



Changes in retirement behaviour – why should you care?

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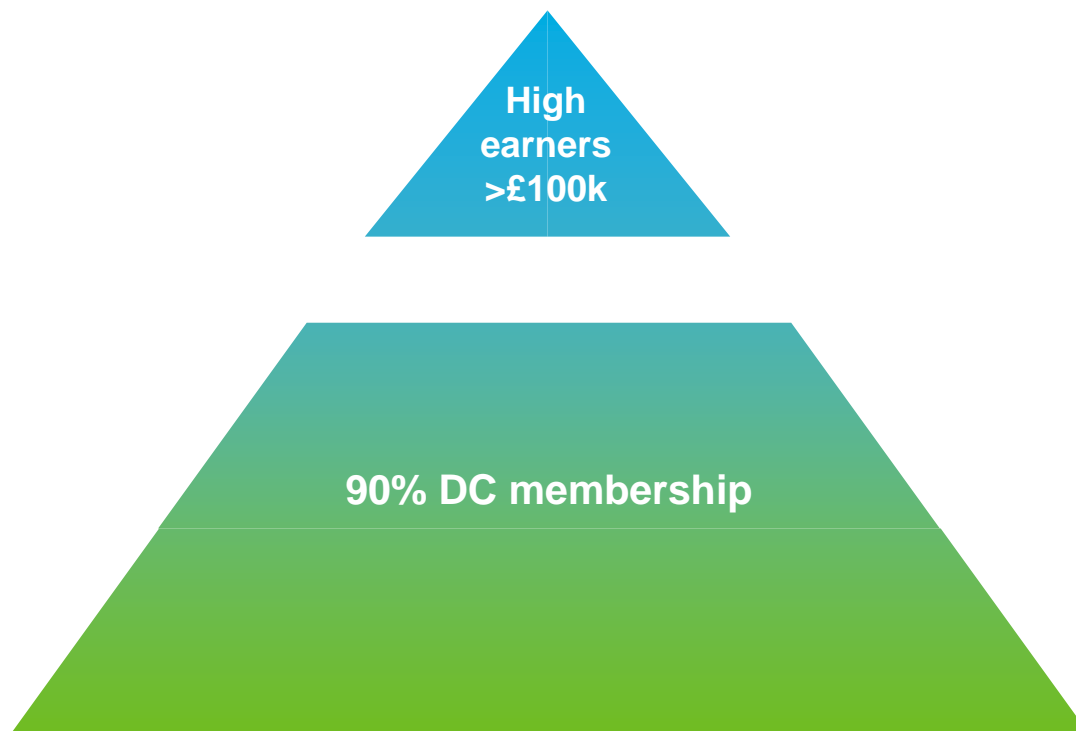
Agenda

1. Post pension freedoms - what's happening?
2. What do HR professionals think?
3. Potential solutions and use of technology



Supporting your over 50's

- This issue is all about your over 50's
- Majority of your people will fall into this category earning <£80k
- This group has a high need for support post Freedom & Choice



Evidence of systemic market failure

Some examples:

- Poor irreversible decisions
- Consumers subject to pension scams
- Advice is hard to access and expensive
- Glacial progress of the pension dashboard
- Limited innovation – investment options suitable for drawdown
- Pension provider support unengaging

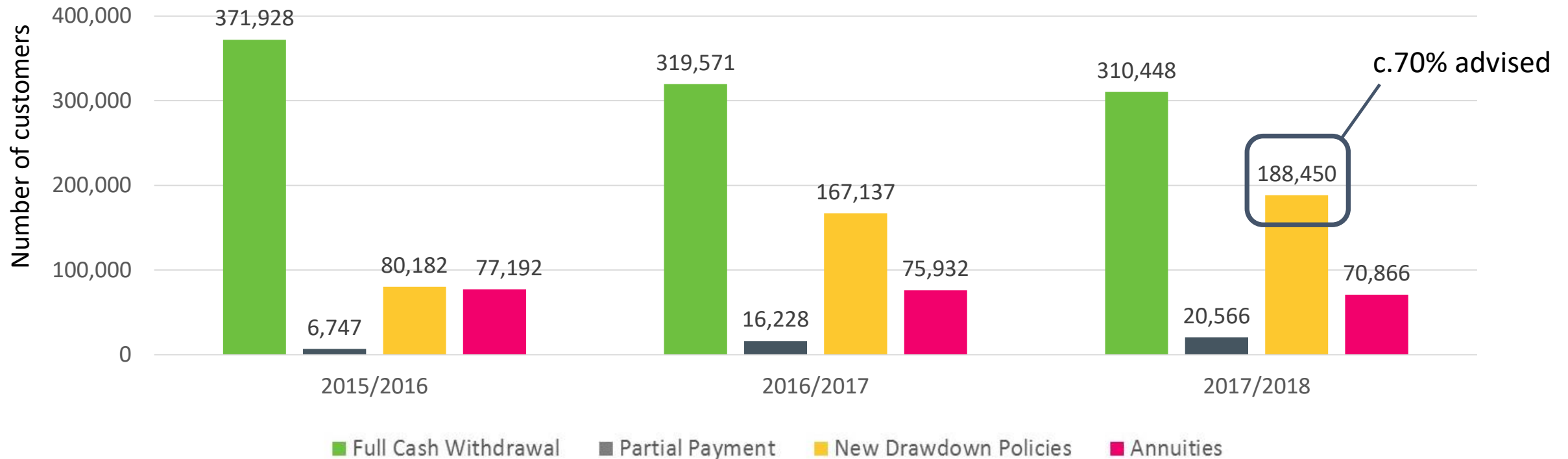
Leading to poor member outcomes:

- 52% cashing in and investing in their bank account*
- Transferring to unauthorised pension schemes
- Drawdown - typical set up fees of £1500 and >2% p.a. ongoing charges
- Consumers losing track of their pension pots post auto-enrolment
- Consumers in unsuitable investment funds
- Inert consumers don't shop around for the best deal

*FCA retirement outcomes research 2018

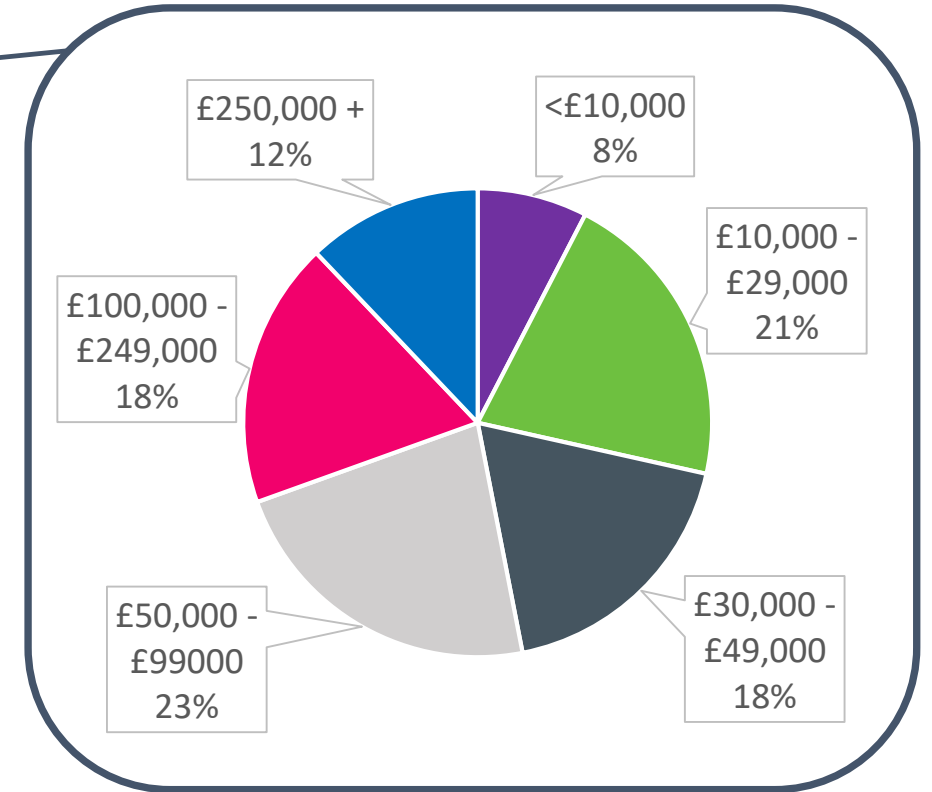
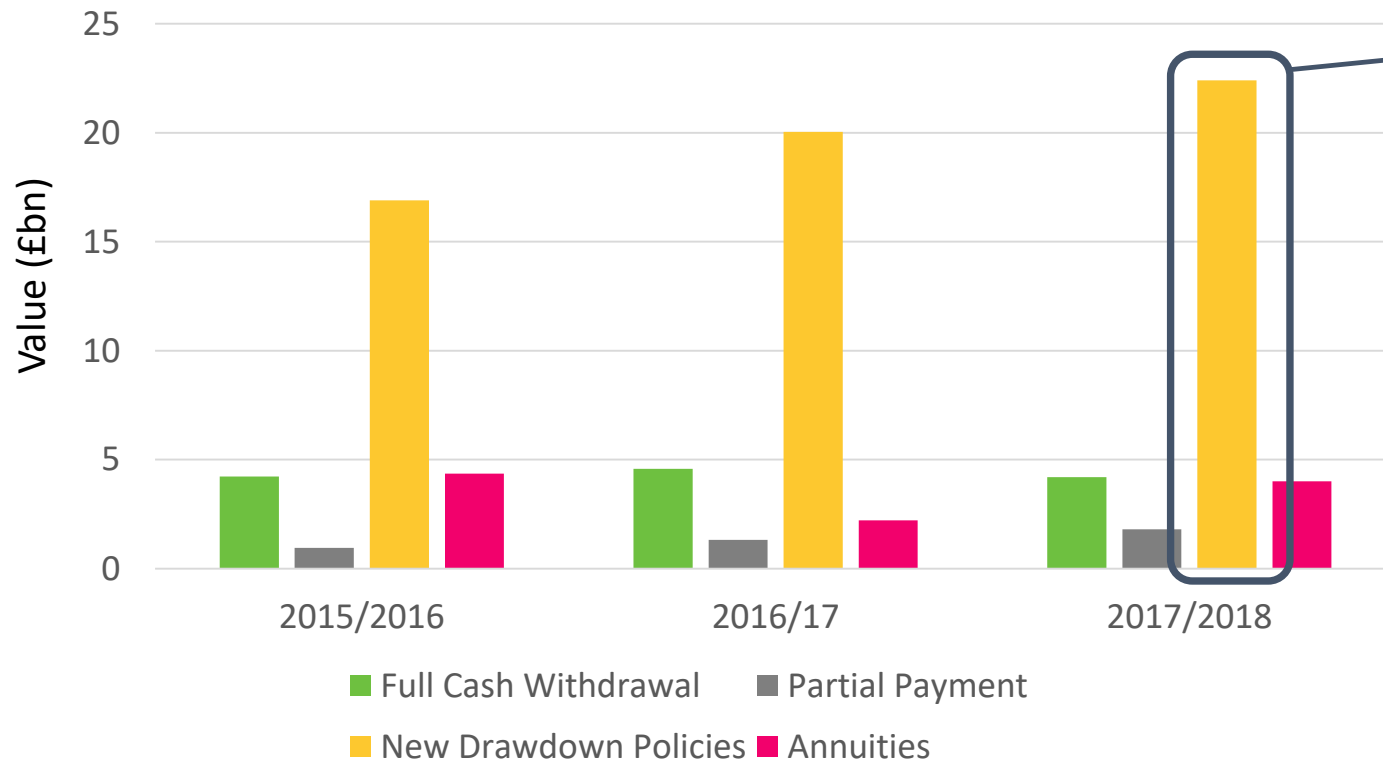
Choices made since pensions freedoms

Annuity sales have stabilised, having fallen by nearly 60%



Market values

Drawdown is a c.£22bn p.a. market, with average pot size now at c. £120k



The importance of reducing costs

Impact on outcomes resulting from costs, on a £70k pot

Income on 20yrs

£3,600
p.a.

2.5% p.a. costs

£4,250
p.a.

0.75% p.a. costs

Term (income of £5k)

14 years

2.5% p.a. costs

16 years

0.75% p.a. costs

Impact of life expectancy

Pot of £100k, for a 65yr old male living in Edinburgh

Sighthill

81

£6,200
per annum

UK Average

84

£5,450
per annum

Currie

87

£4,700
per annum

75% probability = 93
Income = £3,600 per annum

What do your peers think?

Qualitative

- **Face to face** interviews with some of the UK's largest employers
- How do they **feel** about retirement support to their employees?

What they told us

- **Widespread support** for solution to help employees, but clear their obligation ends at that point
- **Perceived need to act now** varied as did **risk appetite for endorsing an IFA**
- **Individual advice** – considered an essential part of solution. **Limited appetite** from employers to pay
- **Current practice** – varied between no support and access to an annuity broker/IFA
- **Annuities** – expect to see a path to access best rates and compare against drawdown
- Principle of **defaults in retirement** - strong support (e.g. investment pathways)

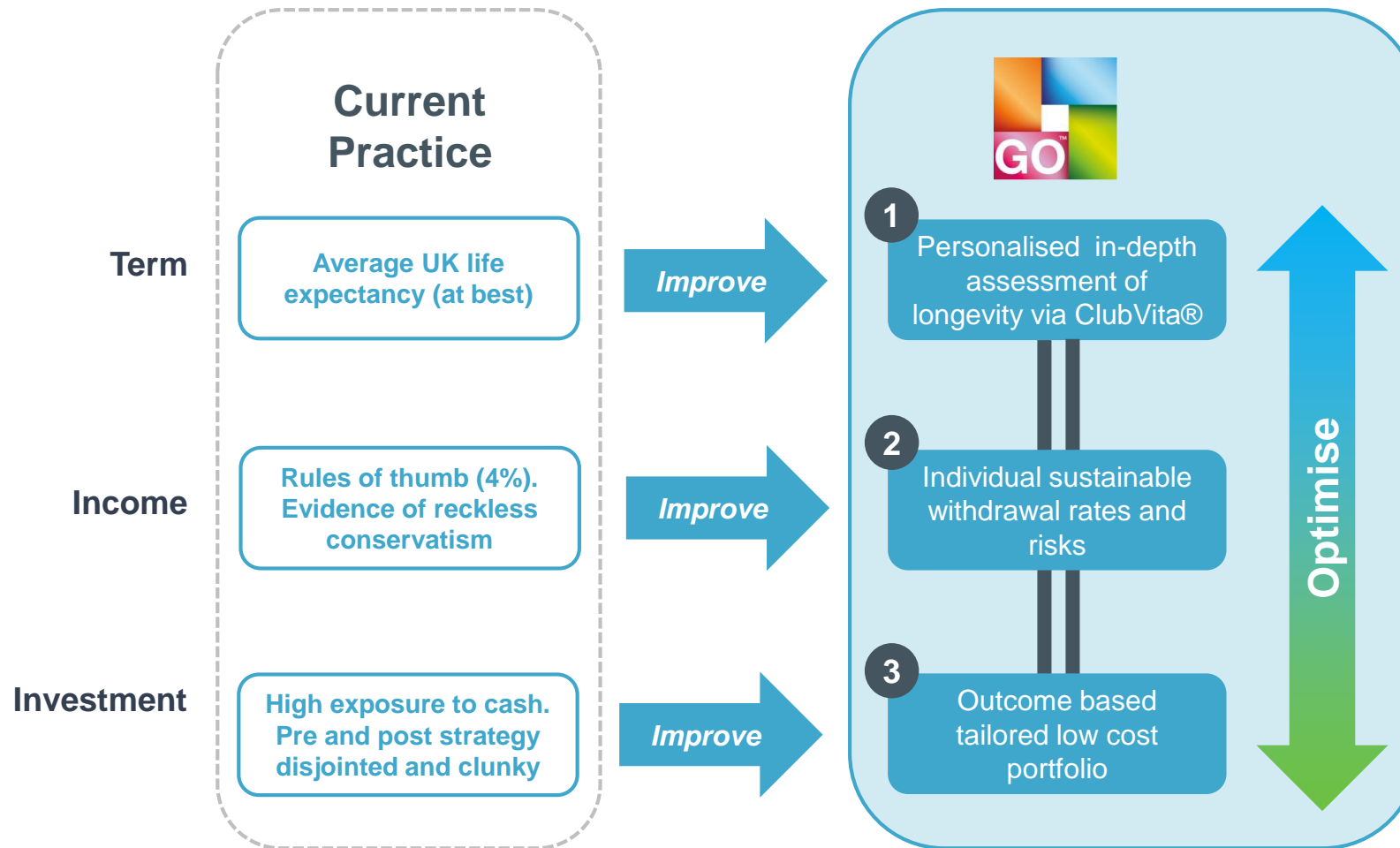
Quantitative

- Commissioned **Nectre** to conduct research amongst mid sized employers (100-1000)
- Poll size – **100 employers**

What they told us

- Do you currently **engage with a provider** of financial advice? Yes 22% No 78%
- Of those that said No, 72% would be **open to appointing an IFA** for this service
- **Willingness to pay** for one-off advice at retirement?– Yes 40% No 60% (average contribution towards cost of £205)
- Appeal of “**the features**” highly rated with combined very attractive/attractive results of between 82%-93%

Do it – applying to drawdown



Attributes required of retirement solution

A low-cost high-value solution for protecting and supporting your over 50's

Help to locate and consolidate pension pots

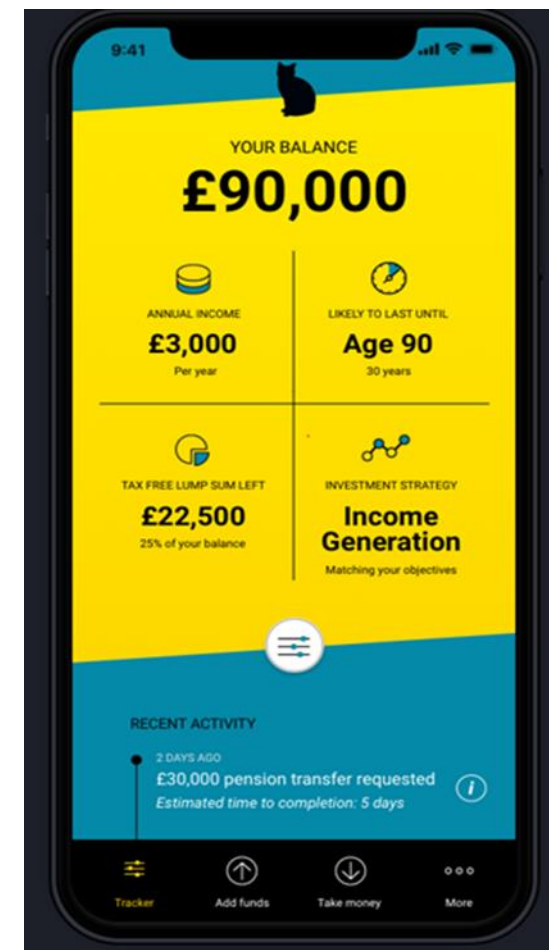
Low cost access to advice

Drawdown-manage individual longevity risk

Low cost suitable investment pathways

Optimised through member UX

Meeting the needs of the masses



Final Thoughts

Accessing appropriate planning and execution is key in helping your people achieve realistic retirement goals.

This is particularly so post Freedom & Choice – with the penalty for poor planning becoming ever more impactful.

Expect to see much wider adoption of advisory solutions in the workplace (digital and telephone based).

Thank you

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