	6%
But investments e.g. bonds	8%	9%	9%	6%
Pay off mortgage (in part or full)	7%	7%	13%	13%
Base size	*298*	*498*	*152*	*52*

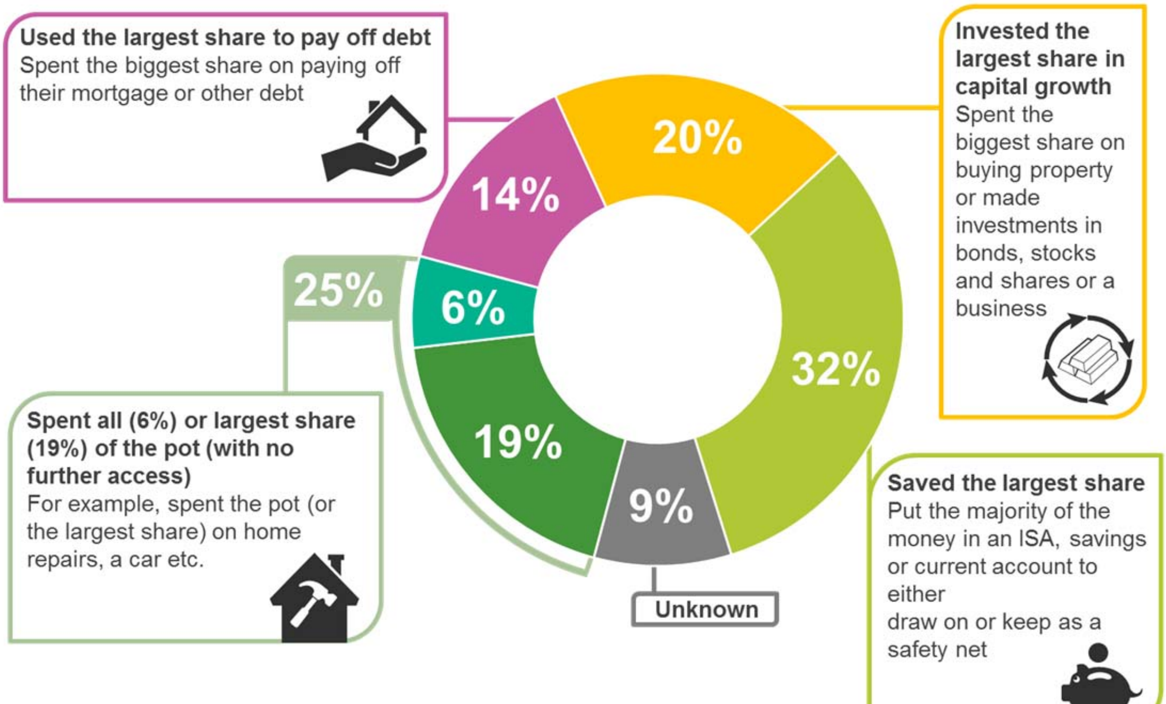
Spending behaviour

Based on what consumers spent the largest share of their cash lump sum on, a number of 'spending personas' were developed to cluster consumers into distinct groups in order to allow for further analysis on spending behaviour (Figure 3.2). This shows that most consumers still had access to the majority of their cash lump sum, via having saved it (32%) or invested it in capital growth (20%).

A minority (19%), however, had spent all of their cash lump sum in a way that meant they no longer had access to it. A further 6% had spent the majority of their cash lump sum in this way, but had also done something else with it, such as save or invest it. A further 14% had used the largest share to reduce financial burdens by paying off debt or their mortgage.

[18] Table does not present all response options and therefore does not sum to 100%.
[19] Red denotes significantly lower compared to average responses and green denoted significantly higher

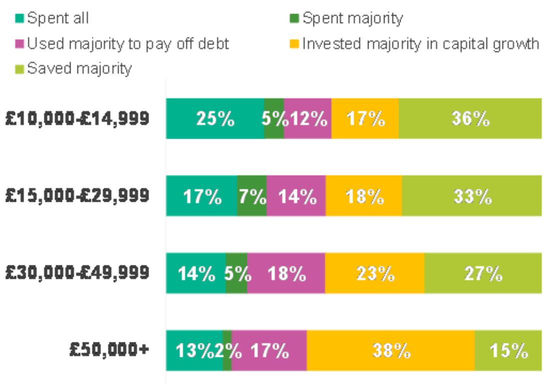
Figure 3.2 Withdrawn pot spend summary



Source: B2/B3 *Base: All respondents (1,000)*

As shown in Figure 3.3, there was variation in how a pot was spent by its size. Compared to average, smaller pots were more likely to be spent in their entirety with no further access (25%, compared to 19% overall);likelihood of this decreased with pot size. Instead, those with larger pots were more likely to use the majority of the pot to pay off debt or - to an even greater extent - more likely to invest the majority in capital growth.

Figure 3.3 Spending behaviour by pot size



Source: B2/B3 *Base: All respondents (1,000)*

Consumers spending all of their cash lump sum

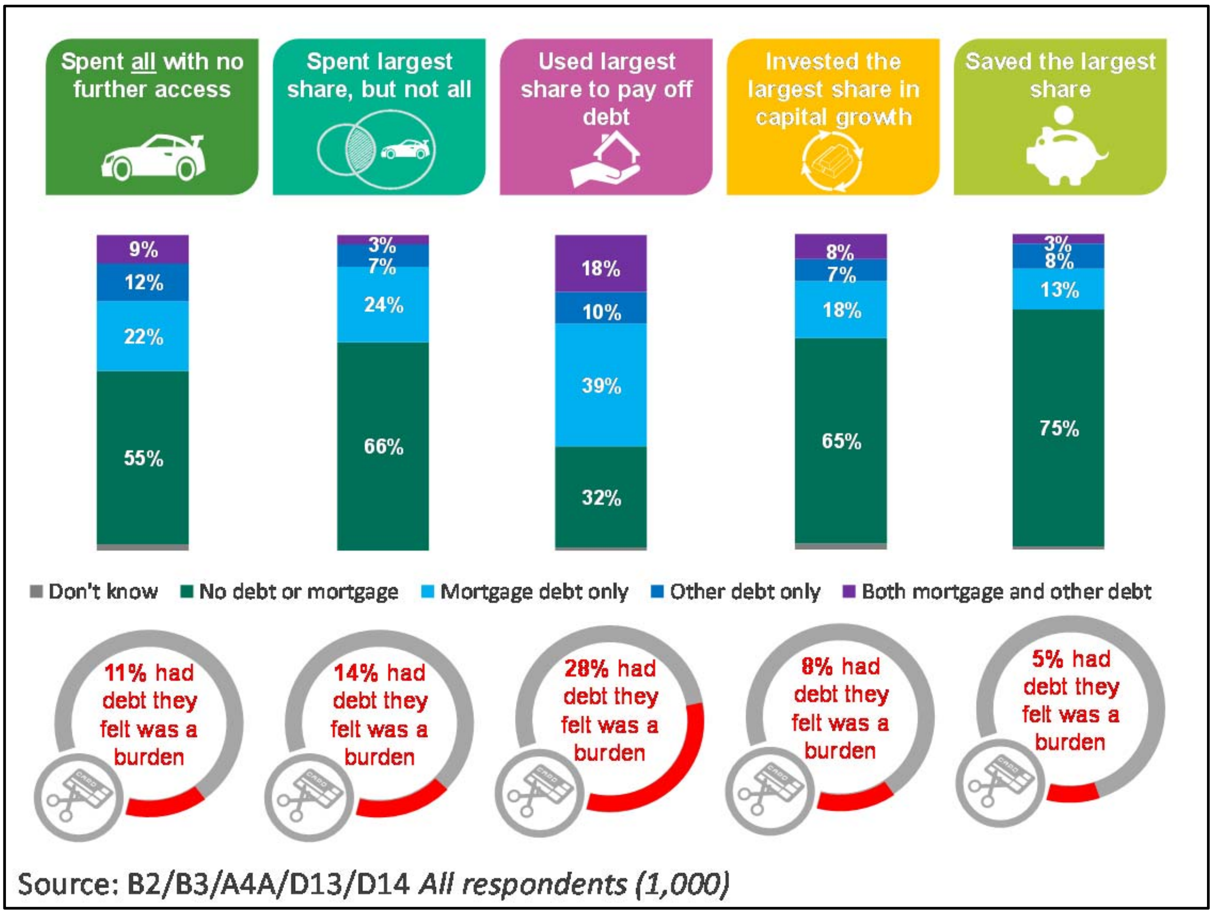
The majority of consumers who spent all of their cash lump sum were typically spending smaller pots. 39% of this group had a pot between £10,000 and £14,999 and 45% had a pot size between £15,000 and £29,000.

The wider wealth of this group, however, was in line with the average profile of consumers who had withdrawn their pot.

In addition, they were no more or less indebted than consumers on average. In line with the average, 11% said their debt was a burden.

The prevalence of debt and whether consumers found this to be a burden is shown in Figure 3.4 for each type of spending behaviour.

Figure 3.4 Prevalence of debt and spending behaviour



Consumers spending most of their cash lump sum

Consumers who spent the largest share of their cash lump sum, but also did something else with it (such as save or invest a smaller part of it), were typically in line with the average profile of consumers, but were more likely to have a pot size of between £15,000 and £19,000 (34%).

Consumers who paid off debt

Consumers who spent the biggest share on paying off their mortgage or other debt were more likely to be in the younger age bracket (56% of those who used the largest share of the pot to pay off debt were between 55 and 59 years old) and in line with this, 51% were still working full-time.

This group were more likely than average to have no savings (15% compared with 9% overall) or only a low level of savings between £1-£19,999 (34% compared with 23% overall), but their income remained in line with the average of all consumers.

As may be expected from their choice of expenditure, this group was the most indebted; 68% had some form of debt and 28% said they had debt that they considered a burden (significantly higher compared with 11% overall).

Furthermore, this group of consumers were the group least likely to be confident that they had understood the options available when taking their pot as a cash lump sum (83% were confident compared with 90% overall).

The qualitative follow-up interviews identified a number of individuals who had used the cash lump sum to pay off debt or their mortgage and had thought it through fully and logically. These consumers tended to see paying off their debt or mortgage as an investment in their future that would protect them from financial burden later in life when they had less income.

"I didn't want anything hanging round my neck when I retired…so now what's mine is mine"

Male, 60-65, £10-15k

Consumers mainly investing in capital growth

Consumers who invested the largest share of their cash lump sum in stocks and shares, a business or by buying property tended to be wealthier in regard to savings. More than a quarter of this group had savings, in addition to their lump sum, of £100,000 or more (27% compared with 20% overall).

Associated with this, these consumers had larger pot sizes. 10% had a pot worth over £50,000, double the average of consumers overall (Table 3.2).

The working status and annual income of this group, however, was in line with the overall profile of consumers.

Consumers mainly saving

Those who saved the largest share of their cash lump sum tended to be older (29% were under 60 years old compared with 41% overall) and in line with this, 47% were retired (compared with 35% overall).

Although the annual income for this group was in line with the average of all consumers, they were more likely to be in the middle group in terms of savings (other than the lump sum), having between £20,000 and £99,000 saved (47% compared with 41% overall).

Unsurprisingly, those who saved the largest share of their cash lump sum were the least indebted group. 75% had no debt at all (compared with 61% overall) and where debt was held, this group were the least likely to feel it was a burden (5% compared with 11% overall).

It is in this context that the saving group were the most likely to be confident that they had enough funds to support themselves during their retirement (91% were confident, compared with 87% of those who spent all of the pot, 81% of those who spent the majority of their pot, 78% who used the largest share to pay off debt and 89% who invested the largest share in capital growth).

Table 3.2 Spending behaviour and pot size

	Spent all	Spent largest share	Paid off debt	Invested in capital growth	Saved
£10k - £14.9k	39%[20]	25%	26%	26%	33%
£15k - £29.9k	45%	61%	48%	46%	51%
£30k - £49.9k	12%	12%	20%	18%	13%
£50k+	4%	2%	6%	10%	3%[21]
Base size	*188*	*59*	*143*	*196*	*318*

The qualitative research carried out by Ignition House[22], as part of the Retirement Outcomes Review, also looked at spending behaviour. Here they identified that some consumers viewed their pension as windfall and the impact of this is that they spent a larger proportion of the money today than would have been the case if they had mentally accounted for their pension as future retirement income. The follow-up interviews also identified this trend. The quantitative finding that people are more likely to save than spend, however, indicates that consumers were more cautious with their withdrawn pension pot than this qualitative theme might imply.

Further to this, follow-up interviews also identified consumers who, rather than perceiving their withdrawal as a 'quick win', saw their cash lump sum as a way to safeguard against future costs.

[20] Green denotes significantly higher compared to average responses.
[21] Red denotes significantly lower compared to average responses.
[22] Reference Ignition House research

“We had a new boiler and all new windows and doors, that’s what we spent the money on…to make ourselves comfortable in the house, for old age. The main things in the house will not need replacing for the next 20/ 25 years”

Male, 60-65, £50-100k

4 WHY: What are consumers' motivations?

This chapter explores the motivations for withdrawing pension pots expressed within the 30 qualitative follow-up interviews.

Summary

The reasons given for withdrawing all pension savings from a given pot were varied, but the primary motivations that came out of our research were a general climate of mistrust and a focus on the present.

Mistrust grows from the constant stream of 'bad news' pension stories in the press and historic "pension scams" (for example, BHS) and spills over onto annuities with a general perception that annuities do not provide good value for money. It was also typical for consumers to describe the income an annuity could provide as not large enough to make much of a difference and to display a preference for consumption in the present.

Primary motivations

When it came to weighing up their options, the majority of consumers in the follow-up interviews had, at least, looked at how much income they could get from an annuity.

There was a general perception among consumers, however, that annuities did not provide them with good value for money or an income large enough to make much of a difference to their daily life. It was typical for consumers with a range of pot sizes to describe what they would be able to get, by way of a monthly income from an annuity, as 'pocket money' and a 'pittance'. As summarised in Figure 4.1, the value of annuities was one of consumer's main considerations when making their decision to fully withdraw.

"I went with an open mind, but the payments coming back to me monthly, with £14,000, would have been pittance"

Female, 60-65, Pot size £10-15k

Related to the consideration of annuities not providing good value, was the feeling that the pension scheme or fund was not providing good returns. A number of consumers felt that their pot was either not appreciating very much in value, was 'doing nothing' sitting where it was, or was in fact depreciating in value. Consequently, some felt there was nothing to lose from withdrawing the whole pot.

"Yes, you could just leave it untouched, but I was of the firm opinion that the interest wasn't going up and it wasn't going to make the slightest bit of difference and I wasn't going to make any money extra off that pot, so that is why I cashed it in"

Male, <60, Pot size £20-29k

Another major factor (Figure 4.1) that influenced consumer thinking when making their withdrawal decision, was a mistrust of pension companies. A number of consumers in the follow-up interviews were worried about what could happen to their money left in the hands of the pension companies and said they would rather have the money 'in their own hands' or under their control. Many felt this was the safest option. Some consumers cited examples of individuals losing their pension savings and some cited that because pension legislation changed frequently it was difficult to know what would happen next. Where this feeling was pervasive, it was seen as a 'no-brainer' to take the pot as a cash lump sum when the choice arose.

"I wanted to get it out, I just wanted the cash. I thought I will have that, rather than someone else"

Male, 60-65, £10-15k

The other primary motivational factor that played a large role in consumer's decision to fully withdraw their pension pot was the desire to 'live for the moment'. A number of consumers felt it was beneficial to spend the money while they could enjoy it and it was common to for consumers to say that because they didn't know how long they were going to live; they may as well spend it now.

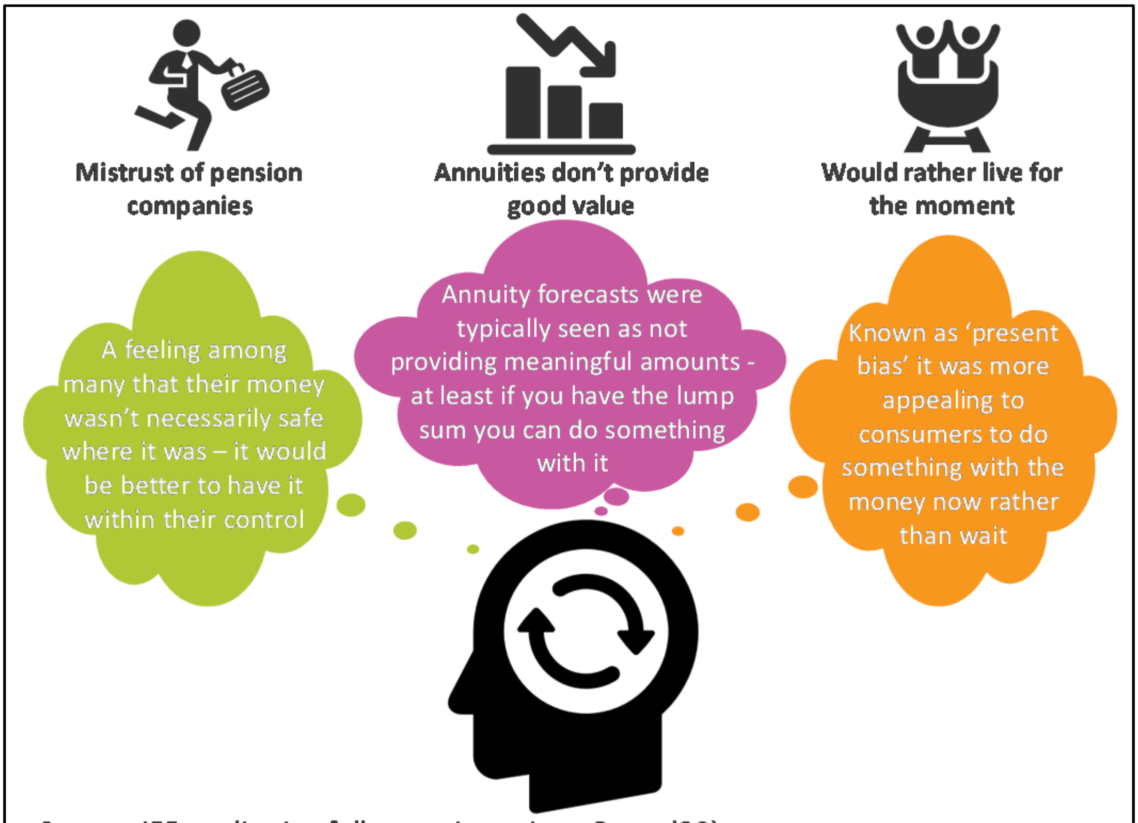
"I know it's crazy and I will be working until I am 90 because I haven't got a pension but at least I have got a van and some tools"

Male, 60-65, Pot size £10-15k

"After looking at how much the annual annuity would be, even if I lived to 90 I'd still have a lot left in my pension. So I decided that I wanted to go on a cruise"

Female, 66-70, Pot size £10-15k

Figure 4.1 Primary considerations for consumers when making their decision



Source: IFF qualitative follow-up interviews Base: (30)

5 HOW: What are consumers' considerations and understanding of their actions?

This chapter explores consumers' approach to financially planning for their retirement and confidence in making financial decisions. It then focuses on their decision to withdraw, the depth of their understanding when doing so and related confidence.

To explore how well consumer's felt they understood their decision to fully withdraw, the quantitative survey asked the extent to which individuals felt confident in their understanding of the different options when they made the decision, and how confident they were for their funds in retirement.

It is important to note, however, that we cannot easily determine whether confidence expressed is justified or, equally, whether confidence expressed relates to decisions made during the process or confidence in understanding of different elements of the process. For example, someone may not have been confident that they hold a solid understanding of what their options were when withdrawing, but they may have been very confident that withdrawing was their best option because they needed cash. That said, both of these themes were explored in the qualitative follow-up interviews, and these discussions go some way in determining how valid expressions of confidence are. For example, follow-up interviews covered consumers' interpretation of alternative options they believed were available to them and the rationale for any confidence expressed (or, equally, lack thereof).

Summary

42% of consumers looked for information or guidance from Pension Wise while 22% said they did no research at all. The most common considerations centred on tax and charges although few knew the intricacies of this and a number voiced shock at receiving a much higher tax bill than anticipated.

While it is not common for consumers to have worked out the amount of money they would need to live on each year, it is characteristic that they roughly work out the number of years they would need to live, in order to get back the pot value in the form of an annuity.

The majority of consumers who had a GAR attached to their pension pot and did not take this up when they took a full withdrawal were aware of this guarantee[23]. Our research found that the primary motivations for consumers taking full withdrawal and not taking up a GAR were very similar to the motivations for consumers taking full withdrawal and did not have a GAR. Namely, the aversion to annuities and a focus on the present.

Attitude towards financial planning

On balance consumers typically thought they had planned carefully for retirement (72%). This group was more likely to already be retired (78%), or semi-retired (88%) and to have a higher level wealth compared to the average of fully withdrawing consumers.

However, a substantial minority (31%) said they had made no real retirement plans and hoped it would all work out ok in the end. This group were more likely to:

- Make financial decisions alone (39%);
- Not be confident about making financial decisions (51%);
- Not be confident they understood the options available to them in relation to fully withdrawing their pension pot (63%); and

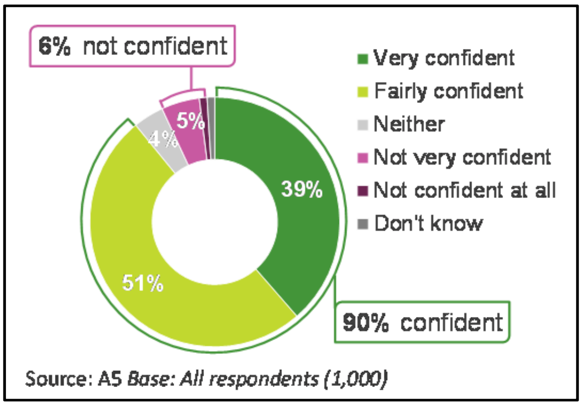
[23] IFF research: 80% of those who had a GAR were aware they had one, of these, 98% were taken from a pot of less than £30,000 (29% from a pot of £15,000-19,999 and 45% from a pot of £10,000-£14,999)

- Have no savings (50%) and no annual income (other than the state pension) (48%).

A substantial number of consumers (31%) said they found financial planning decisions confusing. This group shared similar characteristics with the non-planning group and were less likely to be confident about making financial decisions, understanding the options available to them when they accessed their pot and more likely to having nothing in terms of savings or income.

Despite this, most consumers (90%) when asked how confident they felt in making financial decisions said they were very or fairly confident (Figure 5.1). Suggesting some consumers felt confident in financial planning decision making despite finding these decisions confusing.

Figure 5.1 Confidence in making financial decisions



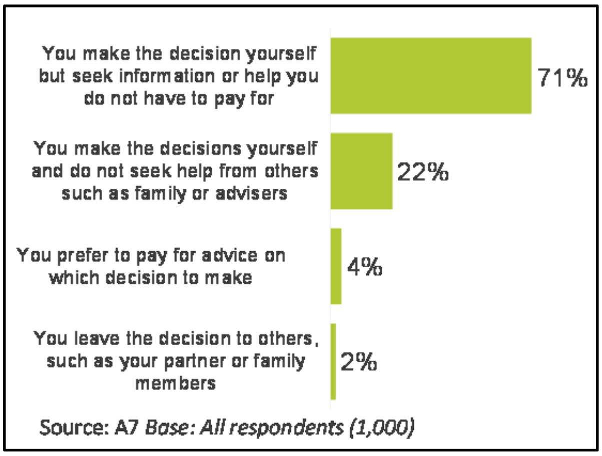
The 6% of consumers who said they were not confident about making financial decisions were more likely to:

- Have the smallest withdrawn pots of those surveyed (between £10,000 and £14,000) (8%);
- Be female (8% compared to 5% male);
- Not be working, but not be retired (i.e. out of work) (11%);
- Have no savings (13%); and
- Leave financial decision making to others (29%).

When asked how they typically made decisions about retirement or how to best use their pension savings (Figure 5.2) 71% said that they made the decision themselves but sought information or help for which they did not pay. Such help came from family and friends, their pension provider or, as was the case for many, Pension Wise.

22% said they made the decision themselves without seeking help from anyone else. Men were more likely to not seek help from anyone (25% compared with 18% women), as were those who stated that they had no annual income (30%).

Figure 5.2 How consumer typically makes decisions about retirement or savings



Research undertaken

The most common place for consumers to look for information or guidance in relation to their decision to take their pension pot as a cash lump sum was Pension Wise. This was cited as a source of information by 42% of consumers and a further 5% said they used the government's free guidance service - likely to be Pension Wise. It is worth noting, however, that consumers were prompted on whether they looked at, or had been in touch with, Pension Wise. This differs for other sources of information or guidance, which were not specifically prompted on (potentially inflating the use of Pension Wise compared to other sources).

Findings from the qualitative follow-up interviews showed that Pension Wise was being used by consumers in a number of ways. It was sometimes used by consumers as a check on information that was already held, such as from the pension provider. In other cases, Pension Wise played more of an active role in the decision-making process, particularly in encouraging consumers to weigh up all of the options in a methodical manner.

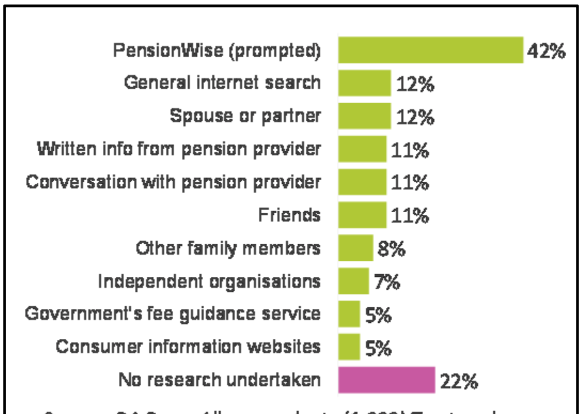
A number of consumers (12 out of 30) in the follow-up interviews had arranged a meeting with a Pension Wise adviser, either face to face or over the telephone (in a few cases this was facilitated in some way by the Citizens Advice Bureau). In all of these cases consumers found Pension Wise to be very useful in helping them to understand their pension pot options, despite not always understanding the technicalities.

"I went to Pension Wise to get some information from them, they gave me a lot of information that I went away and thought about and chewed over…it was very good, I got lots of bits of paper which I took home and could refresh myself"

Male, 60-65, Pot size £10-15k

Other than Pension Wise, consumers looked for information or guidance in a range of places (detailed in Figure 5.3).

Figure 5.3 Sources of information or guidance in relation to withdrawal decision



Source: B4 *Base: All respondents (1,000) Top ten shown*

Sources of information or guidance used did not differ greatly by pot size. The only marked difference was those with larger pot sizes (£50,000+) being more likely to make use of employer or workplace resources (10% compared to 4% overall).

22% of consumers said they did no research at all. Difference in likelihood by consumer characteristics indicated two types of reasoning. Firstly, some may have held little understanding for their options, but be in a financial situation where the money was needed. For example, likelihood of doing no research was higher among the following consumers:

- Have a GAR and not be aware of it (54%);
- Not be confident that they understood the options when accessing their pot (39%);
- Have no savings or income other than the state pension (37%).

Another reason for not doing research was potentially confidence in own financial savviness. 42% of individuals who made financial decision on their own did no research at all.

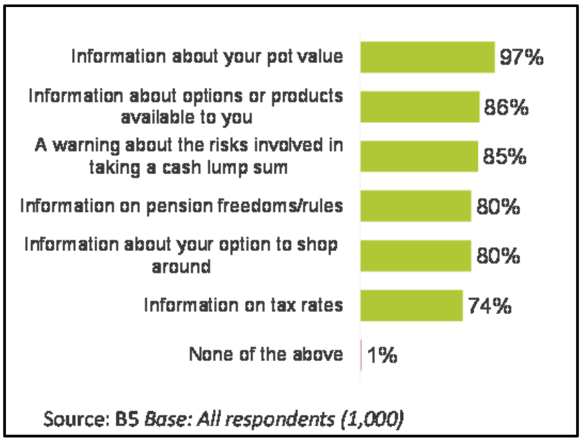
Consumers in the follow-up interviews who did no research typically said this was because they 'just knew' they wanted to take the pot as a cash lump sum as soon as they became aware that they could.

"I remember seeing it on the news during the budget…I pretty much just made up mind and did it…I didn't actually look for any information because I knew what I was going to do"

Female, 66-70, Pot size £20-29k

Almost all consumers said they received some information from their pension provider before taking their pot as a cash lump sum (Figure 5.4), with the most common literature received about the value of their pension pot (97%).

Figure 5.4 Communication received from pension provider before taking lump sum



Only 1% of consumers said they received no communication from their pension provider.

The trigger to decision-making process

Findings from the follow-up interviews showed that in many cases receiving communication from the pension provider was the trigger for consumers to start thinking about what to do with their pension savings.

"I'd seen lots of things in the press about it but I hadn't thought of taking it out until my annual statement had arrived. Then I got in touch with them. There might have been some sort of insert about pension freedoms with the statement"

Male, <60, Pot size £15-20k

"Well to be perfectly honest, I wasn't expecting it. I had a letter from them approaching my 60th birthday saying there was this money"

Female, 60-65, Pot size £10-15k

The follow up interviews also identified the media as playing a significant role in consumer awareness of the new pension freedoms. As well as general awareness, it was also cited by some as the trigger for them to start looking into their pension options and specifically the option of fully withdrawing.

More than half of consumers in the follow-up interviews said they had heard about the new pension freedoms in the media (either on the TV or the radio or had read about it in the papers).

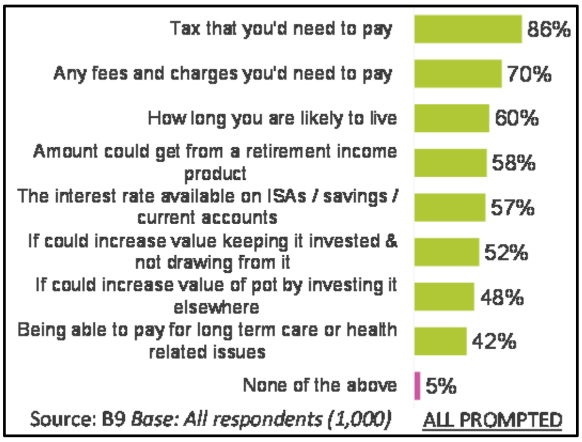
"I suppose it was the announcement by the Chancellor, that it was going to be possible to withdraw some of it. There was quite a lot of [media coverage] at the time…most was Martin Lewis or the Radio 4 Money Programme and those sorts of things were going into discussions in a quite a lot of detail about what other types of investments you could make with the money"

Male, <60, Pot size £20-29k

Factors taken into consideration

When consumers were prompted with a list of factors that they may have taken into consideration when deciding what to do with their pension pot, the most considered factors centred on taxes and charges (Figure 5.5).

Figure 5.5 Factors taken into consideration before taking pot as cash lump sum [24]



Looking at the factors taken into consideration by spending behaviour (Table 5.4), shows that those who spent all of their pot were less likely to have considered a range of factors (shown in red).

Conversely, those that saved the majority of their pot were more likely to have considered a range of factors (shown in green).

[24] Responses do not sum to 100% as consumers were able to select more than one consideration

Table 5.4 Factors taken into consideration by spending behaviour

	Spent all	Spent largest share	Paid off debt	Invested in capital growth	Saved
Tax	85%	83%	88%	80% [25]	90% [26]
Fees and charges	61%	68%	72%	73%	74%
Life expectancy	55%	66%	55%	64%	63%
Amount from income product	55%	51%	52%	56%	63%
Interest rate	48%	58%	44%	60%	68%
Increase in value	48%	54%	57%	48%	53%
Investing elsewhere	33%	41%	38%	68%	48%
Long-term care	41%	42%	36%	45%	42%
None of the above	7%	8%	7%	4%	4%
Base size	*188*	*59*	*143*	*196*	*318*

Although, when prompted, the majority of consumers said that they had considered the tax they would have to pay, when probing in more detail about this in the follow-up interviews, few consumers knew the intricacies of this, such as the impact it may have on their income tax. In addition, a number of consumers voiced shock about both being put on an emergency tax code after they had withdrawn their lump sum and receiving a much higher tax bill than anticipated.

Likewise, when prompted, 60% consumers said that they had considered how long they were likely to live[27]. However, findings from the Ignition House qualitative retirement outcomes research[28] found that it was very common for consumers to underestimate how long they thought they were likely to live for. Suggesting that even if this factor is being considered, it is not being considered in an especially logical manner.

The qualitative follow-up interviews indicated that whilst life expectancy was considered by consumers, it was more often than not in relation to how many years they would need to receive annuity payments in order to equal the value of the pot. Thinking about the number of years they would need to ration the pot (or their other finances) in order to support themselves for their remaining years was not typical.

Therefore, whilst it was not common for consumers to have worked out the amount of money that they would need to live on each year, it was characteristic for consumers to have roughly worked out the number of years they would need to live in order to get back the pot value in the form of an annuity.

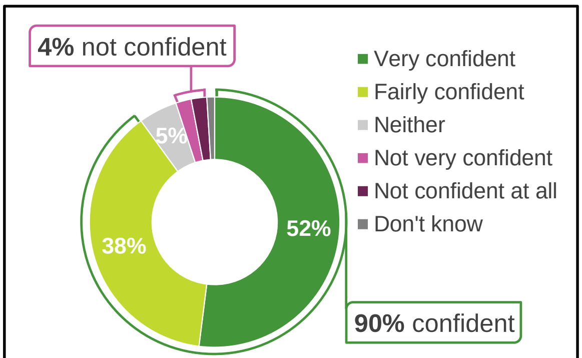
"How I understand an annuity is that you pay in a stack of money and receive about 4% for the rest of your life. If I had bought an annuity, I'd have to live a long time to get that money back"

Male, 66-70, Pot size £20-29k

Confidence in understanding of options

The vast majority of consumers were confident in their understanding of the retirement and product options available to them when they accessed their cash lump sum (90%, Figure 5.6); with 52% stating that they felt *very* confident in this regard.

Figure 5.6 Confidence in understanding of options



Source: B6 *Base: All respondents (1,000)*

25 Red denotes significantly lower compared to average responses.
26 Green denotes significantly higher compared to average responses.
27 Likelihood of considering this did not differ significantly by pot size
28 Reference ignition house research

Confidence in understanding was lower among females (86%) and younger consumers (e.g. 62% for those younger than 55).

Confidence was also lower among consumers who demonstrated comparatively lower financial aptitude in other ways too, for example those who are not confident in making financial decisions (54%) and those who were not aware that they had a GAR (69%). This indicates that there is likely to be a subgroup of consumers who struggle to understand financial information, and in some cases may not even try to.

The proportions expressing confidence in their understanding of options were also lower among consumers in comparatively strained financial situations, such as those with:

- no savings or investments (81%);
- no expected income in retirement (82%);
- no confidence in retirement funds (70%); and
- an outstanding mortgage *and* unsecured debt (81%).

Taken together, these findings may be explained by the notion that some individuals have such a pressing short-term need for their withdrawn pot (for example, to pay off debt), that the understanding of options beyond withdrawing the cash lump sum was not needed. This notion was supported by follow-up interviews with some consumers, explored later in this section.

Fairly high levels of confidence were also reflected in the qualitative follow-up interviews, despite variance in the amount of research conducted and the depth of understanding relayed. Usually, confidence appeared to be rooted in the notion that they felt they had understood enough to be confident in their decision, rather than achieving a deep understanding of the options available. The latter was only demonstrated by a few consumers.

Some consumers interviewed described the task of trying to understand their options as somewhat overwhelming, largely due to how inaccessible they perceived the information surrounding pensions to be, in terms of the language (or 'jargon') used and, to some extent, the sheer volume and detail of information available.

"At first it wasn't easy [to understand the options]. It was like reading small print on a contract; all this information comes at you and you go 'What's happening here? What does this mean? What does that mean?'"

Male, 60-65, £50,000+

"My provider sent me several copies of the same leaflet. I found it quite opaque; it was intended to be helpful and it was comprehensive but it was extremely legalistic, and rather than getting me to think about it seriously, I was frankly very confused by it."

Male, 65+, £15,000-£29,999

Further emphasising how the language used in pension material may have acted as a barrier to understanding for some, many consumers who were able to provide an accurate overview of the different options available commented that they couldn't recall the relevant terminology. Some expressed how such terminology initially caused the process to feel intimidating, until the information was laid out in a more simplistic way.

"I didn't understand it at all. There was one [option] with initials, like GA or Gross something that I didn't understand. It was easy [when I got information from] the pension provider because it was all in black and white."

Female, 60-65, £15,000-£29,999

Many felt it was easier to understand the options if they had been talked through, rather than reading information online or from documents. Some identified Pension Wise as the source that was able to provide the information in a more tangible, accessible way.

"I thought [Pension Wise] were very good. They explained everything - Cleared up a couple of things we didn't understand."

Male, 65+, £30,000-£49,999

"It's just so easy to talk to face-to-face rather than leaving it and not really understanding what you're reading at the time. At least with the Pension Wise advisor he told me what would happen if I took it that way."

Male, 60-65, £15,000-£29,999

For some, the confusion induced by terminology and options deemed as fairly 'technical' often led to frustration or 'giving up'. Experiences like this usually cemented the consumer's view that withdrawing was the most straightforward (and therefore best) choice.

"I remember reading about annuities and what the benefits are; to be honest I got confused by it all in the end I decided 'Right, you've made up your mind, go with it'"

Female, 65+, £15,000-£29,999

"I still don't understand investments and such, so I've stayed away from that because of my lack of knowledge."

Male, 60-65, £30,000-£49,999

In many cases, regardless of how difficult individuals perceived the task of understanding options to be, consumers didn't feel that it was necessary to obtain a deep understanding, as they were so set on withdrawing that comprehension of the alternatives seemed redundant. This goes someway in supporting the aforementioned notion that a lack of understanding for alternative options may be rooted in a pressing need for the money.

"I haven't got a clue what an annuity is…the options didn't concern me"

Male, <60, £15,000-£29,999

Typically, mere knowledge of what an annuity from their pension would give them annually (and a view that the amount was negligible) was enough for people to disregard exploring this and their other options in great depth.

Others, usually those who went into the process with a comparatively open mind (albeit often veered towards withdrawing), outlined a fairly 'light touch' research process, which allowed them to 'sense-check' the information and understanding already held and reassure themselves that they weren't making an error by withdrawing. Similarly, there were some consumers who felt as though they already held enough prior knowledge to feel confident in their decision to withdraw, without doing research.

For consumers who felt they already knew all they needed to without research, the depth of knowledge did differ somewhat, from those who were able to relay roughly what each option meant, to those who provided comprehensive descriptions of the different routes. The latter sometimes attributed their knowledge to experience with a prior pension, or general financial aptitude and/or knowledge due to work or personal interest.

That said, some did have to conduct extensive research to ensure that they felt they had a good enough understanding of their options before deciding what to do with their pot, accessing various sources of information (as previously explored).

Understanding tax implications

The level of understanding of the tax levels and implications for withdrawing were also explored in qualitative interviews. As with consumers' understanding of different options when withdrawing, there was a slight tendency for confidence in their comprehension of tax implications simply being rooted in knowledge that they weren't doing anything drastically wrong, rather than having a deep understanding of exactly how much tax would be payable.

Consumers demonstrated a wide range in the depth of their understanding. While there was a tendency for individuals to be aware that they would be not be taxed on 25% of their cash lump sum, there were very few who were taxed the amount they expected. Usually, this was an underestimation of the tax due; some consumers commented on their surprise at how much they ended up being paid, and felt clearer information at the time of withdrawing specifically outlining their tax implications would've been beneficial.

"Well, [tax] hit me a bit harder than I thought it would. I thought the tax on the whole sum would be about 25%, but it ended up being closer to 35%. It never got explained to me at the time"

Male, <60, £15,000-£29,999

Some stated that they understood the implications at the time of withdrawing, but ended up getting back money they weren't expecting (implying that they did not have a wholly comprehensive understanding), and a few openly mentioned how they didn't fully understand, but did not overly concern themselves with the details as they had an accountant who dealt with their tax matters.

Only a minority of consumers demonstrated a high level and accurate understanding of how much tax they would pay. For some, this was rooted in previous experience from taking a cash lump sum, while others spent time carefully calculating what would be paid from the information they had received.

Guaranteed Annuity Rates

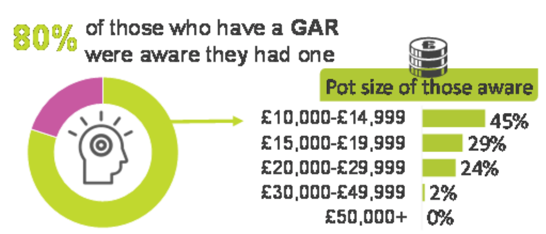
This section explores awareness and attitudes towards taking up GARs. It is important to note that data in this section should be viewed with caution, as the sample size for those we spoke to with a GAR was limited (64). Furthermore, our knowledge of whether consumers had a GAR was dependent on the information provided by each firm, however this could not be validated without compromising anonymity[29].

[29] Although data was cleaned and checked on a best endeavours basis, the initial data provided by firms was not accurate in all instances. For example, many consumers that were recorded as fully withdrawing in the initial data stated that this was not case when spoken to for the survey.

Awareness

80% of consumers who had a GAR attached to their withdrawn pension pot were aware that they had one. Figure 5.7 details awareness by pot size.

Figure 5.7 Awareness of GAR's by pot size



Source: C1 *Base: All respondents with a GAR as defined on the sample (64)*

The spending behaviour of those with a GAR who were aware of it was in line with consumers overall. 35% saved the majority of their enchased pot, 18% spent all of the pot and 18% invested the majority of it in capital growth. Slightly fewer paid off debts (16%).

Pension providers were the main route through which consumers became aware that they had a GAR. 80% of those who were aware had found out from their pension provider in writing (78%), and 27% had become aware from their pension provider verbally.

Reasons for not taking up GARs

The two main reasons for not taking up the GAR among this group were:

- The belief that they wouldn't have benefited much from the guarantee as the pot was small (37%) (rising to 57% for those with the smallest pot size of between £10,000 and £14,999 and the rest had a pot size between £15,000 and £29,999);
- The belief that they may have benefited from the guarantee but that they needed the cash instantly (24%), (a further 10% said they didn't think they would have benefited from the guarantee but also wanted the cash instantly).

Lesser mentioned reasons for not taking up the GAR included the GAR having restrictions or not having the features that the consumer was looking for (8%). A minority said they already received a greater source of income from other sources (2%).

The follow-up interviews found that reasons for not taking up a GAR were similar to the reasons of consumers without a GAR who did not take up an annuity. Namely, consumers with a GAR did not think the income they would receive from their annuity was good value and they assessed themselves to be better off having the money in the present.

"I wasn't interested in taking it [GAR]. Preferred to take the cash, because it was saying money from an annuity would be too little. [Used pot] to pay off mortgage because it outweighed any monthly income I would have had from it. The mortgage was £250 a month, so straight away I was saving £250 a month. The annuity was only going to give me £33 or something like that"

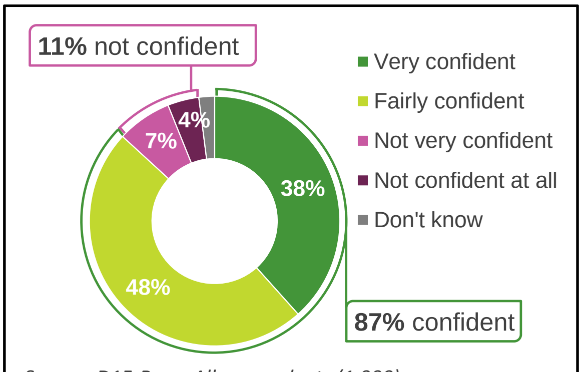
Female, 60-65, Pot size £10-15k

In summary, having a GAR did not alter consumer's behaviour; their motivations and considerations in taking the cash lump sum and how this was spent, were in line with consumers overall.

Confidence in funding retirement

A minority (11%) of consumers were not confident that they had enough funds, either saved in pensions or from other sources, to support themselves during retirement (Figure 5.8).

Figure 5.8 Confidence in funds for retirement

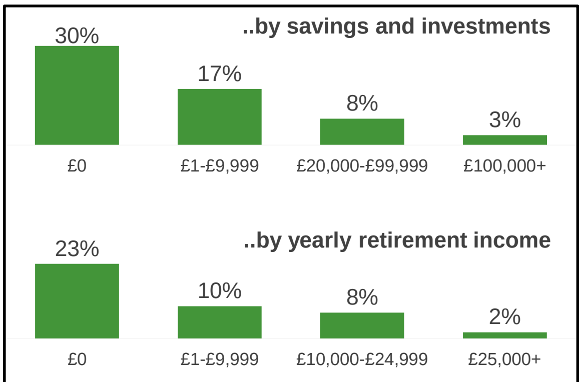


Source: D15 *Base: All respondents (1,000)*

This rises to 19% for those younger than 55 years old.

Somewhat expectedly, consumers with lower levels of wider wealth - both in terms of the amount of savings/investments and expected income in retirement - were more likely to state that they were not confident in their funds for retirement (Figure 5.9).

Figure 5.9 Proportion not confident in their funds for retirement, by wider wealth



Source: D15 *Base: All respondents (1,000)*

Furthermore, those with debt who stated that they find the debt burdensome and those who used the majority of their withdrawn pot to pay off debt were also more likely to have no confidence that they will be able to financially support themselves in retirement (33% and 18%, respectively), indicating that these individuals were in comparatively strained financial situations generally.

A lack of confidence in retirement funds was particularly high among consumers who were not confident in their understanding of options when they fully withdrew (47%).

Interestingly, even those who indicated that they will have few funds in retirement still tended to express confidence. Among the individuals who stated that they had neither savings, investments, nor an income for retirement beyond the state pension (if any), 60% still felt confident they would have enough to support themselves in retirement. These individuals were more likely to identify the state pension as the most significant source of retirement income, (51% compared with 21% overall) and other state benefits (8% compared with 1%). When explored in the qualitative follow-up, many individuals with low funds for retirement beyond the state pension stated that they intended to *'live within their means'*.

Once again, qualitative findings indicated that the pros of withdrawing outweighed the consideration of other factors; even individuals who were not confident they would have enough funds in retirement were happy with the decision they had made to fully withdraw, as they needed and benefitted from the money at the time.

6 Technical Appendix

Sample cleaning and selection

FCA contacted a representative sample of UK pensions providers and requested that they provided files containing contact details for all consumers who had withdrawn a pension pot with them (either in-part or in full) on a non-advised basis[1] between April and June 2016 (Q2).

In total, 61,124 records were supplied and combined into one file. Following the cleaning process (details in Table 6.1), a total of 19,067 records remained.

The duplication process sought to ensure that no more than one record was present for each individual and household. Where there were duplications, priority was first given to any that attributed a GAR to the consumer, then to those with the highest pot size; this was due to the comparatively limited sample for such individuals. The process was two-staged:

1) Removal of additional records with the same telephone number
2) Removal of additional records with the same postcode and surname

From the useable records, 8,000 contacts were drawn to be representative of the aggregate RIMD Q1 2016 data by pot size (see Table 6.2), and excluding consumers contacted for the cognitive stage[2].

[1] Defined as those who did not pay for the services of a professional financial advisor for advice about the specific pension pot and decision
[2] Due to time restrictions, the cognitive stage took place prior to the cleaning process.

Table 6.1 Cleaning process and reduction in useable records

Cleaning stage	No. of records removed	No. of records remaining
Sample records provided	-	61,124
Removal of records where pensions were only partially withdrawn	17,749	43,375
Removal of records where pot size was less than £10,000	23,112	20,263
Removal of duplicate records / records with no number	1,196	**19,067**

Table 6.2 Aggregate population by pot size and number of records drawn

Pot size	% of population	No. of records drawn
£10,000-£29,999	74.5%	5,920
£30,000-£49,999	16.2%	1,280
£50,000-£99,999	7.2%	560
£100,000-£249,999	1.8%	191
£250,000+	0.4%	49

One provider only supplied personal information for records once they had been selected for the survey sample. As such, cleaning and de-duplication was only available following the selection stage. This process reduced the final count of records for use in the survey from 8,000 to 7,767.

Questionnaire development

IFF conducted two stages of developmental work to inform the design of the research questionnaire.

The first stage of the developmental work involved cognitive testing of the questionnaire among the intended target audience for the main survey. This stage was used to test comprehension, relevance and flow of the questions in the survey, as well as the survey length.

The subsequent stage consisted of a larger-scale CATI pilot of the full questionnaire to assess the performance of the questionnaire under conditions that more closely replicated the main stage of data collection. This stage enabled the assessment of sample quality and incidence of response where the cognitive testing cannot.

This section summarises the key findings from the cognitive and pilot interviewing.

Cognitive testing

Methodology

The sample used in the cognitive testing was randomly selected from the records provided to the FCA by a number of pension providers that had agreed to take part in the research.

The sample was screened during telephone recruitment to check whether the named participant had recently withdrawn their pension, and had done so on a non-advised basis. During recruitment we aimed to ensure a mix of consumers in terms of gender, age, size of pot and whether or not the withdrawn pension had a guaranteed annuity rate. We did obtain a spread of interviews by gender, age and GARS, but were unable to achieve any interviews with those with a pension pot of over £100k. This was due to less sample being available in this cell and participants in this group not as willing to participate.

Error! Reference source not found. details the profile of participants interviewed.

Findings in this section are based on 6 cognitive interviews carried out over the telephone which were conducted between 28th and 30th September 2016. Each interview involved taking participants through the full questionnaire, as though it was a real interview and making notes of areas where we felt there was any misunderstanding, hesitation, confusion or unease in answering any of the questions. Once the interview was finished we recorded the length and then participants were asked how they found the survey overall, whether they'd had trouble answering any of the questions and whether they were any areas of that were difficult to understand or difficult to answer.

Table 6.3 Profile of participant interviews in cognitive phase

	No. of interviews
Size of pot	
£10k - £50k	4
£50k - £100k	2
£100k+	0
Gender	
Male	4
Female	2
Age	
55-59	3
60-64	1
65+	2
GARs	
Has GAR	2
Does not have GAR	4
Total	**6**

Findings from cognitive testing

Survey length

The table below shows the interview length of the 6 interviews conducted:

Table 6.4 Length of interviews in cognitive phase

	Length
Interview 1	33 minutes
Interview 2	27 minutes
Interview 3	24 minutes
Interview 4	27 minutes
Interview 5	25 minutes
Interview 6	30 minutes
Average length	**28 minutes**

As Table 6.4 shows, the average interview length ran 28 minutes; 13 minutes over the intended interview length of 15 minutes. A particular issue was the time needed to get through some of the long 'read out' lists.

This meant that the questionnaire needed to be significantly reduced in length before the pilot phase. Based on feedback from the cognitive interviews we made some recommendations for where questions could be cut or shortened.

Survey content

On the whole, participants reported that the questionnaire content was appropriate and relevant. The flow of the questionnaire was felt to be logical, without any particular section feeling out of place, and typically participants did understand the content of the questions. On the whole there were no major areas of the questionnaire that were felt to be overly intrusive and participants were broadly positive about taking part in the research.

However, there were a number of specific issues found, which are summarised below:

- First and foremost, the survey was too long. A number of participants said that the survey had been too long and that it felt repetitive in places. We made a number of suggestions for questions that, based on testing, we thought could be deleted.

- Some of the 'read out' lists were overly long and arduous and at these points participants tended become unengaged or frustrated. We made a number of suggestions where we thought these lists can be changed to 'do not read out'.

- Some of the questions were felt to be repetitive, for example one of the first questions around seeking advice and the questions around things taken into consideration when making the decision to withdraw. We made a number of suggestions of changes to questions to avoid repetition whilst not losing the detail needed for analysis.

- There were some instances where respondents did not understand terminology – such as 'defined contribution', however, the definitions that we already had in the questionnaire did work in explaining what things were. But we made a few changes to ensure that the questionnaire was as jargon free as possible.

- Although on the whole participants were happy to answer all of the questions, there were a couple of instances where they did not want to answer the value of their withdrawn pot and what they spent this on. Given this we suggested some reassuring text at the beginning of this section and recommended making it clear that participants do not have to answer if they do not wish to.

- On reviewing the survey data and the question around 'other income received in retirement' we felt that we were missing data on money that participants may have in savings accounts or investments. Although the aim was to capture this in with 'other income' on reflection we did not think participants always view savings as income and suggested adding in a question about value of savings / investments at the beginning of Section D.

Pilot interviewing

Methodology and Sample Quality

The sample used in the pilot testing was a random selection of 200 records provided to the FCA by a number of pension providers that had agreed to take part in the research.

To inform consumers of the research, and provide an opportunity to opt-out if they did not wish to take part, all 200 contacts were sent an advance letter detailing the background to the research, what participation would entail, and when we would be calling.

Findings in this section are based on 29 CATI telephone interviews, conducted in the evenings of 11th and 12th October 2016.

Table 6.5 details the profile of participants interviewed.

As shown in Table 6.5, there were some disparities between the sample data and responses provided by individuals during interviews. Most notably, there was a fairly high proportion stating that the amount they withdrew was less than £10,000. Looking at these figures in more detail, most of them could be explained by individuals providing the amounts *after* tax (5 responses fall between £7,500-£9,500), however answers of £3,500 and £1,400 were also given. We'd previously agreed to use the sample information for these amounts, but thought we should discuss with FCA whether to screen based on the respondent's pot size amounts –this would mean moving the question from Section B of the questionnaire to the beginning, which wasn't ideal given asking about financial information early on in the interview is likely to cause drop outs.

Table 6.5 Profile of Participants

	Information provided on the sample	Survey data
Size of pot		
<£10k	0	7
£10k - £20k	17	10
£20k - £50k	11	7
£50k - £100k	1	0
£100k+	0	0
Don't know	-	1
Refused	-	4
Gender		
Male	16	17
Female	11	12
Unspecified	2	-
Age		
<55	1	2
55 - 59	14	13
60 - 65	9	9
66 - 70	5	4
>70	0	1
GARs		
Has GAR	2	1 aware
Does not have GAR / unspecified	27	-
Total	29	29

Sample Outcomes

A full breakdown of sample outcomes for the pilot is shown in Table 6.6. This shows that we had a response rate of 23% for the pilot[3].

Table 6.6 Response rates - All

Outcome	Number of contacts	% of all sample	% of complete contacts
Total sample	***200***	100	
'Live' / not available during fieldwork	74	37	
All records called and definite outcome recorded	***126***	***63***	***100***
Achieved interviews	29	15	23
Respondent refusal (including opt-outs)	60	30	48
Total screening out	13	7	10
Did not recall having the DC pension scheme (S3)	*3*	*2*	*2*
Did not access the whole pension pot (S4)	*6*	*3*	*5*
Paid for a professional financial adviser (S5)	*4*	*2*	*3*
Unobtainable / invalid number	24	12	19

Findings from pilot

Survey Length

Interview lengths lasted between 13 to 28 minutes, with an average length at around 20 minutes; 5 minutes over the intended interview length of 15 minutes.

This meant the questionnaire needed to be reduced in length for the mainstage interviewing. We reviewed interviews and gained feedback from interviewers to establish some recommendations for where questions could be cut or shortened below, and more specifically in the 'pilot findings' questionnaire. These suggestions were not extensive, however, and the FCA needed to give further consideration to questions for removal, in order to reach the targeted length.

Survey content

- It was common for respondents to be unfamiliar with the terminology used.

  - Many appeared thrown by the use of the term 'defined contribution' pension scheme at S3 and throughout. We suggested simplifying the question text to refer to the pension provider only, as we felt we could be confident that if respondents confirm having a pension scheme with the stated provider, this was the defined contribution scheme in question.

  - Where distinctions between 'defined contribution' and 'defined benefit' schemes needed to be established, respondents related more successfully to the definitions provided, as opposed to the terms – although still felt the definitions didn't quite relate to how they thought of their pension. We suggested introducing the concepts first, and reference to the terms as '*ADD AS NECESSARY*' text. We also suggested tweaking the definitions (with help from FCA), as there was still some confusion among respondents even with their use.

- Certain questions were felt to be repetitive – in particular, interviewers and respondents highlighted how some of the information collected in Section D around the types of pensions held had already been collected at B7 (where we ask about expected or current sources of income in retirement). We suggested adjustments in the questionnaire to address this.

- Although on the whole participants were happy to answer the majority of questions,

[3] Response rate was calculated as the total number of persons completed the survey as a percentage of the total who were contacted by interviewers (i.e. no answer, those whose line was engaged and appointments were excluded from this figure)

there were a couple of instances where they did not want to provide monetary amounts. The rates of refusals to these questions are shown in the table below.

Table 6.7 Refusal rates at specific questions

Question	%
Fully withdrawn pension pot (B1)	14
Current savings or investments (D1)	34
Other DC pension pot sizes (D5)	11
DB pension amounts (D7)	27

We suggested that where respondents have refused, we'd check to see if they would be more comfortable giving a banded response.

- There was a sense of ambiguity around questions relating to partner's pension pots, which we believe resulted in a lot of 'false negatives' at D8. Some respondents took the wording to mean that they would personally be relying on income from their partner's pensions, as opposed to them and their partner having access to their partner's pension more generally.

Mainstage Questionnaire

Screening criteria

To ensure that individuals fulfilled the appropriate criteria for the survey, questions determining the following were asked at the beginning of each interview, and those who did not meet the criteria were screened out:

- The consumer recalled having a DC pension scheme with the relevant pension provider;
- They recalled accessing the entirety of the relevant pension pot; and
- They did not pay for the services of a professional financial advisor in relation to the pension pot and decision to withdraw.

Survey content

The questionnaire covered the following topics areas:

Table 6.8 Questionnaire structure

Section	Topic Area
S	Screener
A	Context and general attitudes to financial decision
B	Withdrawal decisions
C	Guaranteed Annuity Rates
D	Wider wealth and assets
E	Demographics
X	Re-contact and close

The full questionnaire can be seen in Annex 7.A.

The reassurance email text, sent to those who requested more information before taking part in the research, can be seen in Annex 7.B.

Mainstage fieldwork

Mainstage fieldwork took place between 19th October and 16th November 2016. A total of 1,000 interviews were completed by Computer Assisted Telephone Interviewing (CATI), from IFF's London office.

Advance letter

To inform consumers of the research, and provide an opportunity to opt-out if they did not wish to take part, 7,567 contacts were sent an advance letter detailing the background to the research, what participation would entail, and when we would be calling (See Annex 7.C).

Sample Outcomes

A full breakdown of sample outcomes for the all records called[4] is shown in Table 6.6. This

[4] All records from the pilot phase were kept in the system for mainstage and kept in their respective queues (i.e. completed interviews from the pilot were included in the final data,

shows that we had an overall response rate of 23%[5], and a refusal rate of 44%.

Table 6.9 Response rates – All records called

Outcome	Number of contacts	% of all sample	% of complete contacts
Total sample	***7,767***	100	
'Live' / not available during fieldwork	3,384	44	
All records called and definite outcome recorded	***4,383***	***62***	***100***
Achieved interviews	1,000	14	23
Respondent refusal (including opt-outs)	1,916	27	44
Total screening out	545	8	12
Did not recall having the DC pension scheme (S3)	*21*	*0*	*0*
Did not access the whole pension pot (S4)	*369*	*5*	*8*
Paid for a professional financial adviser (S5)	*155*	*2*	*4*
Not available during fieldwork	49	1	1
Unobtainable / invalid number	873	12	20

Weighting and analysis

Open-ended verbatim responses within the survey were coded (i.e. analysed and grouped by theme).

The profile of achieved interviews was compared to population demographics to determine whether weighting would be required. Population demographics by age, gender and proportion of GARs was based on all records received from pension providers, while a population breakdown of pension pot sizes was based on the aggregate RIMD Q1 2016 data. Table 6.10 shows the profile of achieved interviews compared to this population data; a decision was made by FCA that weighting would not be required.

Table 6.10 Profile of achieved interviews compared to population profile

	Achieved %	Population %
Size of pot		
£10,000 - £29,999	79.6	74.5
£30,000 - £49,999	15.2	16.2
£50,000 - £99,999	3.9	7.2
£100,000 - £249,999	1.1	1.8
£250,000+	0.2	0.4
Gender		
Male	66.1	69.0
Female	33.9	31.0
Age		
<55	2.6	6.6
55-59	38.0	39.3
60-65	46.7	43.2
66-69	9.3	8.8
70+	3.4	2.1
GARs		
Yes	6.4	9.2
No / Unspecified	93.6	90.8

Within the report, where sub-groups are picked out as being more or less likely, this means compared to the average of everyone who was asked the question and is significant at the 95% level.

Qualitative follow-up

A qualitative stage of 30 follow-up interviews was conducted with consumers that had participated in the quantitative stage (and agreed to a follow-up interview) to explore their survey responses and motivations in more detail. Consumer spoken to fell into at least one of the following groups:

and those who had refused at the pilot stage were not called again).

[5] Response rate was calculated as the total number of persons completed the survey as a percentage of the total who were contacted by interviewers (i.e. no answer, those whose line was engaged and appointments were excluded from this figure).

- People who are confident they have enough to support themselves in retirement and pot size is significant relative to income, and no evidence of substantial wider wealth
- People who were not confident they have enough to support themselves in retirement and pot size is significant relative to income, and no evidence of substantial wider wealth
- Those with a GAR and aware
- Those with a GAR and not aware

The definition of these groups and the rationale for exploring their experiences in greater detail are shown in Table 6.12 overleaf.

Qualitative fieldwork took place between 23rd November to mid -December. The profile breakdown of achieved interviews is shown in table below.

Table 6.11 Profile of achieved qualitative interviews

	No. of interviews
Size of pot	
£10,000 - £29,999	23
£30,000 - £49,999	5
£50,000 - £99,999	2
Age	
<55	1
55-59	8
60-65	11
66-69	10

Topic guide

The topic guide was developed by IFF and the FCA, and covered:

- **Background information about the respondent**, such as current assets, savings and debt
- **Research of the decision**, sources of information and contact with their provider and Pension Wise
- **Understanding of the options available**, including the depth of their knowledge of options such as annuities, income draw-down options, etc.
- **Motivations for final decision to withdraw**, including ease of the decision and different factors considered
- **What is being done with the withdrawn pot**
- **Final thoughts and wrap,** including reflection on the decision

The full topic guide can be found in Annex 7.D.

Table 6.12 No. of qualitative interviews achieved among the groups of interest

<table>
<tr><th>Group</th><th>Definition</th><th>Why we spoke to them</th><th>Achieved Interviews</th></tr>
<tr><td>People who were <u>confident</u> they have enough to support themselves in retirement and pot size is significant relative to income (and there is no evidence of substantial wider wealth).</td><td rowspan="2">Confidence based on D15 response.

Significant pension pots and no evidence of substantial wider wealth will be defined by the following parameters:
• Annual income is less than or equal to 50% of pot size (i.e. their pot size is at least double the size of their annual income in retirement)
• Total savings and other DC pensions are no more than 10 times the amount of their withdrawn pension pot
• Annual income in retirement is less than £50,000 (aim for 18/20 to have an annual income of less than £20,000)</td><td rowspan="2">FCA were concerned about consumers who may have made a poor decision by fully withdrawing their pension. These are most likely to be those where withdrawn pot would have provided a significant source of income (i.e. the pot size was significant relative to income, and there no evidence of substantial wider wealth).

For those who are confident, we wanted to determine whether their confidence is justified and therefore withdrawing the pension pot is a ‘rational’ decision (FCA feel people are often over-confident in their ability to make good decisions)

For those not confident, they have given up their pension for cash, even though not confident that they will have future provision. We wanted to speak to these individual to understand what therefore drove their decision to withdraw.</td><td>21</td></tr>
<tr><td>People who were <u>not confident</u> they have enough to support themselves in retirement and pot size is significant relative to income (and there is no evidence of substantial wider wealth).</td><td>5</td></tr>
<tr><td>Those with a GAR and aware they have one.</td><td>GAR indicated on sample and C1=1</td><td rowspan="2">Given that these individuals have given up a valuable guarantee (regardless of whether they were aware or not) we want to speak to them to understand their drivers for doing so, and how informed they felt about doing so (i.e. whether they understood their options at the time)</td><td>6</td></tr>
<tr><td>Those with a GAR and not aware they have one.</td><td>GAR indicated on sample and C1=2</td><td>1</td></tr>
</table>

Annex 7.A: FCA Retirement Outcomes Questionnaire

J5675 Date 4/7/17~~27/6/17~~

Telephone

S Screener

ASK PERSON WHO ANSWERS PHONE

S1 **Good morning / afternoon / evening. My name is [NAME] and I'm calling from IFF Research. Please can I speak to [CONTACT NAME]?**

Respondent answers phone	1	CONTINUE
Transferred to respondent	2	
Hard appointment	3	MAKE APPOINTMENT
Soft Appointment	4	
Engaged	5	CALL BACK
Refusal	6	CLOSE
Not available in deadline	7	
Fax Line	8	
No reply / Answer phone	9	
Business Number	10	
Dead line	11	
Wrong number	12	
Request reassurance email	13	COLLECT EMAIL ADDRESS THEN CONTINUE OR MAKE APPOINTMENT (SEE APPENDIX A FOR EMAIL TEXT)

ASK ALL

S2 **Good morning / afternoon, my name is NAME, calling from IFF Research, an independent market research company. We're carrying out an important research study, on behalf of the Financial Conduct Authority, the FCA. The FCA are the independent body that oversees and monitors financial companies such as banks, insurance companies and investment companies. You may recall recently receiving a letter about this research.**

Your details have been passed to the FCA by [PROVIDER NAME] on a confidential basis. We understand you are one of their current or previous customers and you're being contacted because you recently accessed your pension pot with [PROVIDER NAME] and we'd really like to ask you some questions about this. We want to ask about how you found this experience, some things about your decision and your current circumstances.

It should take around 15 minutes. Would you be willing to take part?

ADD IF NECESSARY: **Your details were provided to us by your pension provider on request of the FCA, on the basis that they would be used for research purposes only.**

We'd really value your input into this study – not only will findings from this research be used to improve services for people such as yourself, but it will also be used to inform government policy and guidance in this area.

We'll treat everything you say as confidential and that means we'll not tie your answers to you as an individual in any way.

INTERVIEWER NOTE: We cannot take referrals and need to speak to the named respondent.

Continue	1	CONTINUE
Hard appointment	2	MAKE APPOINTMENT
Soft appointment	3	
Refusal	4	THANK AND CLOSE
Not available in deadline	5	
Request reassurance email	6	COLLECT EMAIL ADDRESS THEN CONTINUE OR MAKE APPOINTMENT (SEE APPENDIX A FOR EMAIL TEXT)

This call may be recorded for quality and training purposes only.

REASSURANCES TO USE IF NECESSARY
The interview will take around 15 minutes to complete.
Please note that all data collected will be combined and summarised with everyone else's so your answers will not be reported to the FCA or your pension provider in any way that would allow you to be identified.
If respondent wishes to confirm validity of survey or get more information about aims and objectives, they can call:

- **MRS: Market Research Society on 0500396999**
- **IFF: Christabel Downing: 0207 250 3035**
- **FCA: Simon Sarkar: 0207 066 4268**

ASK ALL

S3 **Before we continue, please can I just check whether you have, or did have, a pension scheme with [PROVIDER NAME]?**

ADD IF NECESSARY: This scheme would have been a defined contribution or DC pension scheme, also known as "money purchase scheme". This is a type of pension where the income you receive from it will depend on the value of the pension pot. This, in turn, depends on how much money you and your employer have paid into the pension and the investment returns on that pension. Defined contribution pensions are provided either through the workplace or can be a private pension you set up ("personal pension", "group personal pension", "stakeholder pension", "master trust pension scheme" or "SIPP – Self Invested Personal Pension").

READ OUT. SINGLE CODE.

Yes	1	
No	2	THANK AND CLOSE
Don't know	3	THANK AND CLOSE

ASK ALL

S4 **And can I just check whether you took THE WHOLE of this pension pot with [PROVIDER NAME] as a cash lump sum?**

ADD IF NECESSARY: **You can take the whole of your pension pot as cash. 25% is tax free, the other 75% is taxed.** You would have received warnings about the 75% that is taxed and [PROVIDER NAME] would have taken off the tax you owed before they paid the cash to you. If at the time you bought an annuity or other retirement product, for example a drawdown product, it is very unlikely that you took your whole pension as cash, in one go.

READ OUT. SINGLE CODE.

Yes - all of it	1	
No – only some of it	2	THANK AND CLOSE
No – took none of it as a cash lump sum	3	THANK AND CLOSE
Don't know	4	THANK AND CLOSE

READ TO THOSE WHO TOOK SOME OF PENSION POT OR DON'T KNOW (S4 = 2 OR 3 OR 4)

In this instance we're only looking to speak to people who took the whole of their pension pot as a cash lump sum, so we won't need to take any more of your time. Thank you for your help.

ASK ALL

S5 **Thinking about this pension pot you accessed recently, did you pay for the services of a professional financial adviser for advice about this pension pot and to action your decision?**

INTERVIEWER NOTE: Only code ‘Yes’ if respondent has paid for tailored and specific advice in relation to the decision to take cash lump sum, and he/she paid for it. Please do not code ‘Yes’ if advice has been received from a financial adviser in the past (even if related to their pension) or if it was free, or if advice/guidance/consultation has been received from their pension provider or employer/workplace for free, an organisation such as Pension Wise, Citizens Advice Bureau, The Money Advice Service or the government, or from friends, family or colleagues.

ADD IF NECESSARY: For this project we want to speak to people that made a decision without any advice from a financial adviser. This does not include anyone that has received a personalised recommendation about what to do with their pension pot from a professional financial adviser based on a detailed discussion of their financial needs and objectives.
READ OUT. SINGLE CODE.

Yes	1	THANK AND CLOSE
No	2	
DO NOT READ OUT: Don’t know	3	THANK AND CLOSE

READ TO THOSE WHO DID HAVE REGULATED ADVICE OR DON’T KNOW (S5 = 1 OR 3)
In this instance we’re looking to speak to people who <u>did not</u> have paid for professional advice in relation to their decision to take their pension pot as a cash lump sum, so we don’t need to take any more of your time. Thank you for your help.

A Context and general attitudes to financial decisions

ASK ALL

A1 **I'd like to start by asking you some questions to help us understand a bit more about your current situation. First of all, which of the following best describes your current circumstances. Are you…?**

READ OUT. SINGLE CODE.

Retired	1	
Semi-retired	2	
Working full time	3	
Working part time- but not retired	4	
Not working but not retired	5	

ASK ALL WHO ARE NOT RETIRED (A1 = 2 OR 3 OR 4 OR 5)

A2 **When do you think you'll fully retire? A rough estimate is fine.**

READ OUT. SINGLE CODE.

Sometime in the next year	1	
More than a year but less than 2 years from now	2	
Between 2 years and 10 years from now	3	
In over 10 years time	4	
DO NOT READ OUT: Don't know	5	

ASK ALL

A3 **And what is your current relationship status?**

INTERVIEWER NOTE: If respondent has a partner but is not married or living with them please code as 'single' – unless they are divorced / separated then please code as 'Divorced'.

DO NOT READ OUT BUT PROMPT TO APPROPRIATE CODE. SINGLE CODE.

Single	1	
Married / Civil Partnership	2	
Living with partner	3	
Divorced or separated	4	
Widowed	5	
Refused	6	

ASK ALL

A4 **Do you own or rent your own home?**

READ OUT. SINGLE CODE.

Own	1	
Rent	2	
DO NOT READ OUT: Don't know	3	
DO NOT READ OUT: Refused	4	

ASK ALL WHO OWN (A4 = 1)

A4a Is that on a mortgage or outright?

READ OUT. SINGLE CODE.

Mortgage	1	
Outright	2	
DO NOT READ OUT: Don't know	3	
DO NOT READ OUT: Refused	4	

ASK ALL WHO RENT (A4 = 2)

A4b Is that renting privately or through the local authority or a housing association?

READ OUT. SINGLE CODE.

Private	1	
Local authority / housing association	2	
Other	3	
DO NOT READ OUT: Don't know	4	
DO NOT READ OUT: Refused	5	

ASK ALL

A5 **How confident would you say you are when it comes to making financial decisions? Would you say you are…?**

READ OUT. SINGLE CODE.

Very confident	1	
Fairly confident	2	
Neither confident nor not confident	3	
Not very confident	4	
Not at all confident	5	
DO NOT READ OUT: Don't know	6	
DO NOT READ OUT: Refused	7	

ASK ALL

A6 **How much do you agree or disagree with each of these statements about managing your finances and retirement?**

READ OUT. SINGLE CODE FOR EACH.

DS: PLEASE ROTATE STATEMENTS	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know	Ref
1_You have planned carefully for your retirement	1	2	3	4	5	6	7
2_ You have made no real retirement plans and hope that it will all work out ok in the end	1	2	3	4	5	6	7
3_ In general you find financial planning decisions confusing	1	2	3	4	5	6	7

ASK ALL

A7 **In general, when making financial decisions about your retirement, which of the following statements best describes you?**

READ OUT. SINGLE CODE.

You make the decisions yourself and do not seek help from others such as family or advisers	1	
You make the decision yourself but seek information or help you do not have to pay for (such as family, friends, your pension provider or PensionWise)	2	
You prefer to pay for advice on which decision to make	3	
You leave the decision to others, such as your partner or family members	4	
DO NOT READ OUT: Don't know	5	

B Encashment decision

ASK ALL

B1 **I'll now ask you some questions about why you decided to take your [PROVIDER NAME] pension as a cash lump sum.**

People with a range of different pension pots have made the decision to take a cash lump sum, so it would be helpful if you could confirm how much you recently took as a cash lump sum, after tax, so that we can put your answers in context?
This is the amount of money you received into your bank account from your [PROVIDER NAME] pension pot. If you are not sure, your best estimate is fine. Please be assured this will only be used for research purposes.

ADD IF NECESSARY: You do not have to answer all of these questions if you do not wish, please just say refused if you would rather not answer or you can give your answer based on a range rather than an exact figure.

WRITE IN £		
Don't know	1	
Refused	2	

ASK ALL THOSE WHO DON'T KNOW OR REFUSE (B1 = 1 OR 2)

B1a Would you be willing to let us know which of the following bands it falls into?
READ OUT – UNLESS REFUSED. SINGLE CODE.

Less than £10,000	1	
£10,000 - £19,999	2	
£20,000 - £29,999	3	
£30,000 - £49,999	4	
£50,000 - £99,999	5	
£100,000 - £249,999	6	
£250,000+	7	
DO NOT READ OUT: Don't know	8	
DO NOT READ OUT: Refused	9	

ASK ALL

B2 **What have you done, or what do you intend to do, with the cash lump sum?**
DO NOT READ OUT BUT CAN PROBE AS NECESSARY. CODE ALL THAT APPLY.

Keep in a cash ISA, savings or current account as a safety net / rainy day fund	1	
Put it in a current or savings account to draw on for living expenses	2	
Buy investments, for example, a bond, stocks and shares or an equity ISA	3	
Home repair and improvements	4	
Buy property	5	
Give to children / grandchildren or other family	6	
Pay for a special occasion or celebration	7	
Use for holidays	8	
Buy a car	9	
Pay off mortgage (in part or in full)	10	
Pay off other loan or debt (in part or in full)	11	
Use to pay for long term care, or other health related spend	12	
Use to buy an annuity or flexible drawdown product	13	
Invest in a business	14	
Something else? (Specify)	15	
DO NOT READ OUT: None of the above	16	
DO NOT READ OUT: Don’t know	17	
DO NOT READ OUT: Refused	18	

ASK ALL WHO GIVE MORE THAN ANSWER AT B2 (B2_1-14 > 1)

B3 **And which of these have accounted, or will account, for the biggest share of the lump sum?**

DO NOT READ OUT. SINGLE CODE.

ONLY SHOW IF CODED AT B2		
Keep in a cash ISA, savings or current account as a safety net / rainy day fund	1	
Put it in a current or savings account to draw on for living expenses	2	
Buy investments, for example, stocks and shares ISA	3	
Home repair and improvements	4	
Buy property	5	
Give to children / grandchildren or other family	6	
Pay for a special occasion or celebration	7	
Use for holidays	8	
Buy a car	9	
Pay off mortgage (in part or in full)	10	
Pay off other loan or debt (in part or in full)	11	
Use to pay for long term care, or other health related spend	12	
Use to buy an annuity or flexible drawdown product	13	
Invest in a business	14	
Something else?	15	
DO NOT READ OUT: Don't know	16	
DO NOT READ OUT: Refused	17	

ASK ALL

B4 **Where did you go or look, if anywhere, for information or guidance in relation to your decision to take your [PROVIDE NAME] pension pot as a cash lump sum? PROBE: Did you look on Pension Wise? Anywhere else?**

ADD IF NECESSARY: Pension Wise is the government guidance service

DO NOT READ OUT BUT CAN PROBE AS NECESSARY. CODE ALL THAT APPLY.

Consumer information websites (e.g. Which? moneysavingexpert.com)	1	
Pension Wise	2	
Independent organisations (e.g. Citizens Advice, Money Advice Service, The Pensions Advisory Service, Age UK)	3	
A conversation with your pension provider	4	
Written information you received from your pension provider	5	
Your pension providers' website	6	
Other pension providers' websites	7	
Government's free guidance service or other resources from the government	8	
Your employer or workplace resources	9	
Your bank or building society	10	
Your spouse or partner	11	
Other family members	12	
Friends	13	
News articles or other forms of media information	14	
Social media sites (e.g. Twitter, Facebook)	15	
General internet search	16	
Price comparison website	17	
DO NOT READ OUT: Other (specify)	18	
DO NOT READ OUT: None of the above – I did no research / obtained no information	19	
DO NOT READ OUT: Don't know	20	

ASK ALL

B5 **And did you receive any of the following from [PROVIDER NAME] before taking your pension pot as a cash lump sum?**

READ OUT. SELECT ALL THAT APPLY.

Information about your pension pot value	1	
Information about options or products available to you (ADD IF NECESSARY: such as annuities, flexible income options, or leaving your pension money invested)	2	
Information on tax rates	3	
Information on pension freedoms and rules	4	
Information about your option to shop around when buying a retirement income product	5	
A warning about the risks involved in taking a cash lump sum	6	
DO NOT READ OUT: None of the above	7	
DO NOT READ OUT: Don't know	8	

ASK ALL

B6 **How confident were you that you understood the retirement income and product options available to you when you accessed your [PROVIDER NAME] pension pot?**

READ OUT. SINGLE CODE.

Very confident	1	
Fairly confident	2	
Neither confident nor not confident	3	
Not very confident	4	
Not at all confident	5	
DO NOT READ OUT: Don't know	6	
DO NOT READ OUT: Refused	7	

B7 **MOVED TO D1a**

B8 **MOVED TO D1b**

ASK ALL

B9 **I'd now like to ask you some questions about the things you took into account when you were looking into taking your [PROVIDER NAME] pension pot as a cash lump sum.**
Which of the following did you consider?
READ OUT. SELECT ALL THAT APPLY.

The amount of income you could get from a retirement income product, such as an annuity or a flexible income product	1	
The interest rate available on ISAs / savings / current accounts	2	
Whether you could increase the value of your [PROVIDER NAME] pension pot by keeping it invested and not drawing any income or cash from it	3	
Whether you could increase the value of your [PROVIDER NAME] pension pot by investing it elsewhere	4	
How long you are likely to live	5	
Being able to pay for long term care, or other health related issues	6	
Tax that you'd need to pay when taking all your pot as a cash lump sum	7	
Any fees and charges that you'd need to pay when taking a cash lump sum	8	
DO NOT READ OUT: None of the above	9	
DO NOT READ OUT: Don't know	10	
DO NOT READ OUT: Refused	11	

C Guaranteed Annuity Rates

ASK ALL WITH A GAR (GAR sample = 1)

C1 **Were you aware of a guaranteed annuity rate attached to your [PENSION PROVIDER] pension before you took the cash lump sum? This guarantees the income per year that the pension would pay out when you choose to purchase an annuity or fixed income for life. These rates are often higher than the current rates available on the open market.**
READ OUT. SINGLE CODE.

Yes	1	
No	2	

C1Dum **DUMMY VARIABLE, DO NOT ASK (GAR STATUS AND AWARENESS)**

Has GAR and aware	1	GAR (sample) = 1 AND C1 = 1
Has GAR and unaware	2	GAR (sample) = 1 AND C1 = 2

ASK ALL AWARE THEY HAVE A GAR (C1 = 1)

C2 **How were you made aware of these guarantees?**
DO NOT READ OUT. SELECT ALL THAT APPLY.

From your pension provider verbally	1	
From your pension provider in writing	2	
Pension Wise	3	
Independent organisations (e.g. Citizens Advice, Money Advice Service, The Pensions Advisory Service, Age UK)	4	
Government's free guidance service or other resources from the government	5	
A professional paid for financial adviser	6	
Other (specify)	7	
DO NOT READ OUT: Don't know	8	

ASK ALL AWARE THEY HAVE A GAR (C1 = 1)

C3 **What was the main reason for not taking up the guarantees?**

DO NOT READ OUT. SELECT ALL THAT APPLY.

I may have benefitted from the guarantee but I needed the cash now	1	
I don't think I would have benefitted much from the guarantee as my pot was small	2	
I don't think I would have benefitted much from the guarantee as it had restrictions or did not have the features I was looking for ADD IF NECESSARY such as income increase in line with inflation, option to continue to pay money to a beneficiary when I die	3	
I already have greater income in retirement from other sources	4	
Other (specify)	5	
DO NOT READ OUT: Don't know	6	

D Wider wealth and assets

ASK ALL

D1a I'd now like to ask you some questions about your on-going retirement plans. Remember that all your answers will be treated in the strictest confidence.
So thinking about your retirement, do you currently use, <u>or will use</u>, any of the following sources of income? Please include anything that forms or will form part of your household funds, except the cash lump sum from your [PROVIDER NAME] pension.
READ OUT. SELECT ALL THAT APPLY.

Another defined contribution or 'money purchase' pension scheme. This is a type of pension where the income you receive will depend on the value of the pension pot which, in turn, depends on how much money you and your employer have contributed to it and the investment returns on that pension ADD IF NECESSARY: Types of defined contribution schemes include: private personal pensions, group personal pension, stakeholder pension, SIPP (self-invested personal pension) and master trust pensions.	1	
Final salary pension or defined benefit pension scheme ADD IF NECESSARY: Schemes where pension income is linked to how long you have worked for a company and your salary	2	
A3 = 2 OR 3: A pension that your partner has including the state pension	3	
State pension for yourself	4	
Other state benefits	5	
Income from working (part-time/ full-time/ self-employed) either from yourself or partner	6	
SHOW IF A4 = 1: Downsizing or releasing money from your home	7	
Rental income or money from another property	8	
Income from business interests	9	
Savings and non-pension investments (including ISAs, savings, current account)	10	
Inheritance you may be receiving (ADD IF NECESSARY: money or assets you have inherited or will inherit from someone else)	11	
Financial support from family or friends INTERVIEWER NOTE: Please include any income from the pension of an ex-partner in here	12	
DO NOT READ OUT: None of them	13	
DO NOT READ OUT: Don't know	14	
DO NOT READ OUT: Refused	15	

ASK ALL WHO CODED ANYTHING AT D1A (D1A = 1-13)

D1b And of these and your cash lump sum from your [PROVIDER NAME] pension, which one do you consider will be the most significant source of income in retirement?

PROMPT IF NECESSARY. SINGLE CODE.

ONLY SHOW RESPONSES CODED AT D1A – ALONG WITH FIXED CODE 14		
Another defined contribution/ money purchase pension scheme	1	
Final salary / defined benefit pension scheme	2	
A pension that your partner has including the State pension	3	
State pension for yourself	4	
Other state benefits	5	
Income from working (part-time/ full-time/ self-employed) either from yourself or partner	6	
SHOW IF A4 = 1: Money from downsizing or releasing money from your home	7	
Rental income or money from another property	8	
Income from business interests	9	
Savings and non-pension investments (including ISAs, savings, current account)	10	
Inheritance you may be receiving (ADD IF NECESSARY: money or assets you have inherited or will inherit from someone else)	11	
Financial support from family or friends INTERVIEWER NOTE: Please include any income from the pension of an ex-partner in here	12	
Cash lump sum from [PROVIDER NAME]	13	
DO NOT READ OUT: Don't know	14	
DO NOT READ OUT: Refused	15	

D1 **MOVED TO D11a**

D2 **DELETED**

D3 **DELETED**

ASK ALL WHO HAVE DC SCHEME (D1A = 1)

D4 **And <u>not</u> including your [PROVIDER NAME] pension that you took as a cash lump sum, how many defined contribution or money purchase pension schemes do you have? We're interested in all schemes you hold regardless of whether you have or have not started taking pension money from them.**

ADD IF NECESSARY: You have started taking pension money from your defined contribution pension schemes if you have purchased an annuity, a flexible income product (e.g. flexi drawdown), or taken a cash lump.

DO NOT READ OUT. SINGLE CODE.

1	1	
2	2	
3	3	
More than 3 (specify)	4	
DO NOT READ OUT: Don't know	5	
DO NOT READ OUT: Refused	6	

ASK ALL WHO HAVE DC SCHEME (D1A = 1)

D5 **What is the value of [IF D4 = 1: this pension pot] [IF D4 = 2-6: these pension pots combined]? If you have already started taking or receiving pension money from [IF D4 = 1: this pot] [IF D4 = 2-6: any of these pots] please provide the value of the pot just before you did this. For example, please provide the value of the pot you used to purchase an annuity. If you have not yet taken or used the pot, please provide an estimate of the amount currently in there. If you don't know exactly a rough estimate is fine.**

WRITE IN £		
Don't know	1	
Refused	2	

ASK ALL THOSE WHO DON'T KNOW OR REFUSE (D5 = 1 OR 2)

D5a Would you be willing to let us know which of the following bands it falls into?

READ OUT – UNLESS REFUSED. SINGLE CODE.

Less than £10,000	1	
£10,000 - £19,999	2	
£20,000 - £29,999	3	
£30,000 - £49,999	4	
£50,000 - £99,999	5	
£100,000 - £249,999	6	
£250,000+	7	
DO NOT READ OUT: Don't know	8	
DO NOT READ OUT: Refused	9	

ASK ALL HAVE DB SCHEME (D1A = 2)

D6 **How many final salary or defined benefit schemes do you have?**

DO NOT READ OUT. SINGLE CODE.

1	1	
2	2	
3	3	
More than 3 (specify)	4	
DO NOT READ OUT: Don't know	5	
DO NOT READ OUT: Refused	6	

ASK ALL WHO HAVE DB SCHEME (D1A = 2)

D7 **How much income, after tax, do you expect to receive from [IF D6 = 1: this scheme] [IF D6 = 2-6: these schemes] during retirement? If you are currently receiving income from these, please include the amount you are already receiving. You can provide this answer based on how much you receive each month or each year.**

MONTHLY WRITE IN £		
YEARLY WRITE IN £		
Don't know	1	
Refused	2	

D8 **DELETE**

ASK ALL WHO WILL USE PARTNERS PENSIONS (D1A = 3)

D9 **Which of the following types of pension does your partner have?**

READ OUT. SELECT ALL THAT APPLY

Defined contribution or money purchase pension scheme ADD IF NECESSARY: This is a type of pension where the income you receive will depend on the value of the pension pot which, in turn, depends on how much money you and your employer have contributed to it and the investment returns on that pension. Types of defined contribution schemes include: private personal pensions, group personal pension, stakeholder pension, SIPP (self-invested personal pension) and master trust pensions.	1	
Final salary or defined benefit pension scheme ADD IF NECESSARY: Scheme where pension income is linked to how long you have worked for a company and your salary	2	
The State pension	3	
DO NOT READ OUT: Don't know	4	DO NOT MULTICODE
DO NOT READ OUT: Refused	5	DO NOT MULTICODE
DO NOT READ OUT: Partner doesn't have a pension	6	DO NOT MULTICODE

ASK ALL WHO WILL USE ON PARTNERS PENSION (D9 = 1-5)

D10 **And how much income, after tax, does your partner expect to receive from their pension (or pensions) during retirement? If they are currently receiving income from these, please include the amount they are already receiving. You can provide this answer based on how much they receive each month or each year.**

MONTHLY WRITE IN £		
YEARLY WRITE IN £		
Don't know	1	
Refused	2	
DO NOT READ OUT: Partner doesn't have a pension	3	

ASK ALL

D11a And not including pensions or property how much money, if any, do you currently have in savings or investments?

ADD IF NECESSARY: Please do not include your cash lump sum from [PROVIDER NAME]

WRITE IN £		
None - £0	1	
Don't know	2	

Refused	3	

ASK ALL THOSE WHO DON'T KNOW OR REFUSE (D11A = 2 OR 3)

D11b Would you be willing to let us know which of the following bands it falls into?

READ OUT – UNLESS REFUSED. SINGLE CODE.

Less than £10,000	1	
£10,000 - £29,999	2	
£30,000 - £49,999	3	
£50,000 - £99,999	4	
£100,000 - £249,999	5	
£250,000+	6	
DO NOT READ OUT: Don't know	7	
DO NOT READ OUT: Refused	8	

ASK ALL

D11 **We have already asked you about possible income in retirement from your pension, [A3 = 2 OR 3: your partners pension] cash lump sum, savings and investments. If you have or expect to have any other sources of income, roughly how much income do you think they will provide, after tax? Please exclude the State pension. You can answer on a monthly or yearly basis. An estimate is fine.**

MONTHLY WRITE IN £		
YEARLY WRITE IN £		
Nothing - £0	1	
Don't know	2	
Refused	3	

ASK ALL

D12 **And thinking about everything you will use for your retirement provision, how important would you say the cash lump sum from your [PROVIDER NAME] pension is in supporting your financial needs during retirement?**

READ OUT. SINGLE CODE.

Extremely important	1	
Very important	2	
Fairly important	3	
Not very important	4	
Not at all important	5	
DO NOT READ OUT: Don't know	6	
DO NOT READ OUT: Refused	7	

ASK ALL
D13 **Do you [A3 = 2 OR 3: or your partner] currently have any outstanding debt [A4a = 1: excluding your mortgage]?**
ADD IF NECESSARY: If you have an overdraft please include this as debt.
READ OUT. SINGLE CODE.

Yes	1	
No	2	
DO NOT READ OUT: Don't know	3	
DO NOT READ OUT: Refused	4	

ASK ALL WHO HAVE OUTSTANDING DEBT OR MORTGAGE (D13 = 1) OR (A4A = 1)
D14 **To what extent is the repayment of [IF D13 = 1: this debt] [IF D13 = 1 AND A4A = 1: and] [IF A4A = 1: your mortgage] a burden on your household?**
READ OUT. SINGLE CODE.

Not a burden – it doesn't have much of an impact on what you do or spend	1	
Somewhat of a burden – you have to carefully budget in order to meet repayments	2	
A heavy burden – you often can't afford things or miss repayments	3	
DO NOT READ OUT: Don't know	4	
DO NOT READ OUT: Refused	5	

ASK ALL
D15 **And in general, how confident are you that you have enough funds, either saved in pensions or from other sources to support yourself during retirement?**
READ OUT. SINGLE CODE.

Very confident	1	
Fairly confident	2	
Not very confident	3	
Not at all confident	4	
DO NOT READ OUT: Don't know	5	
DO NOT READ OUT: Refused	6	

E Demographics

E1 **DELETE**

ASK ALL

E2 **Thank you very much, Finally, before you go, we'd just like to collect some demographic information. How would you describe your general state of health? Would you say it is…**
ADD IF NECESSARY: **We understand this is a subjective question, so are just looking for your own perceptions.**
READ OUT. SINGLE CODE.

Very good	1	
Fairly good	2	
Reasonable	3	
Fairly poor	4	
Very poor	5	
DO NOT READ OUT: Don't know	6	
DO NOT READ OUT: Refused	7	

ASK ALL

E3 **Do you believe you have any long-term physical or mental health condition or disability which significantly limits your daily activities or the work you can do?**
ADD IF NECESSARY: By long-term we mean anything that has lasted at least 12 months or that is likely to last at least 12 months.
READ OUT. SINGLE CODE

Yes	1	
No	2	
DO NOT READ OUT: Don't know	6	

ASK ALL

E4 **DO NOT ASK: Interviewer please code gender**

Male	1	
Female	2	
Prefer not to say	3	

X Re-contact and close

ASK ALL

X1 **Thank you very much for your time. Before you go, can I just check, would it be ok for us to contact you, if needed, to clarify something that we've talked about today?**

DO NOT READ OUT. SINGLE CODE.

Yes		1	
No		2	

ASK ALL

X2 **And would you be willing to be re-contacted to take part in any follow-up research that the Financial Conduct Authority may wish to do, to explore any of the issues raised in more detail?**

DO NOT READ OUT. SINGLE CODE.

Yes	1	
No	2	

ASK THOSE WHO AGREE TO RE-CONTACT (X1 = 1 OR X2 = 1)

X3 **Is [INSET TELEPHONE NUMBER] the best number to contact you on?**

PLEASE SELECT ONE

Yes	1	
No – WRITE IN NUMBER___________________________	2	

ASK ALL

X4 **And finally, please could I take your name?**

	WRITE IN	REFUSED
Name		1

SHOW TO ALL:

Finally, I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct.

Thank you very much for your help – your time is much appreciated.

Annex 7.B: Reassurance Email

Subject line: Financial Conduct Authority: Retirement Choices Survey

Dear Sir / Madam,

I am writing to ask you to take part in our **Retirement Choices Survey** that we are carrying out for the FCA (Financial Conduct Authority).

The FCA is the independent body responsible for overseeing banks, building societies, investment and other financial companies in the UK. They have a key responsibility to protect consumers and ensure that they are getting a fair deal. Your pension provider has been able to provide your details to the FCA to allow them to carry out this role.

We are asking you to take part in this study as you have recently taken all or some of a pension fund. The FCA is interested in the financial choices people are making as they plan for retirement and so we would like to ask you some questions about this, as well as your current financial situation and how you approach managing your finances.

We're very interested in your views, even if you think you have not had much to do with your financial decisions. The results from the research will be used by the FCA to shape government policy and advice in this area.

The survey should take no more than 15 minutes of your time to complete.

In accordance with Market Research Society guidelines, all information provided will be treated in the strictest confidence and reported by IFF Research to The Financial Conduct Authority on an aggregated and anonymous basis.

If you would like to check IFF Research's credentials, you can call the Market Research Society on 0500 39 69 99.

If you have any questions about this research or about IFF Research, please contact Christabel Downing (Christabel.Downing@iffresearch.com) at IFF Research by email or on 020 7250 3035. Alternatively, you can contact Simon Sarkar at the Financial Conduct Authority on 0207 066 4268.

There is nothing to do now, please just wait for one of our interviewers to call you back and let them know that you are happy to take part.

We would like to thank you in advance for your help.

Yours faithfully

Alice Large
Senior Research Manager
IFF Research

Annex 7.C: FCA Retirement Outcomes Advance letter

FCA FINANCIAL CONDUCT AUTHORITY

IFF Research

Reference number: <ID>

Dear <CONTACT NAME>,

Financial Conduct Authority: Retirement Choices Survey: Request for your participation

Pensions are a priority area of focus for the Financial Conduct Authority (FCA) given their economic and social importance and the fundamental changes there have been to this market. It is the FCA's responsibility, as the regulator of financial services firm conduct in the UK, to ensure the pensions market is working well so that consumers get a fair deal.

We are writing to you to request your participation in an industry-wide research programme that we are undertaking with consumers across the UK to explore why people are accessing their retirement savings, how they are doing it, and any challenges or issues they faced in the process.

Your name has been selected at random from a list of customers from <PROVIDER NAME> that made a pension income transaction in the last six months. These customer lists were supplied to the FCA by a number of different pension providers so that they can carry out the overriding goal of making sure markets work well. Financial services firms such as your pension provider are obliged by law to help the FCA under their duty of cooperation and disclosure.

What will happen next?

The FCA have appointed an independent research agency, IFF Research, to conduct the research on their behalf and the research will take place between 15th October and the 15th November. During this period you may be contacted by IFF Research inviting you to participate in this important research. Participation in the research is entirely voluntary.

The research will be conducted by telephone and involve a call of around 15 minutes. Please be assured that the research will be completely anonymous and the results won't be attributed to individual customers.

If you would like to opt out of the research please call 0800 804 8039 and leave your reference number, or alternatively email your reference number to FCARetirementSurvey@iffresearch.com and we will remove your details.

Otherwise, please just wait for the interviewers to call you and let them know whether you are happy to take part.

If you have any questions or concerns about the research you can contact Simon Sarkar at the FCA on 0207 066 4268, or Christabel Downing at IFF Research on 020 7250 3035,

We would like to thank you in advance for your help.

Simon Sarkar

Simon Sarkar
Research Manager, Financial Conduct Authority

Annex 7.D: Qualitative follow-up topic guide

FCA ROR – FULL ENCASHMENT QUALITATIVE RESEARCH

Telephone Discussion Guide
45 minutes

Respondent name	
Phone number	
Pension provider	
Quota group	
Age band	
Pot size band	
Retirement status (A1)	
Savings (D11a or D11b)	
Whether homeowner (A4) and outright or on mortgage (A4a)	
Confidence of supporting themselves in retirement (D15)	

INTRODUCTION

Introduce self and IFF Research.

You recently took part in an interview with us, on behalf of the Financial Conduct Authority (FCA), about taking your [INSERT PROVIDER NAME] pension pot as a cash lump sum. Thank you very much for agreeing to speak to us again.

The Financial Conduct Authority is the independent body that oversees and monitors financial companies and is keen to understand your decision and motivations to take your pension pot as a cash lump sum in more detail.

Your responses are completely confidential, in that we will not pass on to the client the personal details of anyone who took part in this research. Rather, we will amalgamate your feedback together with everyone else's when we provide the results of our study back to the FCA and the results from the study will be used for research purposes only.

We like to audio record all interviews of this nature so we don't have to take a lot of notes – the recording will only be used for analysis purposes. Is this ok?

Any questions – check happy to proceed.

Background Information (6 MINS)

We understand you provided a lot of this information in the previous interview, but just to re-cap:

- Can you tell me a little bit about your pension arrangements? [CAN USE DATA ON SAMPLE TO CHECK]

PROBE FOR:

- How many pensions other than cash lump sum from [PROVIDER]?
- What types of scheme are they? (Defined Benefit or Defined Contribution)
- IF DB SCHEME: Last time we asked you about what you expected to get from this in terms of a monthly or annual income. Are you able to tell me what the total size of your DB pot(s) was / is?
- Have you taken any other pension pots as a cash lump sum?
- Does your partner have any pension provision? What type?

- You said previously that you had [INSERT SAVINGS] in savings or investments at the moment, other than the cash lump sum from [PROVIDER].
    - Is this correct?
    - IF OWNS HOME ON MORTGAGE OR OUTRIGHT (A4 = 1): You also said that you own your home [outright / on a mortgage]. Roughly how much is your house currently worth?
    - IF HAS A MORTGAGE (A4a = 2): And do you know roughly how much of the mortgage you have left to pay?
    - Do you own any other properties?
    - IF SO: How much are these worth?
    - Do you know roughly how much of a mortgage you have left to pay on them?

- Do you have any borrowing other than your mortgage?
    - What kind of borrowing is this? Personal loans? Credit card? Overdraft?
    - How long left until you expect to pay it off?

Research of decision (8 MINS)

I'd now like to spend a little time understanding more fully the research that you did as you went through the process of deciding what to do with your pension savings.

- So, going back to the very beginning, what was the initial trigger for you to start to think about what to do with your pension money?
    - Were any of your friends, family or co-workers also going through a similar decision at the time?
        - Had any decided to fully encash their pots?
    - What do you recall discussing with them about it?
        - Were these discussions focused on any particular themes or options?
    - Do you think friends, family, co-workers had any influence on your thought process at the time?
    - Probe the role of the media:
        - Do you remember reading anything in the press or seeing anything in the media about taking your pension pot as a cash lump sum at the time?
        - What do you remember reading/ seeing?
        - Was this focused on any particular theme or option?

    - Do you remember anything that talked about your option to do nothing – i.e. leave your pension untouched?
    - Do you think anything in the media had any influence on your thought process at the time?

- When the Government changed the rules in 2015 so that it was possible for people to take all of their pension savings as a cash lump, how did you feel about this change?
    - (If not already covered) How did you hear about this?
- Did you use any information sources to find out what you could do?
    - Probe: websites, friends, family, pension provider, workplace, newspapers, etc.
- Were you aware of the Pension Wise service?
    - IF AWARE: What are your thoughts on this?
    - Did you go the Pension Wise website? Did you make an appointment (phone/ face to face)?
    - How useful was the information?
- How easy was it to find information on the options available to you?
- What role did these information sources have upon your thought process at the time?
- Were any information sources particularly influential – if so why?
- When you started thinking about what to do with your pension money in relation to your [PROVIDER] pot. Did you initially get in touch with them or did they get in touch with you?
    - How did they / you get in touch?
    - What did you find out?
    - What impact did this have on your thinking?
- What else could have helped you with your decision that you don't feel you had?
- Did you consider getting in touch with a financial adviser? Why/Why not?
    - Why did you choose not to use an adviser?
- Did you consider doing nothing with your pension pot? i.e. leaving it where it was?
- So in total, how long do you think you spent researching your options? This is the time spent researching, not the overall length of time from beginning your research until your decision, e.g. you may have spent a total of 2 hours doing research spread over a month.

Understanding of options available (12 MINS)

I'd now like to ask you about your understanding of the options that were available to you once you had started thinking about what to do your pension money and once you had finished doing any research that you planned to do.

- When you started thinking about what to do with your pension money, to what extent did you already have a good idea about what you wanted to do? Were you starting with an open mind?
    - IF ALREADY HAD AN IDEA: what did you initially want to do?
- Just before you made the decision to take your [PROVIDER] pension pot as a cash lump sum, what options did you think were available to you? (probe on awareness of annuities, income draw-down options, etc.)
    - What was your understanding of what each of these options meant?
    - PROBE: What is your understanding of how an annuity works?
        - Probe for income for life, ongoing access to money, any money back to dependents on death, any income to spouse (typically after the person with the pension dies the spouse will be able to receive 50% of the annuity income)
    - How easy was it to understand the options?
    - Are there any you are still not sure of?
- Of the options open to you, how deeply did you look into each one?
    - To understand the pros and cons?
    - To understand what it would mean for you?
- Why did you decide not to use your [PROVIDER] pension pot to buy an annuity?
- IF HAD A GAR AND AWARE OF IT: You said in the previous interview that you were aware you had a Guaranteed Annuity Rate attached to this pension pot. Are you able to explain in a bit more detail why you decided not to take up this guarantee?
- Did your thoughts on what to do with your pension money change as you started to explore your options? In what way?
- What was your understanding of how much tax you would have to pay if you took your whole pot as a cash lump sum?
        - Was this more or less than you expected to pay?
        - IF STILL WORKING: (A1 = 2-4): Were you aware of tax implications of taking the cash lump sum on your income from working? (That is, your cash lump sum counts towards your income for the year, which could have the effect of pushing you into a higher tax band).
        - IF SO: What was your understanding of this?
- Generally, how good are you at shopping around for financial products to make sure that your money is working hard for you?
- IF HAS MONEY IN SAVINGS: Are you aware that any interest / return earned on savings are taxable, but returns earned on a pension pot are not?

Motivation for final decision to fully encash (10 MINS)

- As we know, you decided to take all of your [PROVIDER] pension pot as a cash lump sum.
    - What was the main reason you came to this decision?
    - Were there any other factors
    - What had the most influence on your decision?
- How easy was it to make your decision?
    - In terms of making a choice between the different options available?
    - In terms of the amount of effort required from you to action your decision to fully encash?
- (Refer to previous conversation) Why did you rule out the other options you considered?
- How long did it take you to come to the decision to take your [PROVIDER] pension pot as a cash lump sum?
    - Why was that?
    - Is there anything you know now that you wished you had known then?
- To what extent did you have a particular need for this pot of money – i.e. were you trying to fulfil a specific need?
    - Probe: Was this a short term need or long term need?
    - And how long did you spend thinking about the best way to meet your needs?
- How committed were you to doing something with your pension money, rather than leaving it where it was?
    - Is there anything that could have changed your mind at this stage?
- What factors did you consider when deciding to fully encash your pension pot?
    - Did you think about how much you would need to live on in retirement and where this income would come from?
    - How much do you think you will need per year to live on in retirement?
    - Did you think about how long you might live for and how long your pension money might need to last for?
- Why did you decide to access your pot now, rather than wait a few more years or spread the withdrawals over several years?
- IF MULTIPLE PENSION POTS: How did you decide which one to access? Do you have any plans to access the others?
- What finally tipped you into taking action?

What is being done with cash lump sum (6 MINS)

- And I know we covered this in the last interview, but it would be great if you could tell me in a bit more detail now what you've done with the cash lump sum from [PROVIDER]?
    - Anything else?
    - IF SAVED OR INVESTED: Why did you choose to do this rather than leave the money invested in your pension pot?
    - IF USED TO PAY OFF DEBTS: Why?
- Did you need to access pension money to be able to do this or could you have used any other savings or investments?
    - IF YES: Why didn't you do this instead?
- You said in the previous interview that you were [INSERT ANSWER FROM D15: Very confident / Fairly confident / Not very confident / Not at all confident] that you have enough funds from all sources to support yourself in retirement.
    - Why do you say this? (PROBE FULLY)
- How do you feel about taking the money now?

Wrap Up (2 MINS)

Thank you very much for your time, just before you go, it would be good to get a few final thoughts.

- Are you happy with your decision to take your pension pot as a cash lump sum?
- Is there anything you would have done differently if you could go back?

Finally, I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. Thank you very much for your help today.

I declare that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct.		
Interviewer signature:	Date:	
Finish time:	Interview Length	mins

"

IFF Research illuminates the world for organisations businesses and individuals helping them to make better-informed decisions."

Our Values:

1. Impartiality and independence:

IFF is a research-led organisation which believes in letting the evidence do the talking. We don't undertake projects with a preconception of what "the answer" is, and we don't hide from the truths that research reveals. We are independent, in the research we conduct, of political flavour or dogma. We are open-minded, imaginative and intellectually rigorous.

2. Being human first:

Whether employer or employee, client or collaborator, we are all humans first and foremost. Recognising this essential humanity is central to how we conduct our business, and how we lead our lives. We respect and accommodate each individual's way of thinking, working and communicating, mindful of the fact that each has their own story and means of telling it.

3. Making a difference:

At IFF, we want to make a difference to the clients we work with, and we work with clients who share our ambition for positive change. We expect all IFF staff to take personal responsibility for everything they do at work, which should always be the best they can deliver.

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