Consultation Response

Freedom and choice in pensions

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Name: Barbara Limon
Email: Barbara.limon@ageuk.org.uk

Age UK
Tavis House
1-6 Tavistock Square
London WC1H 9NA
T 0800 169 80 80 **F** 020 3033 1000
E policy@ageuk.org.uk

About this consultation
This consultation sets out the proposals announced by the Chancellor of the Exchequer in the March 2014 Budget to increase the choice and flexibility available to individuals when they come to access their defined contribution pension savings. From April 2015 there will no longer be a requirement to purchase an annuity from a defined contribution pension pot. The Government also proposes to guarantee that individuals approaching retirement will receive free and impartial face-to-face guidance to help them to make the choices that best suit their needs.

About Age UK
Age UK is a charity and a social enterprise driven by the needs and aspirations of people in later life. Our vision is a world in which older people flourish. Our mission is to improve the lives of older people, wherever they live.

We are a registered charity in the United Kingdom, formed in April 2010 as the new force combining Help the Aged and Age Concern. We have almost 120 years of combined history to draw on, bringing together talents, services and solutions to enrich the lives of people in later life.

Age UK provides information and advice to over 5 million people each year, runs public and parliamentary campaigns, provides training, and funds research exclusively focused on later life. We support and assist a network of around 170 local Age UKs throughout England; the Age UK family also includes Age Scotland, Age Cymru and Age NI. We run just over 450 Age UK charity shops throughout the UK and also offer a range of commercial products tailored to older people.

Key points and recommendations

- Age UK welcomes the provision of more choice and freedom in how consumers can access their defined contribution pension pots, especially for those with small pension pots who are not currently well served by the market.
- But, choice and freedom inevitably means greater complexity for consumers. We welcome provision of a guidance guarantee. For it to deliver good consumer outcomes it must: be impartial; start with the person not the pension pot; help people manage their savings safely over the **whole of their retirement**, not just at outset.
- Consumers should be proactively encouraged to take up the offer of guidance.
- Overall the proposals as a whole must be capable of delivering a reasonable outcome for the most disengaged pension saver.

- The guidance guarantee proposals offer a real opportunity to join-up guidance for people in later life and enable them to navigate their way resiliently through later life, however complex and difficult the decisions they need to make might be.
- We hope that these proposals will lead to more innovation in retirement income products, but this innovation must be in the interests of consumers
- Despite these changes, for many people an annuity will still be a good choice at point of retirement and we would not want to see the annuity market irreparably damaged or become vastly less competitive
- The Government must provide clarity, well in advance of April 2015, on how pension pots will be treated in relation to means-tested benefits and paying for care, especially how the notional value of the pension pot will be calculated and how it will be treated in relation to 'deprivation of assets' rules

1. Introduction

Age UK is pleased to respond to this consultation. We welcome, in principle, the greater flexibility and choice that has been proposed for pension savers and recognise that the end of compulsory annuitisation will be welcomed by many people. Greater flexibility and choice does make things more complicated for the individual consumer and our overarching concern about the proposals is whether the guidance guarantee will be sufficient for people with more complex needs to make informed choices, especially in light of the challenging timescale for delivery of the guidance guarantee.

We too would like to see greater degree of innovation in retirement income products but innovation has to work in the interests of consumers and thought also needs to be given to what the sensible defaults are for consumers who will not actively engage with guidance.

The outcomes that Age UK would like to see from these reforms are:

- An impartial, holistic and highly-regarded guidance offer that would enable older people to make informed decisions and choices about their resources over the whole of their retirement, not just at outset.
- The guidance guarantee acting as a catalyst for joining up the guidance journey for people in later life.
- The delivery of a reasonable outcome for even the most disengaged pension saver.
- Product innovation that is genuinely in the interests of consumers.
- Annuities being available to people who still want to buy them, at a reasonable cost.
- Consistency with the rest of pension reform.

- Reduction in the risk of scams, e.g. arising from a proliferation of competing guidance providers.
- Better links to an effective and efficient regulated advice market.

In this response we provide further thoughts on: what information, guidance and advice older people need across later life; the content and delivery of the guidance guarantee; innovation in retirement income products; and, what other impacts of this policy need to be considered.

We then go on to respond to the specific questions raised in the consultation document. Appendix A sets out in table form our detailed position on the content and delivery of the guidance guarantee.

2. What information, guidance and advice do people at the point of retirement need?

Age UK has extensive experience of providing information and advice to older people on a huge range of topics, including money matters. For example, together with our local partners in 2012/3 we helped older people claim £145 million in benefits they were entitled to. We know that what older people need in order to successfully navigate later life is holistic advice, that takes into account their entire circumstances. How can older people take truly informed decisions about their retirement and their pension pot without also thinking about whether they are eligible for state benefits; whether they are able or want to continue to work a bit longer; whether they should make provisions for adapting their home or longer term care needs; how much debt they have and what their family circumstances are? Pensions guidance simply can't exist in a vacuum.

We are also mindful of the low levels of consumer engagement at the point of retirement, a recent Financial Conduct Authority (FCA) study found that although awareness of being able to shop around was high (91 per cent), more than a third of consumers did not do so (37 per cent)[i]. These reforms must be capable of working with the grain of current consumer behaviour. It is unrealistic to assume that consumer engagement will radically increase simply because consumers have more choice or the offer of guidance. Sensible defaults must be built in so that even the most disengaged saver can achieve a reasonable outcome and not unwittingly make very poor decisions or lose out because they have not acted.

It also needs to be recognised that the profile of people eligible for the guidance is likely to change significantly over time. The initial adopters are more likely to have a range of different type of pension pots possibly including some with guaranteed annuity rates and paid up defined benefit schemes etc. In later years, following the roll out of automatic enrolment, they may have larger defined contribution pension pots but these are more likely to represent their entire pension savings. Over the longer term, because automatic enrolment is likely to increase pension saving among lower-income groups, there will be more people coming through with an entire work history of low earnings and even less engagement with the financial services industry beyond day to day banking and credit.

Delivery of guidance needs to works for all these different groups whose needs are likely to vary and many of whom have no experience of taking regulated financial advice. In 2013 66 per cent of the population had not sought professional financial advice, with a quarter preferring to make their own decisions based on other sources of information such as newspapers and websites[ii]. Those on medium to low incomes are particularly poorly served by the regulated advice sector. At the same time we know that people also do not access the free advice services that do exist and that current awareness of the Money Advice Service (MAS) is low. There is clearly an advice gap for older people.

What people in later life really need to enable them to navigate the complexities and uncertainties of later life is access to a joined-up, sector wide guidance proposition – covering all aspects of later life, not simply finances. We appreciate this goes beyond the confines of the guidance guarantee which is the subject of this consultation – but there is nothing to stop the guidance guarantee, once developed, being joined up with other advice provision across later life.

There are also steps that we think could be taken to improve the regulated advice sector and encourage more people, who are able to afford to, access regulated advice. One of the intentions of the retail distribution review was to clarify the costs of regulated financial advice but we think more could be done to ensure costs are genuinely clear and transparent, and that advisers are not tempted to 'churn' pension savings into new products that might be more expensive. We note that MAS are consulting on the development of an IFA directory which we welcome; these IFAs must meet minimum standards and provide clarity on their fees.

3. What must the guidance guarantee cover?

The guidance must be capable of assisting people to make decisions and manage money **over their entire retirement**, not simply their immediate needs and considerations. Guidance material must, as a minimum, provide key messages around:

- How to gather information about other possible pension assets e.g. lost pension pots and where to get a state pension forecast
- Are there any particular conditions of your policy that are relevant to your decision? E.g. guaranteed annuity rates.
- Longevity reality check – majority of people need to plan for 25-30 years, but if you are in poor health you may get a better rate for some products
- Implication of any decision on access to welfare benefits in retirement

- Implication of any decision on amount of tax payable, income tax band, inheritance tax etc.
- Debt management (including interest only mortgages/bankruptcy)
- Housing options
- For married/civil partnered consumers the need to consider assets jointly, especially if majority of assets held by one partner
- Paying for care needs – from housing adaptations to residential care options, and how will a pension pot be treated under deprivation of assets rules
- Options around working longer
- Information on what the main product options are and their key features e.g. annuities, ISAs/pensioner bonds, other cash savings, drawdown/other retirement income products and sources of further information
- Where to get further information and support e.g. debt advice agencies, TaxHelp for Older People etc.
- If you decide to delay/not make a decision what, if anything do you need to do, how can you access advice in future and where from?
- What is regulated advice, when it may be appropriate and how to find a regulated adviser

Whilst not every consumer will require information on all these points, these areas must be addressed in some way, either as prompt questions with appropriate signposts to where further information can be found or within guidance material itself. The bulk of this information is already readily available via existing sources such as the MAS and other agencies. Primarily we see the challenge as one of filling any gaps and ensuring that there are effective signposts and referrals in place, rather than the need to create new sources of information on these matters.

4. Who should deliver the guidance and how?

Our clear preference is that the guidance guarantee is delivered primarily via a central agency or agencies. This approach is needed due to the range of subjects that will need to be covered to ensure good consumer outcomes which will be wider than just pensions advice, and many people will have pots with a variety of providers. We would question whether all pension providers will be able to provide such a holistic and truly impartial service. We suggest that this central service should be leveraged from existing guidance services such as The Pensions Advisory Service (TPAS) and MAS.

We would prefer to keep the numbers of guidance providers permitted relatively ‘tight’ since the more different agencies who are permitted to deliver, the greater the risk of consumer confusion, lack of consistency and potential for scammers to operate.

Whilst we accept that there may be a need to ‘triage’ the provision of guidance in some way, this must be driven primarily by the needs of the consumers, not pot size. There are risks of poor outcomes for consumers with small pension pots, i.e. benefit implications, making pot size alone simply too blunt an instrument to use.

The guidance should have a common curriculum that all deliverers must use, supplemented by measurable quality standards so that while guidance sits clearly outside the regulatory boundary there is still a way to ensure high and consistent standards.

We would not be in favour of any telephony based service being delivered in a heavily scripted or 'tick box' approach which is unlikely to meet the needs of those consumers with more complex needs, who are most at risk of poor outcomes.

The guidance clearly needs to be delivered by impartial experts who are capable of dealing with a whole range of issues and focus primarily on the consumer, rather than the pension pot especially as many consumers are likely to have more than one pension provider.

The guidance guarantee must be backed by a strong brand and communication campaign to encourage people to engage and to distinguish it from the scam activity which is already proliferating.

A range of delivery options can and should be deployed, but these need to be driven by consumer needs. Different consumers will have different needs and whilst web-based support may be sufficient for many consumers, who should be encouraged to use it, it is clearly not going to be sufficient for all. Equally, there will be some consumers who already seek advice from regulated financial advisers who may have little to gain from accessing the guidance guarantee.

Our primary concern is for those consumers for whom the decision is not immediately straightforward and require more detailed advice, which is also likely to touch on other areas such as: taxation, benefits, debt care funding etc. It is still possible to deliver good guidance for these consumers through a range of delivery mechanisms include telephone based services and maximising technology such as Skype. Whilst it will not be necessary for the majority, face to face advice must be available for those who require it.

The delivery mechanism must be capable of joining up all the parts of the system so that there are 'warm' referrals to other bodies such as regulated financial advisers, debt advice agencies, tax advisers (such as Tax Help for Older People) or services offering holistic advice such as Age UK.

We are also mindful of the fact that some people with less financial capability or more complex needs may need to have access to more than one conversation to enable them to make their choices. Guidance should not be 'rationed' to one visit, as in practice this could be difficult to administer and while some people will require more support, others will require very little.

Consumers should also be encouraged, but not required to, ‘prepare’ for guidance through a ‘portable fact find’ that captures all their savings, pension pots, assets and debts.

If the guidance is delivered via a central agency we would assume that the funding would come from providers using the standard FCA levy systems, and the appropriate equivalent for trust based schemes. We would not be in favour of a funding system that operated on a ‘per person’ basis that is somehow used up. Whatever system is put in place there must be ring fenced funding for the provision of face to face guidance for those consumers who need it.

5. The role of providers

Whilst our clear preference is that guidance should be provided by a central agency it is unrealistic to assume there is absolutely no role at all for providers. Clearly some consumers will actively seek out their provider as a first port of call and where somebody decides, after guidance, that they wish to delay taking their funds for a while they may need to revert to their provider to amend the underlying fund investment.

There is clearly a role for the FCA to set out clearly what providers can and can’t say. Our preference would be to restrict this to providing advice about the product specifics and key warnings around tax, benefits and position of surviving partners, and signposting to other appropriate agencies and sources of information. The duty on providers should also be crafted to ensure that information is provided in a consistent way.

It would also seem perverse to prevent employers and trust based schemes who are already delivering extensive pre-retirement information and guidance from continuing to do so, as long as they are able to demonstrate that the service provided to members or employees is truly impartial and not a thinly disguised sales opportunity.

6. The delivery challenge - getting to April 2015

Getting a delivery mechanism for the guidance guarantee in place in time for April 2015 is a significant, but not insurmountable challenge, if the existing advice infrastructure is fully utilised. The sheer speed at which this policy is being implemented is regrettable since it allows very little time to fully road-test delivery models and evaluate the effectiveness of the guidance prior to its implementation. The need for getting a system in place for April is not a reason to compromise on the quality and robustness of the guidance offering or to develop a more ambitious longer-term programme.

Issues that need to be resolved as a priority are:

- Development of a strong brand to counter the activity of scammers and encourage engagement

- Ensuring that the customer journey for a very disengaged saver can still deliver a reasonable outcome – i.e. what are the defaults? For those people who take no action at all in relation to their pension pot, are current rules in place sufficient or do they need to change? Can disengaged savers still be effectively warned so they do not unwittingly take very poor decisions?

- Developing a common curriculum, ensuring coverage in some way or another of all the content issues raised in the paragraphs above.

- Establishing clear quality standards and ensuring that any standards set are consistent with existing money advice standards and accreditation.

- Clarity from government on how pension monies will now be treated in terms of notional value for welfare benefits and deprivation of assets in relation to paying for care.

- Establishing pathfinder models to explore different deliver mechanisms and channels.

- Development of a directory of advisers, who meet minimum standards and provide clarity on their fees.

Despite the fact that there is limited time available there is still great value in testing the effectiveness of different models of engaging with pension savers. We are also mindful that the new choices will need to fit with existing pension policies that may have been taken out many years ago. It is important that the focus on legacy products e.g. through the ABI review is not lost, since the review will include products with less options to choose lifestyle or target date funds. For consumers who may choose to delay their decision or straddle taking their pot in cash over 2-3 tax years, there is a risk that the underlying fund may expose them to too high a risk.

7. Innovation in retirement income products

Although we agree that the annuities market has not served consumers well in recent years, we would be extremely concerned if annuities were no longer available. They remain important for people in later old age as a way of pooling risk and providing certainty for people who may no longer want to actively manage their money. The example of the purchased life annuity market is not encouraging; research published in 2009 found that although these annuities could benefit many people in the UK the market shrank by 65% in the 10 years to 2008, and only 1,000 plans were sold in that year[iii].

We note that in Australia some (including Deloitte's) have commented on the need for greater annuitisation as 'The last five years shows that post retirement assets can be quickly drawn down during periods of economic adversity'[iv]. The Australian Actuaries Institute has discussed the need for 'intelligent defaults' to encourage annuitisation later in life[v].

We hope that the financial services industry will develop suitable investments to supplement annuities; however the regulator will need to be both vigilant and possibly more interventionist than in the past to ensure that innovation works for consumers. Unfortunately the industry does not have an unblemished record in developing income products: we note the previous mis-selling of 'structured capital at risk' products and also the large fines for major retail banks who mis-sold investment products to older people seeking income.

The retirement income products currently available as an alternative to annuities are highly complex, making them only suitable for a narrow range of people. The challenge for the future will be to develop much simpler products that could meet the needs of a far wider segment of the population at a reasonable cost. If such products do not emerge or are so complicated or costly, or without appropriate defaults built in, so that they are still only accessible to a narrow segment of consumers then this policy initiative will not have delivered better outcomes for consumers. We appreciate the work on the retirement income market currently being under taken by the FCA but we think that they will need to fully review in 2-3 years time what new products have come to the retirement income market and how successfully the market is operating in the interests of consumers.

8. Issues to be considered in assessing the impact of these proposals

Whilst the consultation document raises the important issues of the impact of these changes on financial markets and investments it does not in our view sufficiently take into account some of the other potential impacts, particularly on consumers and other areas. We assume that a full impact assessment of these changes will take place, within which attention should be paid to the following issues.

<u>Interaction with debt</u>

One of the advantages of liberalisation is that it will help some people to pay off expensive debt on retirement, and for many people this will be a good use of their savings. We are concerned, however, that lenders might change their policies on forbearance and arrears management to pressurise individuals to use their pension savings, even where the debts are not classed as 'priority' debts. We believe there is a case for examining whether pensions not yet in payment can be protected from creditors to some extent. We also believe that use of pension savings will not be a sustainable solution to the problem of shortfalls on interest-only mortgages. According to the FCA research last year[vi], from 2017 40,000 interest-only mortgages a year will mature year where the borrower is over the age of 65. Although pension savings may help many people repay their mortgages, FCA modelling suggests that 44 per cent of people will have a shortfall of more than £50,000 – considerably more than the average defined contribution pension pot[vii]. We have already received a number of letters from older borrowers who complain that although they are well able to support the payments on their mortgage, their lenders have imposed age limits that mean they are faced with having to sell their property in order to repay the capital by a set time. While we do not condone lending to people who cannot afford to repay, we do not believe that arbitrary age limits are necessary given the new affordability checks required under the FCA mortgage market review.

Interaction with paying for care and means-tested benefits

The interaction of pension savings with paying for care is extremely complicated and brings both opportunities and risks. Most commentators have concentrated on the risk that someone might draw all their savings and then reinvest them, in which case their savings would usually be taken into account for the means-test and could disqualify them for support. However, the means-test for care (as well as for benefits) also allows local authorities to take undrawn pensions into account. Many people will be unaware of this, and it is unclear how the notional value of the pension would be calculated under the new regime. The impact of the 'deprivation of assets' rules if people withdraw savings for purposes which could be deemed inessential is also unclear. It is important that people have clear information about the way that money is retained in, or released from, pension schemes, will be treated in any assessment for care funding and benefits.

Being able to use pension savings to pay for care could be very valuable for those people who do not qualify for local authority support, because they have only moderate or low needs. However, using up pension savings for this purpose might restrict an individual's care options later on and could seriously disadvantage a surviving partner, so individuals may have very difficult decisions to make. There is also a knock-on risk to families, as many families currently 'top-up' the cost of a relative's residential care if they think the home the local authority has offered is not suitable or there is no suitable home in the area. We would be extremely concerned if cuts to the funding of social care meant that people had to jeopardise their own long-term financial security, by dipping into their own pension savings to fund a relative's care.

Impact on charitable advice sector

It is possible that many, many, more people at the point of retirement will get guidance than do currently. Given the need to provide people with holistic advice, via referrals and signposts this may have a knock on effect of many more people being routed through to third sector advice providers. Whilst on the one hand this is a positive, it may also put considerable strain on services that have already seen significant retrenchment in funding in the past few years. A demand may be created that simply cannot be met.

The activity of scammers

Age UK is dismayed that this policy announcement seems to have stimulated more scamming activity, as evidenced by the recent warning issued by the FCA. A clear brand for the guidance guarantee must be developed to try and counter this but further assessment needs to be done as to what else might be done to mitigate the impact of this behaviour. It must be made clear that it is a sanctionable offence to hold oneself out as offering pensions guidance that does not meet quality standards.

9. Monitoring and evaluation

The Government and/or appropriate regulators must make arrangements to effectively monitor and independently evaluate this policy. Whilst we hope that this policy does lead to greater innovation in product design and improved choice for consumers, there can be no certainty that this will actually happen or indeed when it will. Paragraph 4.7 of the consultation document states that 'an informed, active customer base is critical to ensuring an effective market' – but this is precisely what we know does not exist currently, and again it remains to be seen whether the 'guidance guarantee' is sufficient in and of itself to both engage and inform consumers to make appropriate choices for the rest of the retirement.

Monitoring is also required to ensure that guidance providers are meeting the quality standards set by the regulator; people are engaging with it in sufficient numbers and that the guidance is effective and leads to good consumer outcomes.

Appendix A sets out more detail on some of the key questions that need to be addressed in the monitoring and evaluation of this policy, together with some thoughts on how this can be done.

10. Specific consultation question responses

A new tax framework for retirement

Q1 Should a statutory override be put in place to ensure that pension scheme rules do not prevent individuals from taking advantage of increased flexibility?

Yes, we think that for reasons of fairness, clarity and consistency for consumers and scheme members a statutory override should be put in place.

Q2 How could the Government design the new system such that it enables innovation in the retirement income market?

We would challenge the assumption made in the consultation document in paragraph 3.19 that 'the shape of the market will be driven by the choices consumers make, placing power back in the hands of savers'. The financial services industry has had a truly lamentable record to date in developing products that really work in the interests of consumers. Whilst our hope is very much that there is innovation in the retirement income market – this must be fully in the interests of savers. We hope that the FCA in the work it is doing following its thematic review into annuities examines how it can ensure that competition in the retirement income market really does work in the interests of consumers.

Q3 Do you agree that the age at which private pension wealth can be accessed should rise alongside State Pension age?

Yes, it does seem to make sense to raise the age at which people can access their private pension wealth in line with rises in state pension age. (see also answer to question 5)

Q4 Should the change in minimum pension age be applied to all pension schemes which quality for tax relief?

For reasons of consistency this would appear to make sense.

Q5 Should the minimum pension age be increased further, for example so that it is five years below state pension age?

We can see the arguments for doing this. We would not want to inadvertently send a message that 10 years prior to retirement is the 'right' time to start drawing down your funds. Equally, for those very fortunate people who have managed to save sufficient funds by that time we can see no reason for stopping them accessing those funds. We think this should be reviewed in light of the experience of when people are choosing to access their pension savings and levels of long term unemployment amongst older workers.

Supporting Choice

Q6 Is the prescription of standards enough to ensure the impartiality of the guidance delivered by the pension provider? Should pension providers be required to outsource delivery of independent guidance to a trusted third party?

Please see our comments contained in section 4 and 5 above. In summary, clear preference is that the guidance should be delivered by a central agency/agencies with strong brand who can be truly impartial. This is because:

- The range of subjects that needs to be covered is wider than pensions
- people may have more than one pension pot
- a fewer number of agencies = greater consistency
- a strong brand needed to avoid confusion, facilitate take-up and reduce risk of scams

Q7 Should there be any difference between the requirements to offer guidance place on contract-based pension providers and trust-based pension schemes?

Fundamentally no, everybody retiring with a DC pension pot needs to have access to the same quality of guidance. The requirements on contract and trust schemes need to be consistent. We accept that there may be some differences in the routes into the guidance guarantee – but in terms of standards and content covered, there must be consistency.

Q8 What more can be done to ensure that guidance is available at key decisions points during retirement?

As the consultation document points out in paragraph 4.19 some people will need to continue to access support to help them make financial decisions later in retirement – a retirement that for some can last 30 years or even longer. Age UK would like to see a generic, sector-wide proposition that helps people navigate their way through later life. This could be used by all – from regulated advisers through to third sector organisations. The guidance offered through the guidance guarantee could form a part of this.

There is also an opportunity to join up guidance across later life. Ideally people need to start thinking about the how and when of retirement, including whether extending their working life is an option, as early as possible. We have been encouraged by the success of the Mid-Life Career Review pilot, funded by the Department of Business, Innovation and Skills, which provided advice on career and other issues to those over 50. We would like to see this programme continue and think that is an important starting point for engaging pre-retirees not just about their working lives but also their finances and planning for retirement.

Ultimately we would like to see this guidance joined up with that offered under the guidance guarantee and then see this carried through to the guidance that local authorities are required to offer under the Care Act 2014. If these different aspects of guidance were joined up – via a generic, sector wide offering, it would enable people to navigate the increasingly complex decisions that many face in later life.

Appendix A

Guidance guarantee – overview of Age UK position

Aim of guarantee	• Capable of delivering reasonable outcome for most dis-engaged saver (if decision is to not make a decision – what are the defaults?) • Holistic (it is impossible to provide sound advice about retirement income in isolation e.g. retirement income needs will be drastically different depending on housing, health, family) • Impartial • Help people manage their savings safely over the whole of their retirement, not just at outset – people leave advice knowing they need to actively manage through retirement and where else they can get help • must stop people unwittingly making actively bad decisions – e.g. buying expensive and inappropriate products, spending too much up front, paying tax unnecessarily, losing right to claim benefits • must link up to other forms of advice & guidance ***Priorities for April Delivery:*** stopping people unwittingly making bad decisions, including the disengaged saver
How delivered?	**Through range of channels (web, phone, F2F, workplace) as consumer prefers:** • Consumers can be encouraged online to prepare for guidance • Common framework to ensure consistency and clarity on scope • Explore Skype & tech-enabled • Must include some face to face • Pathfinder programme to test success by different channels ***Priorities for April Delivery:*** common framework and clarity on scope of guidance; getting on-line offering right and pathfinder programme to test different delivery channels
Who by?	• **Central agency/agencies with strong brand (TPAS/MAS) because:** • range of subjects that needs to be covered is wider than pensions • people may have more than one pension pot (potential

	duplication of effort for providers and doesn't help people to see their situation in the round) • impartial • fewer agencies = greater consistency • strong brand needed to avoid confusion, facilitate take-up and reduce risk of scams • while some providers may be able to deliver to a high standard, not all can or want to – confusing and requires monitoring/scripting if some do, some don't • already in existence ***Priorities for April Delivery:*** exploit existing advice infrastructure e.g. MAS/TPAS, voluntary sector
When?	**As consumer chooses from age 54 to final point of decumulation, following invitation from agency to be established following research; over longer term should link up with mid-life career review and guidance later on in retirement e.g. on care choices. No rationing.** Why? • Needs to be early enough to ensure informed choices on related decisions, e.g. when to retire • Free choice increases engagement • Some people may need more than one session – though should be encouraged online • Whoever delivers will not want to turn away – advice agencies expert at handling persistent callers • Rationing requires systems – ?cost benefit given that not everyone will take up anyway ***Priorities for April Delivery:*** use current OMO wake-up pack (6 months before SRA) or when consumer requests decumulation; consumers must be able to distinguish between 'official' invitation and scams. Pathfinders should be used to test take-up if trigger is letter from govt; provider etc. ; proactive state pension forecast pension tracing service; employer;
Inputs	**Consumer encouraged but not required to complete 'portable fact find' using online tool, pre-populated where possible** ***Priorities for April delivery*** • Providers required to meet minimum standards for provision of information about existing policies– would be

	good if they provide in a specific format … even better if this could be electronic, so people could then cut and paste into the online guidance tool • Provision of online tool, accessible to all
Outputs	**Record of conversation and fact find with personalised guidance on range of options and consequences, together with suggested next steps;** • Key messages around: tax, benefits, debt, mortgage, care, housing, for married/civil partnered consumers need to consider joint assets/decision making, working longer options. • Warm referrals to other advice agencies (e.g. TaxHelp for Older People, debt advice agencies) adequately funded to support greater uptake • Directory of IFAs that meet minimum standards and clarity on fees ***Priorities for April Delivery:*** • NOT just about pension options (e.g. not limited to annuity/drawdown/cash) • NOT driven by pot size but individual • Signposting • Directory of IFAS plus clarity on fees
Funding	• Standard FCA levy systems and TPR equivalents – no 'per person' funding that is somehow 'used up' • Ring-fenced funding for on-going provision of face to face guidance, for those consumers who require this
If guidance not taken	**Provider can still give information about own policy but must offer warm diversion to guidance service.** Consider also: • Cooling off period if guidance not taken? • If decision is to delay what are the defaults re the underlying investment fund, especially for trust based schemes? • Reduce risks of delay (e.g. no imposition of penalties) • Monitor take up of guidance per provider? ***Priorities for April Delivery:*** Development of standard information leaflet before action that all providers must use;
Monitoring and Evaluation	Measures must be put in place (regular sampling/mystery shopping/web analytics/case analysis) to ensure swift action can be taken if needed to change delivery mechanism/content: • Take up of guidance against different delivery routes and

	when is most effective time to deliver guidance • Proportion of consumers who 'prepare' for guidance via on-line/other tools • Proportion of consumers using on-line, telephone, F2F etc. • Proportion of consumers who require a number of conversations/repeat visits to reach a decision • Level of scam activity • Complaints data Longer term evaluation measures should include: • What options are people choosing? (Are new products coming to market and are people buying them? do people change their minds – i.e. do they take cash, then a few years later buy an annuity?) • How effectively does guidance guarantee link with other guidance e.g. long term care, mid life career review etc. and broader financial capability initiatives? • Extent and success of product innovation

[i] Pension annuities – a review of consumer behaviour, Jackie Wells, FCA, January 2014
[ii] The RDR and Consumers, Personal Finance Society, Feb 2014
[iii] *Decumulation of assets – the impact of the economic turndown,* Jackie Wells for ILC-UK, 2009
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