

**Financial Services Consumer Panel**  
**An independent voice for consumers of financial services**

**Advice and guidance for pension decisions: is it enough?**

Sue Lewis – Consumer Panel Chair

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# Introduction

- 11.6 million people in the UK over 65, projected to rise to 14 million in the next 20 years.
- There are around 900,000 people currently reaching the age of 55 every year, the earliest they can exercise pension freedoms.
- ‘Decumulation’ is a big challenge – new decisions, complex choices.

# What can people do?

- Leave pot untouched
- Use all or part of pension pot to buy an annuity
- Get an adjustable income (drawdown) – decide how much to take out and when
- Take cash in chunks (drawdown) – take smaller sums of money until pot runs out
- Take whole pot in one go
- Defined benefit to defined contributions pension transfer
- 25% tax free lump sum payment

# Making decisions is hard

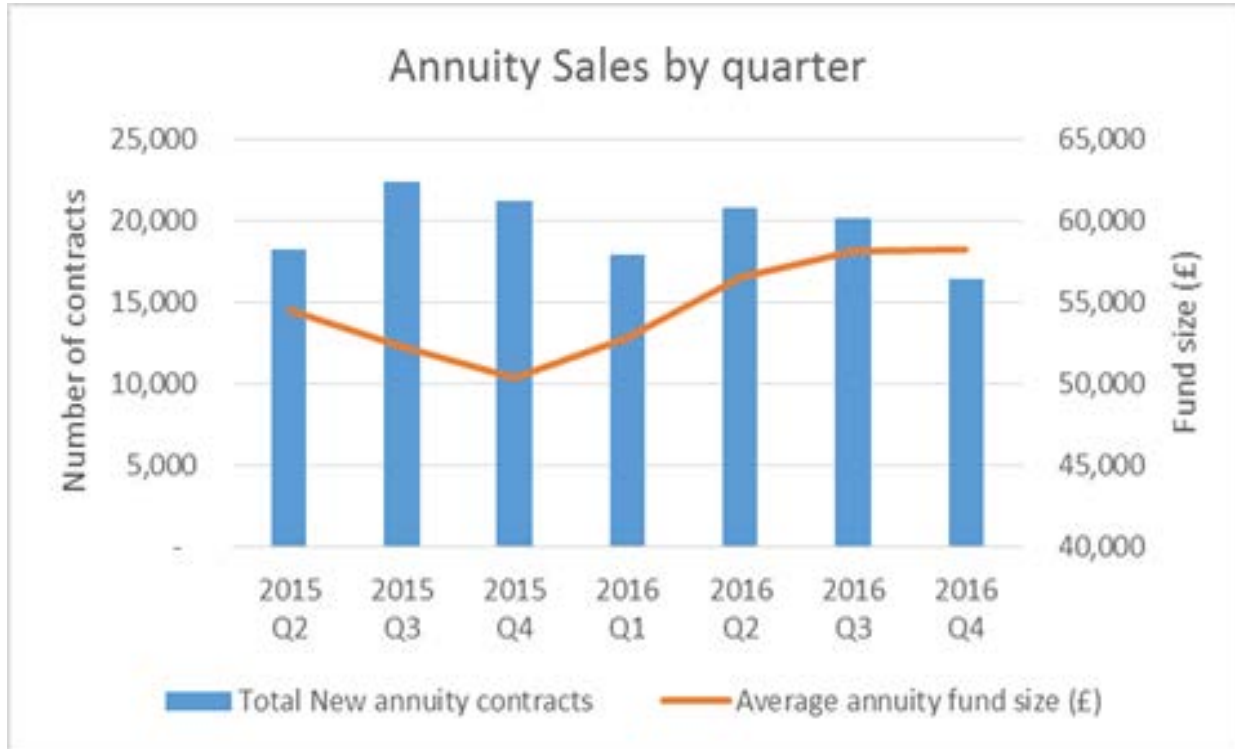
- Consumers are keen to do the ‘sensible’ thing
- Few are confident in their ability to navigate the options available
- Most are fearful that a wrong decision could have a serious impact on their financial well-being
- Multiple sources of information, product complexity, opaque charges and economic uncertainty can all add confusion
- Leads to ‘analysis paralysis’ – no decision or taking what is on offer from provider

Source: Ignition House, New Choices Big Decisions

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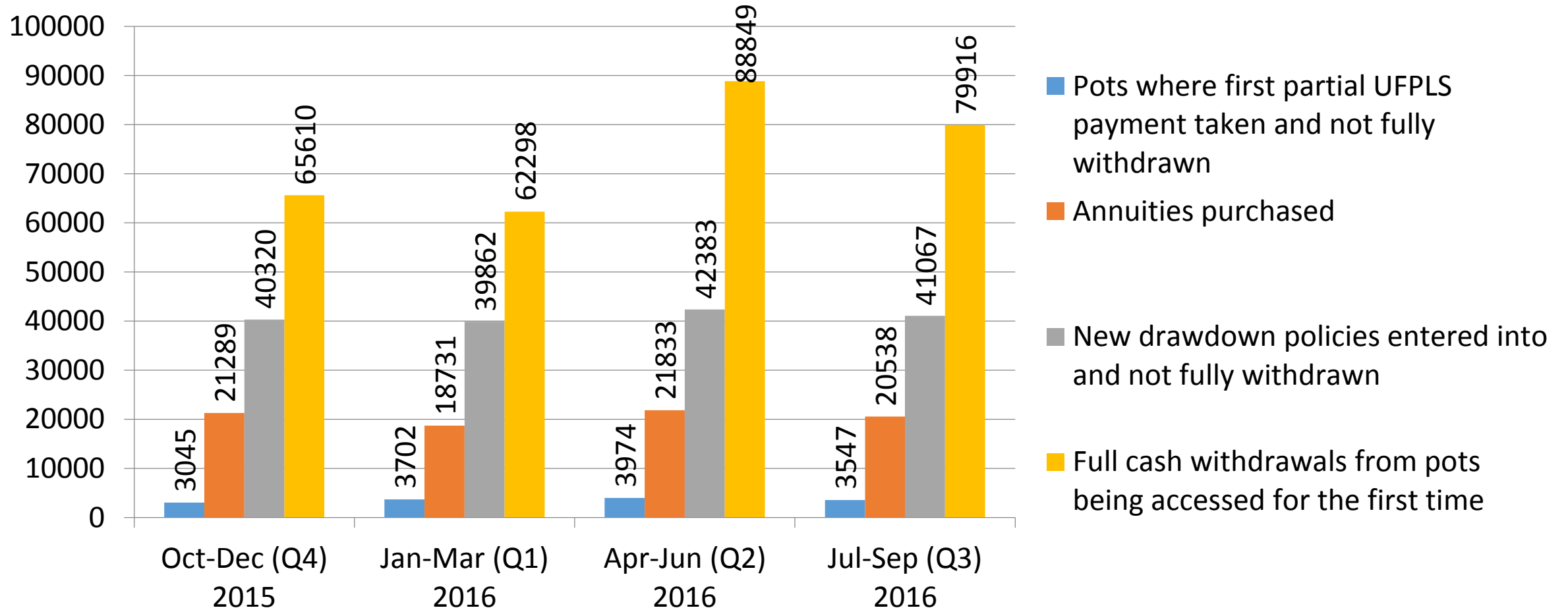
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# What do people do?



Source: ABI retirement income factsheet

# A large number withdraw their entire pot



Source: FCA data bulletin issue 8

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# Entire pot withdrawals

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
<b>Total withdrawn</b>	Just over £1.4bn	£1.27bn	£860m	£750m	£860m	£767m
<b>Average payment size</b>	£14,500	£14,000	£12,000	£19,000	£14,100	£13,900

Source: ABI retirement income factsheet

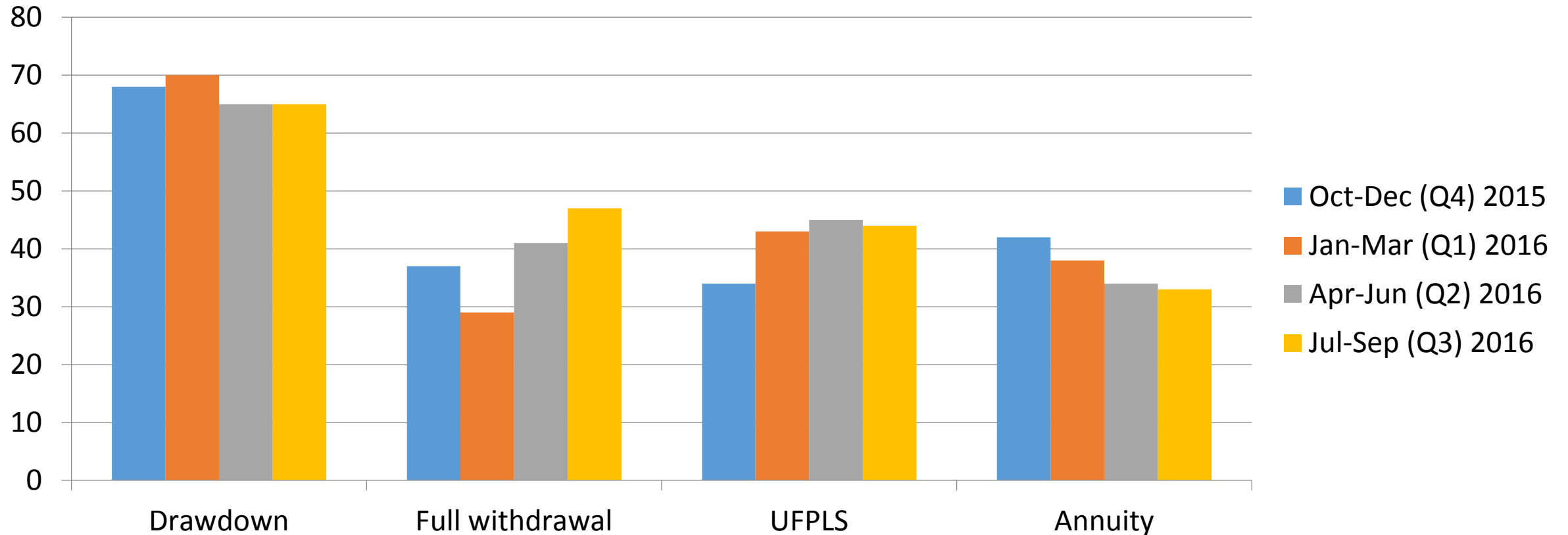
# What help is available?

- The Pensions Advisory Service
- Money Advice Service
- Pension Wise
- Regulated advice
- Pension provider
- Online commercial guidance ('execution only' sales)



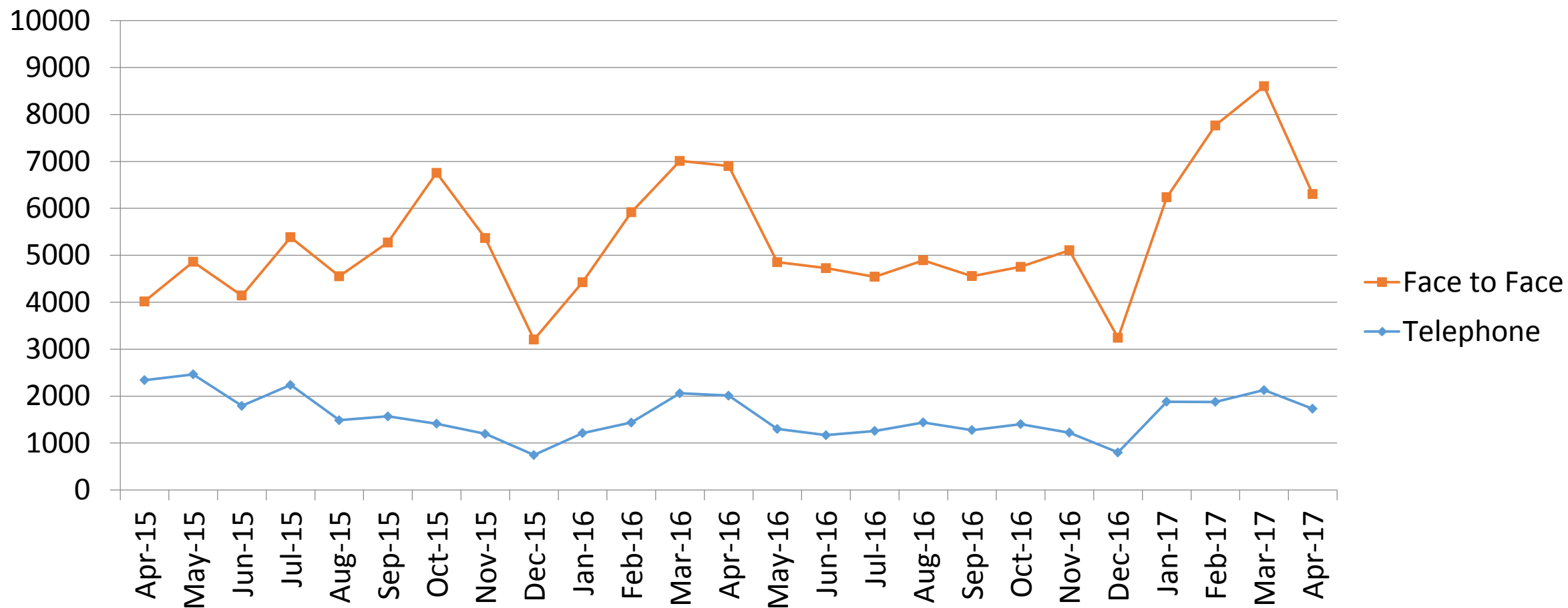
# Use of regulated advice

Percentage of product purchases and withdrawals where provider recorded use of a regulated adviser



Source: FCA data bulletin issue 8

# Consumers using Pension Wise



Source: DWP Pension Wise dashboard

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# Are people making the right decisions for them?

- Fewer people shopping around
- Four fifths of people who do not shop around for an annuity could have got a better rate on the open market
- DIY investing – lack of transparency on costs and redress.

Source: FCA

FSCP: Online investment and advice services, the Consumer Experience

# What next?

- Earlier engagement with Pension Wise – a job for the new Single Financial Guidance Body (SFGB)
- High quality guidance – holistic, impartial, sales-free
- ‘Smart’ defaults
- Clearer information for ‘execution only’ investment
- Evaluation of pensions freedoms