AEGON RETIREMENT ADVICE IN THE UK

Business impact and approaches to retirement advice against a backdrop of increasing demand and regulatory change

JANUARY 2020

01

FOREWORD

Retirement advice has been one of the big growth areas in financial advice in recent years. There's a clear driver of this growth – the UK population is getting older. By 2024 nearly 14 million people* will be 65 or older, a figure which is equivalent to 20% of the population. Combine this with the pension freedoms and the huge range of choice people have over how and when they retire and it's clear why 60% of advised investable assets are managed on behalf of retirees.

Aegon is delighted to have sponsored Next Wealth's comprehensive look at the propositions, investment approaches and related challenges that advisers are facing when advising retirees. We hope advisers reading this report will agree that it's a key piece of insight for anyone looking to understand the views of their peers in this complex area.

The report puts figures to some of the industry's biggest trends like the growth of Centralised Retirement Propositions, the portfolios advisers are using with retirees and the role of guaranteed income in retirement. It also sheds light on advisers' reaction to recent proposals from the FCA in relation to Defined Benefit advice and highlights some of the challenges advisers believe are in store here.

We hope you find the report as engaging and informative as we did. Many of the trends highlighted here will be used to inform Aegon's proposition development to ensure that we build services that meet advisers and their clients' future as well as current needs.

For more adviser focused insights and research please visit our Advice Makes Sense section of our website https://www.aegon.co.uk/advisers/advice-makes-sense.html

Ronnie Taylor,
Chief Distribution Officer at Aegon

**ONS population projections*

RETIREMENT ADVICE IN THE UK
EXECUTIVE SUMMARY

60% of advised investable assets are for clients in retirement, forecast to reach 65% in three years

Page 7 & 8

Most clients want to use their retirement savings for sustainable lifetime income or to pass savings onto loved ones

Page 11

42% of financial planners have an agreed Centralised Retirement Proposition. This rises to 57% among mid-size firms.

Page 14

Over half of financial planners use a different ATR approach for retired clients and over half use cash flow modelling

Page 15

49% of advisers use a distinct set of funds for clients in retirement, and a further 26% intend to in the future

Page 15

Only 2% of financial planners use an underwriting service to assess longevity. Most use standard mortality assumptions

Page 17

Overall, 84% of advisers use a cash buffer with two-thirds of these allocating one to two years' income to cash

Page 18

Financial planners prefer a total return approach for drawdown portfolios. 48% always or often take this approach. 34% use a bucket approach.

Page 20

A fixed rate withdrawal strategy is used by 41% of financial planners (down from 66% last year). Most of these use the 4% rule.

Page 21

Multi-asset and multi-manager funds are the products financial planners say they recommend most often to retirement clients

Page 23

Financial planners are showing a greater willingness to outsource to a discretionary manager. 23% use DFM models, up 6% year on year.

Page 22

For unsmoothed multi-asset products, nearly half of planners regularly use proprietary funds where the manager and product provider are the same

Page 25

NEXTWEALTH

RETIREMENT ADVICE IN THE UK
EXECUTIVE SUMMARY

AEGON

Advisers say that, on average, 27% of retirement client assets are invested in passive solutions.

Page 26

9 in 10 financial planners recommend lifetime annuities, but only 13% do so always or often.

Page 27

Main reason to use guaranteed income is for clients who don't want investment-based solution. Main reason not to use is low rates.

Page 28

Over three quarters of financial planners include the client's home in retirement and estate planning. 57% include it as a possible source of future capital.

Page 29

Almost half of advisers 'often' or 'sometimes' recommend equity release for clients. 47% of advisers expect this to increase over the next 3 years.

Page 30

One fifth of financial planners have a different preferred platform for retirement clients than used for clients in accumulation.

Page 32

80% of planners recommend standalone pension products, usually for lower-value clients or to access specific features.

Page 31

41% of firms are offering DB transfer advice, down from 56% last year. Business risk is the main reason for stopping transfer advice.

Page 35

2-in-5 advisers charge the same fee for advice and DB transfer regardless of outcome but charge an additional implementation fee for executing the DB transfer.

Page 37

The FCA's proposals for abridged advice receive a mixed reaction, but 46% say it will be effective in identifying clients for whom a DB transfer might be unsuitable

Page 39

Financial planners think that a ban on contingent charging will reduce access to advice. But also see that it can lead to unsuitable advice.

Page 38

45% of financial planners say regulation and regulatory change are the biggest challenges to retirement advice

Page 43

RICHARD PARKIN CONSULTING

INTRODUCTION

This report is kindly supported by Aegon and considers the increasingly important and fast-moving topic of retirement advice. That is, the provision of advice for clients approaching, at and in retirement. It provides financial planners with a benchmark for comparison to help them think through their own retirement advice process and to learn from the practices of other firms.

Appetite for advice to manage retirement savings continues unabated with little evidence that end clients are turning to digital advice platforms. Recent FCA data show that 78% of clients with a pension pot of £100,000 or more accessing drawdown are taking advice (FCA. 2019a).

While defined benefit pension transfer activity has slowed markedly since last year, it is still generating significant business for advisers. The same FCA data show that there were nearly 25,000 transfers in the six months to March 2019. This was down 24% over the preceding six months but transfer values continue to grow with XPS Pensions reporting a peak in their Transfer Watch index in August 2019.

All this activity has made retirement clients even more important for adviser businesses. Our research shows that the importance of retirement clients has grown to an average of 60% of advised investable assets, up 7% since 2018, and is projected to grow to 65% in the next three years.

But, as always, there are challenges for advisers. Regulatory attitudes to defined benefit transfers have hardened with a further set of rules expected imminently. While we expect these to further reduce transfer volumes, perhaps more concerning is the attitude towards the value of advised investment propositions signalled by the proposed rules on using workplace pensions for defined benefit transfers (FCA. 2019b). It doesn't require a huge leap of logic to conclude that the FCA may want to extend this argument to all forms of pension transfer.

The introduction of investment pathways for non-advised drawdown may put further pressure on advisers as providers make it easier for clients to access retirement savings without the need for formal financial advice. Even where clients do want to take advice, pension providers are increasingly offering this themselves. Recent research shows that two-thirds of the largest defined contribution pension providers now offer access to their own advice service within their products (Defined Contribution Investment Forum. 2019).

In this report, we explore in some detail the topic of retirement advice from a number of perspectives, and organised into the following sections:

We publish this report each year and welcome any input for future updates. You can send feedback to enquiries@nextwealth.co.uk.

METHODOLOGY

The report findings are based on quantitative and qualitative inputs:

- Online quantitative survey of 227 financial planners conducted between 19 and 26 September 2019
- In-depth qualitative interviews with 15 financial planners, conducted between 1 and 25 October 2019
- Comparisons are offered to the July 2018 version of this report which was based on a quantitative survey of 267 financial planners and in-depth qualitative interviews with 12 financial planners.

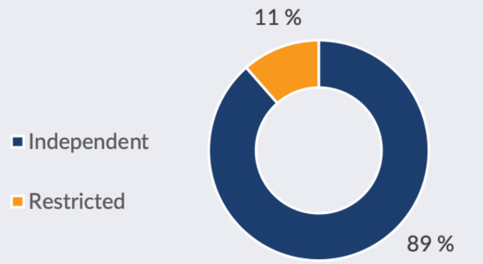
The following is the profile of respondents.

- Similar distribution of respondents to 2018 by advice status, number of financial planners in the firm, as well as by firm assets under advice (AUA)
- Almost all financial planners also advise on investments and savings and ISAs/OEICs/unit trusts
- A third advise on equity release, mortgages and investment trusts

FIGURE 1: TYPES OF ADVICE OFFERED

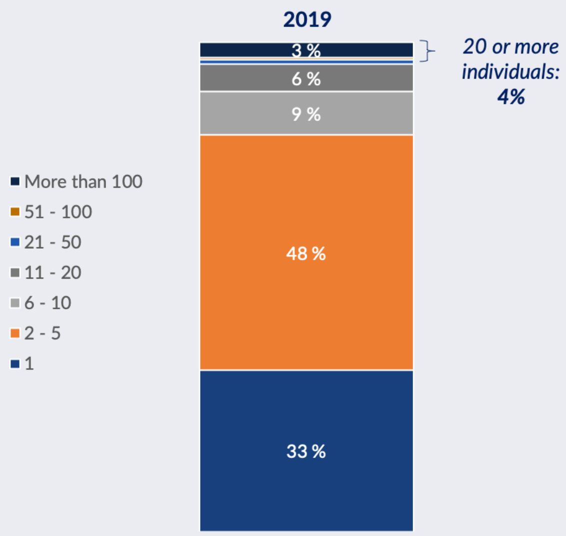
Source: "Which of the following do you regularly advise your clients on?" Base: All advisers (n=227)

FIGURE 2: FIRM STATUS



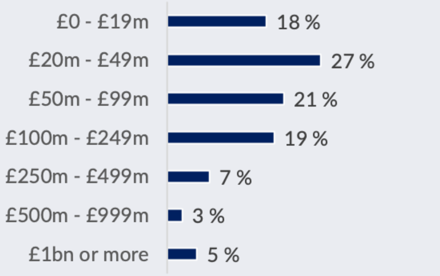
Source: "Which of the following best describes the status of your firm?" Base: All advisers (n=227)

FIGURE 3: REGISTERED INDIVIDUALS PROVIDING ADVICE WITHIN FIRM



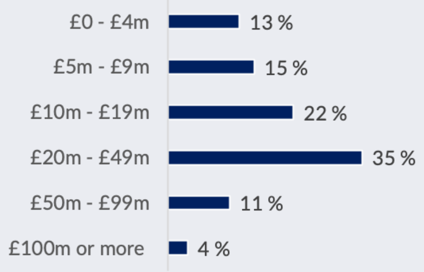
Source: "How many registered individuals give investment advice within your firm?" Base: All advisers (n=227)

FIGURE 4: ASSETS UNDER FIRM'S ADVICE (AUA)



Source: "What level of assets are currently held under your firm's advice?" Base: All advisers (n=227)

FIGURE 5: ASSETS UNDER ADVISER'S ADVICE (AUA)



Source: "What level of assets do you advise on personally?" Base: All advisers (n=227)

1/ IMPACT ON ADVISERS

An ageing population combined with pension freedom has driven up demand for financial advice and is having an impact on the structure and focus of financial advice businesses. On the back of RDR it has regenerated business growth. Defined benefit pension transfers have brought a wall of new money into the industry and drawdown is creating substantial future value for financial advice businesses.

1.1 IMPORTANCE OF RETIREMENT ASSETS TO FINANCIAL ADVICE BUSINESSES

On average, **60%**
(2018: 53%)
of adviser assets are for clients receiving retirement advice

Our survey reveals that 60% of advised assets are for retirement clients (those approaching, at or in retirement) and that there is a continued acceleration of the shift in investable assets toward these clients.

At 60% of assets, the share of investable assets for retired clients exceeds 2018's three-year forecast. In 2018, financial planners told us that 53% of their investable assets were for retirement clients and they forecast that to increase to 60% in three years. This year, the share of investable assets has already reached 60%, suggesting an acceleration of the shift to advising retirement clients. And financial planners are now forecasting that in three years' time, assets for clients in decumulation will reach 65% of advised investable assets.

Some financial planners say that, in reality, nearly all of their business is from retirement clients:

Assets for people that are retired is about 40%. I expect it to grow. We are taking on more people who are at retirement or retired. But that might be a function of my age!

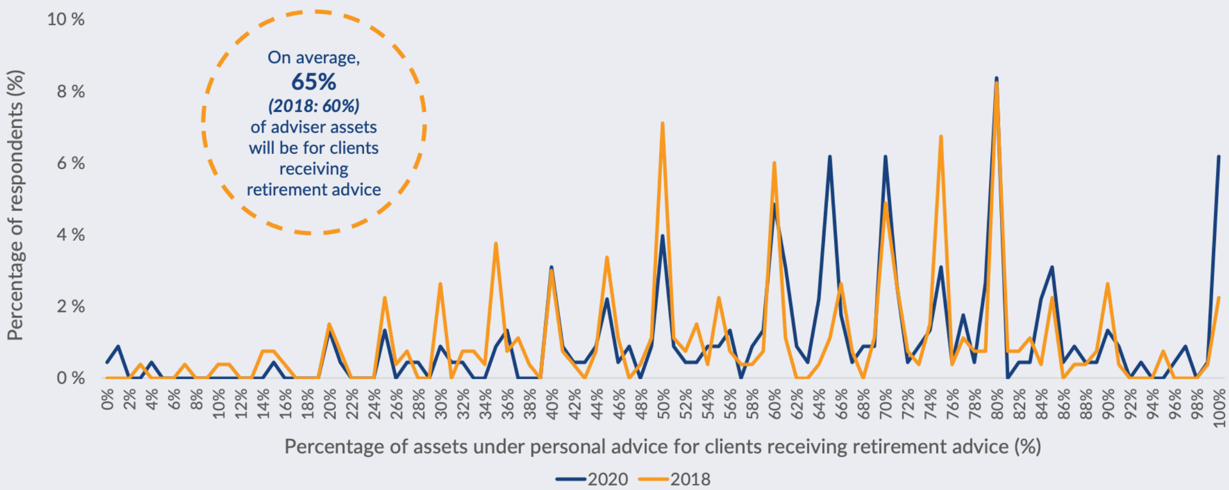
As we see it, our whole business is retirement. We might take someone on in their 50s, and we're advising people in their 80s. It's essentially all retirement planning So that's 95% of our business.

Others are onboarding increasingly younger clients into the retirement planning process. One panelist told us "typically these are tax-led enquiries that turn into financial planning".

While the average is 65%, there is a wide variety in the share of assets forecast to be for retirement clients, as illustrated in Figure 6.

- Financial planners who personally advise a larger value of assets (over £20m) have a larger proportion of investable assets for retirement clients. They also forecast a larger share of assets will be for retirement clients in three years. Specifically, financial planners personally advising on a level of assets in excess of £20m estimate that the share of investable assets for retirement clients will climb to 68% in three years compared to 62% who personally advise on assets below £20m.
- Perhaps unsurprisingly, financial planners with no centralised retirement proposition in place have a lower level of assets for clients in retirement while financial planners at firms that offer advice on DB transfers have a larger share of assets for clients in retirement.

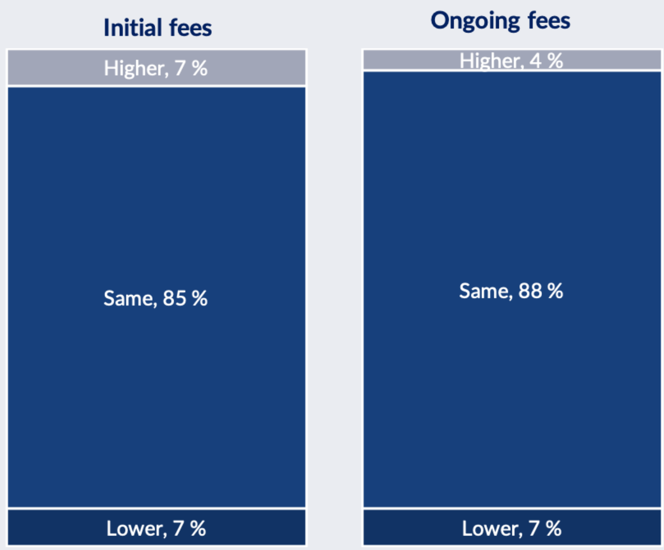
FIGURE 6: LOOKING AHEAD THREE YEARS: ASSETS UNDER ADVICE, PER ADVISER



Source: "Looking ahead 3 years, what percentage of the assets you advise on personally will be for clients for whom you are providing retirement advice?" All advisers (2020/2018) (n=227/267)

We asked financial planners about the way they structure their fees for clients in accumulation and decumulation. Overwhelmingly (81%), financial planners charge the same fees for clients who are retired as those that are in accumulation.

FIGURE 7: CHARGE DIFFERENCE BETWEEN CLIENTS IN ACCUMULATION AND THOSE SEEKING RETIREMENT ADVICE



Source: "Thinking of the initial and on-going fees you charge, how does the charging structure for your advice differ between clients who are in accumulation and those seeking retirement advice?" All advisers (n=227)

Retirement planning advice will be almost certainly be more complex than standard investment advice, particularly in the context of defined benefit transfers and ongoing drawdown reviews. While this might point towards a different fee scale for retirement advice few seem to be following this approach. This may be explained, in part, by retirement clients having greater investable assets and so generating higher revenues for advisers. However, the ever-increasing regulatory focus on the value of advice might point towards having an explicit fee scale for retirement advice, even if largely for presentation.

2/ CUSTOMER PROFILE

Since pension freedom and the associated changes to the taxation of death benefits came into effect, drawdown is no longer simply a means of providing an income. Now clients can also use it to cash out their retirement savings over very short periods or leave their savings as a legacy to loved ones. All of this choice introduces even more complexity compounded by the reality that there is no longer a fixed date for retirement.

These quotes from our in-depth interviews with financial planners illustrate the impact this has on customers:

No one fully retires anymore. In days gone by you just did an annuity.

It's difficult because there is no defined retirement age. People might think they're retired and they're not totally – they might be doing part time work, consultancy, etc.

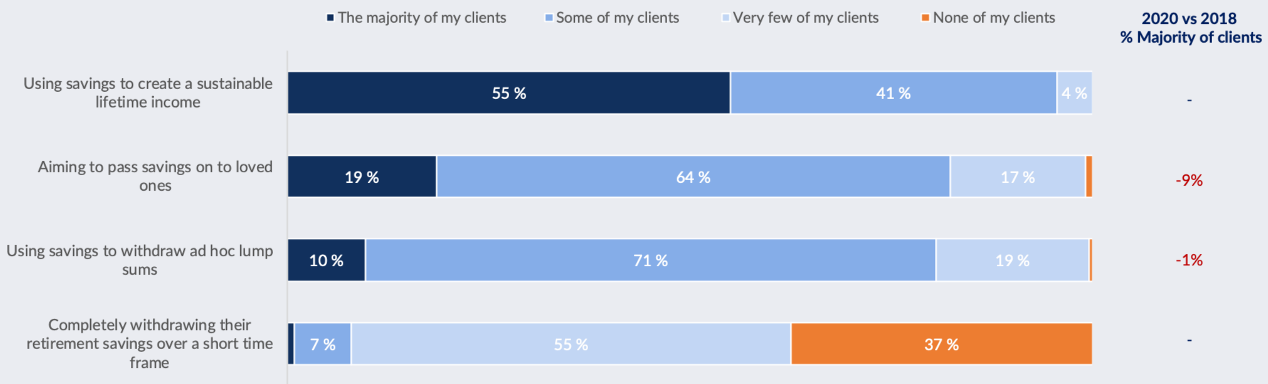
People come to us for peace of mind and clarity, knowing they will be able to sustain their standard of living throughout their lifetime.

There is a real confusion in people's minds between cash, lump sums and income. Before pension freedom, pensions were synonymous with income. People thought: I've got a pension, I'll get an income from it. Nowadays for the man on the street, a pension pot is a pot of money that you can dip into when you want. And that's quite profound.

2.1 OBJECTIVES WITH RETIREMENT SAVINGS

Our survey reveals that most customers are looking to create sustainable lifetime income and a significant proportion are looking to pass savings on to the next generation. Financial planners will generally focus on wealthier customers for whom this is a bigger priority.

FIGURE 8: CLIENTS' OBJECTIVES WITH THEIR RETIREMENT SAVINGS



Source: "Broadly what are your clients' objectives with their retirement savings?" All advisers (2020/2018) (n=227/267)

The only notable change year on year is a decrease in the proportion of financial planners who say that the majority of their clients are looking to pass wealth on to the next generation. While in 2018, 28% of financial planners said this was a priority for a majority of clients, that dropped to 19% this year. Anecdotally we hear that many clients start planning with the aim of passing pension assets on but quickly realise that, in practice, they will need to use their assets to support their own retirement.

Most difficult thing is not the solution, it is getting people to articulate their objectives.

For the most part, new clients have no idea. They get all these letters from their pension scheme. We do the fact find and ask about children and IHT. It then turns into a wider conversation.

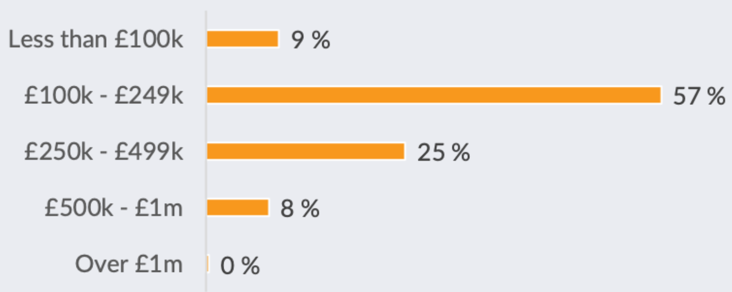
It is also worth noting the role of advice in income planning at retirement. Much has been made of the growth of non-advised drawdown since pension freedom was introduced. However, it is wrong to assume that this means people are happy to handle retirement planning themselves. In reality, much of the non-advised drawdown activity has been people just taking their tax-free cash entitlement, often many years before they intend to draw down the rest of their benefits. A recent report suggests that while those in defined contribution schemes are very comfortable making this decision, few are prepared or able to consider how they use the rest of their retirement savings to generate income (Defined Contribution Investment Forum. 2019).

Similarly, the use of investment pathways for non-advised drawdown only helps those taking tax-free cash decide where the rest of their money is to be invested. At this stage they do little to help clients understand how they should structure retirement income to meet their needs with many pension providers shying away from providing guidance in this regard beyond making online tools available.

2.2 AVERAGE VALUE OF RETIREMENT PORTFOLIOS

Most advised retirement clients have between £100k and £500k of investable assets. Financial planners report that most of their clients retiring today have some guaranteed income. This has an impact on the minimum level at which they will manage a drawdown portfolio. As more clients retire without guaranteed income, we expect the average level of investable assets to increase.

FIGURE 9: TYPICAL VALUE OF INVESTABLE ASSETS FOR CLIENT RECEIVING RETIREMENT ADVICE



Source: "What is the typical value of investable assets for clients for whom you are providing retirement advice? What percentage of the assets you advise on personally are for clients for whom you are providing retirement advice?"All advisers (2020/2018) (n=227/267)

3/ CENTRALISED RETIREMENT PROPOSITIONS

As the retirement landscape has become more complex, financial planners have sought a consistent approach to how they advise clients on retirement. Following a similar evolution to the Central Investment Proposition, the Central Retirement Proposition or CRP was born.

While some think of a CRP as simply a different investment proposition for retirement, in practice it extends much further than this. Definitions of CRP vary but we define it as follows:

> *'A common and consistent approach to retirement advice that is followed by the whole firm and will typically cover investment and withdrawal strategy but may also extend into fact finding, assessing attitude to risk etc.'*

3.1 USE OF CENTRALISED RETIREMENT PROPOSITIONS

In our survey, just under half (43%) of financial planners said they have a centralised retirement proposition in place that meets the above definition. A further 16% will have one in place in the next twelve months. This suggests that by October 2020, 59% of financial planners will have a centralised retirement proposition in place.

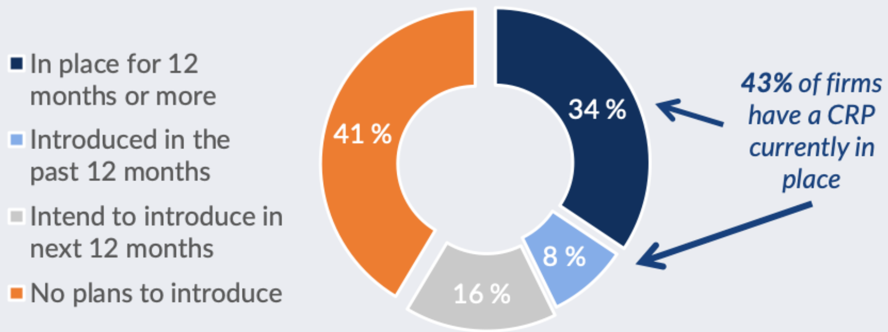
Interestingly, we found in the 2018 research that 46% of financial planners were using a CRP with 13% saying they would introduce one in the next 12 months. Even allowing for sample variations, this suggests progress on introducing CRPs has slowed or even stalled.

The use of CRPs is most prevalent in mid-sized firms (those with assets under advice of £50m to £249m) with 57% of these saying they already have a CRP in place and a further 11% saying they intend to introduce one in the next 12 months. Larger firms, in particular those with more than five advisers are more likely to have a CRP. 51% of these firms ahve a CRP in place. 51% of these firms have a CRP in place.

We believe that if we've done the research to come out with an optimal strategy that will work for retirees and pre-retirees, we've worked on that as a team and that's our best idea. There is a second best idea, but why would we go with that?

We try to follow a consistent approach because it makes life easier. We've done research every day of the week on funds anyway.

FIGURE 10: EXISTENCE OF A CRP WITHIN FIRM



Source: "Does your firm have a Centralised Retirement Proposition (CRP)?" All advisers (n=227), Less than £50m (n= 102), £50m - £249m (n= 90), £250m+ (n= 35)

Financial planners at smaller firms are the least likely to adopt a CRP in the future with over half of sole traders saying they have no intention of doing so. For these smaller firms, the main reason for not adopting a CRP is a preference to tailor advice to each client. Indeed, this is overwhelmingly the main reason for all firms not adopting a CRP, although a couple of larger firms told us it was difficult to impose a single advice process across all their advisers.

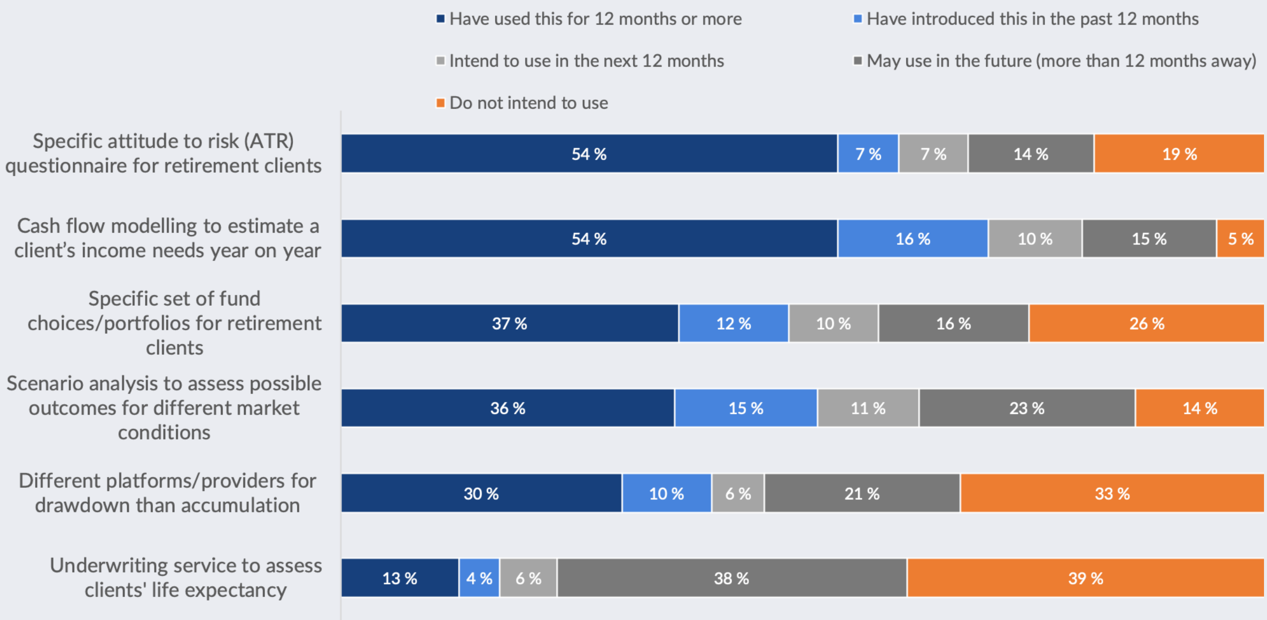
FIGURE 11: MAIN REASON FOR NOT PLANNING TO INTRODUCE A CRP

Source: "What is the main reason that you do not plan to introduce a CRP?" All advisers not introducing a CRP (n=94)

3.2 APPROACH TO ADVISING RETIREMENT CLIENTS

Of course, even where advisers aren't following a completely distinct advice process for retirement, they may use different techniques for retired clients from those in accumulation. The following chart shows the techniques used to manage retirement income.

FIGURE 12: USE OF TECHNIQUES TO MANAGE RETIREMENT INCOME

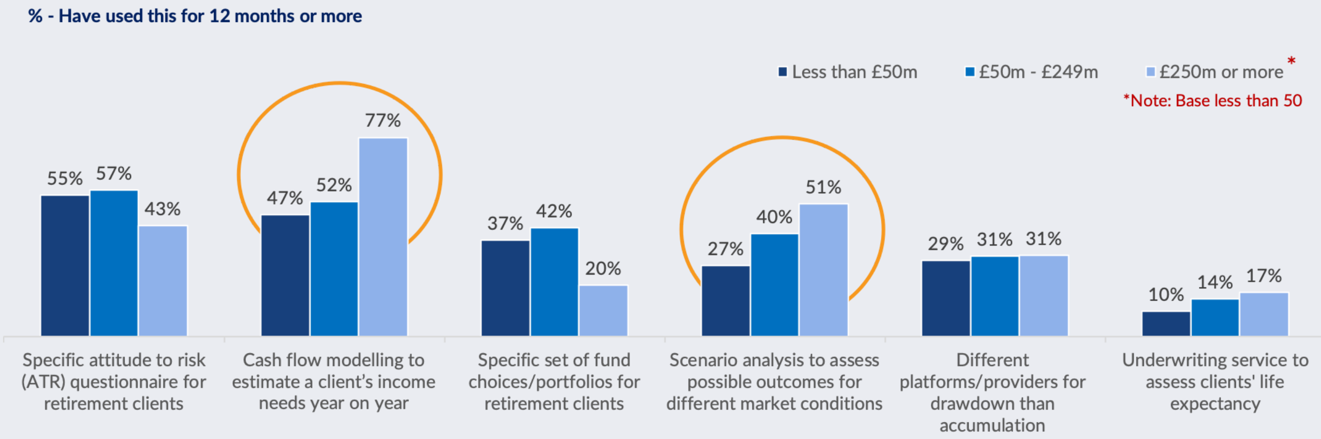


Source: "Looking at the different elements of retirement advice, to what extent are you using the following techniques to manage retirement income?" All advisers (n=227)

Over half of firms use a different attitude to risk approach for retirement clients and we see a similar proportion using cash flow modelling. However, larger firms are far more likely to use cash flow modelling with 77% of firms with assets over £250m using these tools. In qualitative interviews with advisers, we still hear consistent complaints that many cash flow tools are often overly complex, and many prefer to use simpler tools or spreadsheets to manage these forecasts.

People's eyes glaze over when you show them the report. We tend to stick to Excel spreadsheets; get it straight in our heads and give them the bullet points. If you have a plumbing problem, you ask a plumber, you don't expect them to get the manual out and show you all of it.

FIGURE 13: USE OF TECHNIQUES TO MANAGE RETIREMENT INCOME, BY FIRM AUA



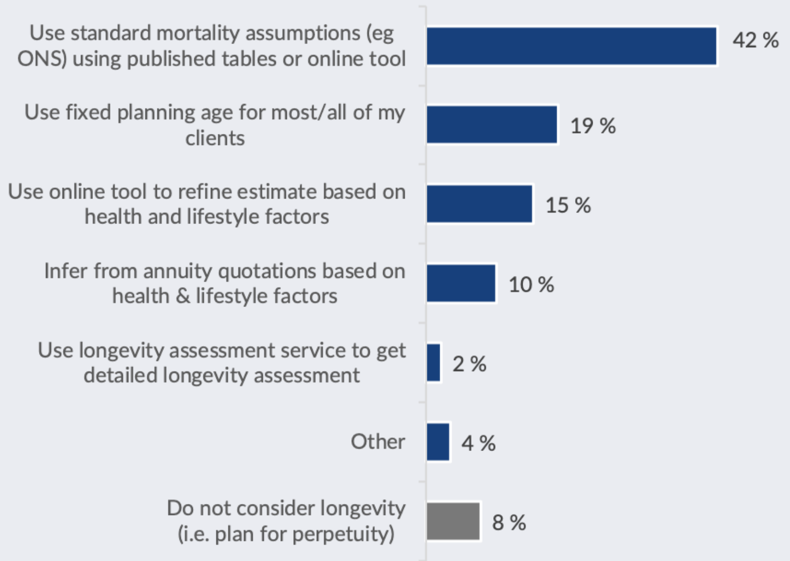
Source: "Looking at the different elements of retirement advice, to what extent are you using the following techniques to manage retirement income?" Less than £50m (n= 102), £50m - £249m (n= 90), £250m+ (n= 35)

Nearly half (49%) of financial planners use a distinct set of funds for retirement clients with a further 26% saying they intend to introduce these in the future. There seems to be some debate amongst advisers and investment managers as to whether portfolios for decumulation should have different characteristics from those for accumulation. Some argue that a common set of portfolios can be used with decumulation clients being directed to the more cautious portfolios. Others will argue that, because risks in decumulation are fundamentally different, underlying portfolio components will need to be different. In particular, this may involve a greater focus on downside risk management to mitigate sequencing risk or a greater focus on income.

3.3 ASSESSING LIFE EXPECTANCY

We are also surprised to see that few financial advisers use underwriting services to assess longevity given how crucial this can be in building a retirement plan. We wanted to understand more about how advisers are looking at longevity and it seems the majority are either using standard mortality assumptions or a fixed planning age. Moreover, the approach does not vary significantly based on the size of the adviser firm.

FIGURE 14: ASSESSING CLIENT'S LONGEVITY FOR RETIREMENT PLANNING



Source: "How do you usually assess a client's longevity for retirement planning purposes?" All advisers (n=227)

It is somewhat perplexing that assessing longevity accurately does not feature more prominently. Admittedly, discussing mortality with clients is difficult, but not doing so seems to be ignoring a vital piece of information. It may also be that today's clients are less reliant on savings to provide lifetime income and it's interesting to see that 8% of advisers plan for perpetuity. However, we would expect that, as clients become more reliant on defined contribution savings, there will be a greater need to assess life expectancy more accurately in order to maximise retirement income.

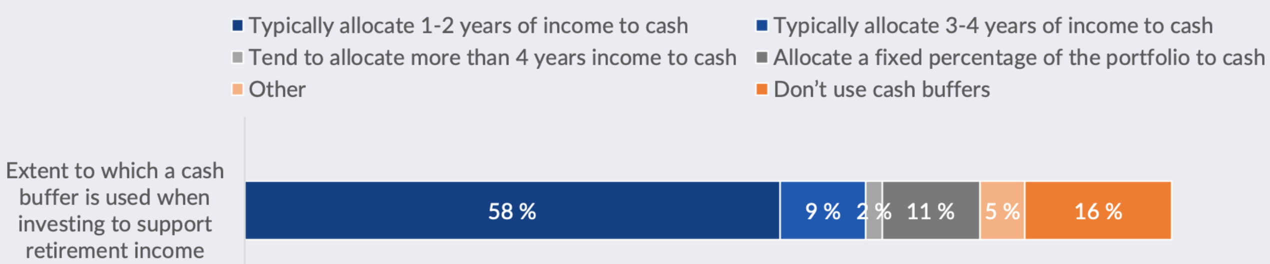
4/ INVESTMENT STRATEGIES FOR INCOME DRAWDOWN

We've seen that about a half of advisers don't necessarily use a different set of portfolios or fund choices for retirement clients from those used for those still accumulating retirement wealth. This does not mean that advisers don't think differently about how to invest for clients in retirement.

4.1 USE OF CASH BUFFERS

One of the distinguishing features of retirement investing is the use of cash buffers for clients taking income. By this we mean an explicit allocation to cash outside of any cash holdings within funds or portfolios. Anecdotally, many advisers tell us that, even if they do not consider holding a cash buffer to make good investment sense, many clients need the buffer to feel protected in the event of a market downturn.

FIGURE 15: EXTENT OF USE OF CASH BUFFERS



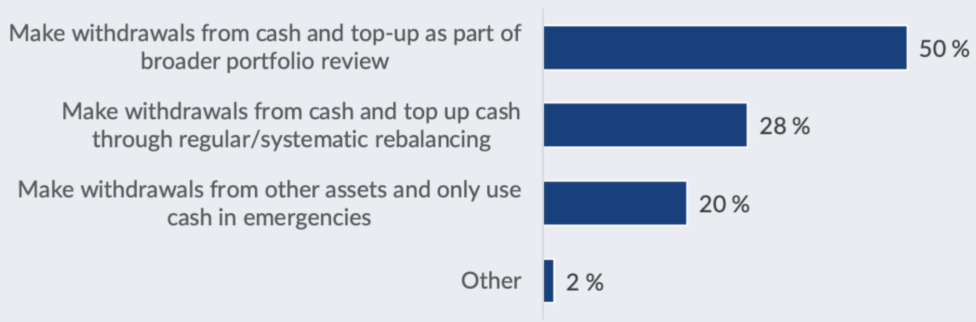
Source: "When investing to support retirement income, to what extent do you use a cash buffer (i.e. allocating part of the portfolio to cash to support income payments)?" All advisers (n=227)

Overall, 84% of financial planners use a cash buffer with two-thirds of these allocating one to four years' income to cash. The use of cash buffers is pretty consistent across firms though smaller firms, in terms of both number of advisers and assets under advice, are slightly less likely to do so.

> ***Clients typically hold substantial cash in their own account, not charged by us or the platform to hold it. Typically we hold two years worth of cash.***

Advisers do use cash buffers quite differently though. Nearly 80% will draw income from the cash buffer and then replenish it through investment income payments and sales from other parts of the portfolio. In particular, 28% of advisers told us they systematically rebalance the portfolio to top up cash holdings. This seems somewhat counterintuitive as it does imply assets will be sold regardless of their performance which seems to somewhat undermine the purpose of holding a cash buffer in the first place.

FIGURE 16: USE OF CASH BUFFER WHEN MANAGING CLIENT WITHDRAWALS



Source: “How do you use the cash buffer in managing client withdrawals?”All advisers who use cash buffers (n=191)

One-fifth of financial planners will only draw on the cash in emergencies, that is, when markets have turned down. This will allow clients to avoid selling assets at depressed prices and so mitigate sequencing risk. Whatever approach is followed, we see scope for advisers to add value to client investment strategies through a more dynamic approach to managing withdrawals and rebalancing between cash buffers and growth portfolios.

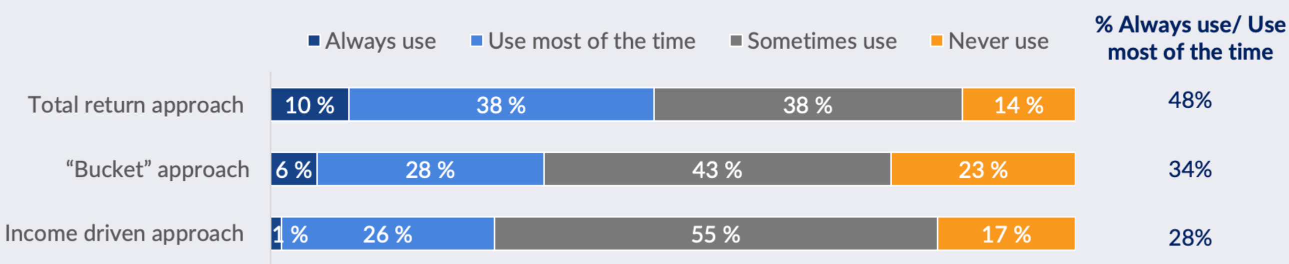
4.2 STRUCTURING PORTFOLIOS FOR INCOME

There are three main approaches to how financial planners structure portfolios for income:

- Total return approach – invest for total return with income payments funded by selling investments
- "Bucket" approach – dividing account into short, medium and long-term components to match future income needs
- Income-oriented approach – income payments made from income paid on investments and perhaps topped-up by selling investments

As we saw in 2018's results, the total return approach is the most popular overall with little variation between firms, although smaller firms are slightly more inclined to use a total return approach. In our in-depth interviews with advisers, a few suggested that following a wholly income-oriented strategy narrowed down the fund choice too much perhaps explaining, at least in part, why this approach is the least popular overall.

FIGURE 17: APPROACH TO STRUCTURING INVESTMENT PORTFOLIOS



Source: "When creating portfolios for clients taking retirement income, how does your firm tend to structure investment portfolios?" All advisers (n=227)

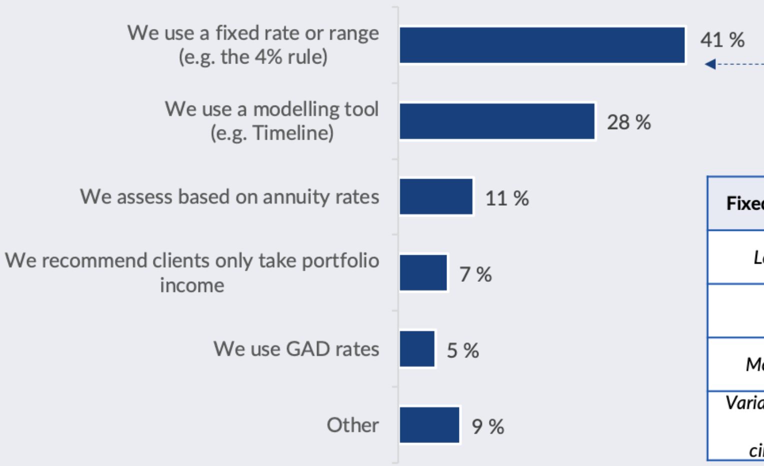
4.3 WITHDRAWAL STRATEGY

How successful income drawdown will be for a client depends as much, if not more, on the withdrawal strategy as it does on the investment strategy. The two are closely linked through the effects of inflation risk and sequencing risk as well as basic risk-return trade-offs.

In 2018 we reported that 66% of advisers used a fixed rate or range with two-fifths of these using a fixed rate of 4%. This has fallen sharply this year with 41% using a fixed rate although the traditional '4% rule' remains very popular with this group.

Much of this is due to a shift towards using modelling tools to help assess withdrawal strategies. This includes traditional cash flow planning tools but also tools such as Timeline by FinalytIQ, which helps advisers model withdrawal strategies and investment strategies together. This move to using modelling tools is most pronounced for larger firms with smaller firms making greater use of annuity rates to guide income decisions.

FIGURE 18: SAFE WITHDRAWAL RATE



Fixed rate or range specified	
Les than 4%	22%
4%	44%
More than 4%	13%
Variable by age and personal circumstance	21%

Source: "Where clients are using drawdown to create an income for life, how do you usually determine a safe withdrawal rate? You mentioned that you use a fixed rate or range (e.g. the 4% rule). All advisers (n=227); All advisers who use a fixed rate or range (n=92)

5/ INVESTMENT PRODUCTS USED IN DECUMULATION

5.1 INVESTMENT PRODUCTS USED FOR RETIREMENT CLIENTS

Multi-asset fund and model portfolios (particularly those managed in-house), are the two products advisers are most likely to recommend to clients in retirement.

Multi-asset funds casts a wide net so we broke down the category to ask about smoothed and unsmoothed multi-asset funds. By “smoothed” we mean funds that seek to smooth investment returns from year to year. These are sometimes referred to as with-profits although few of these funds bear the same levels of certainty that traditional with-profits used to.

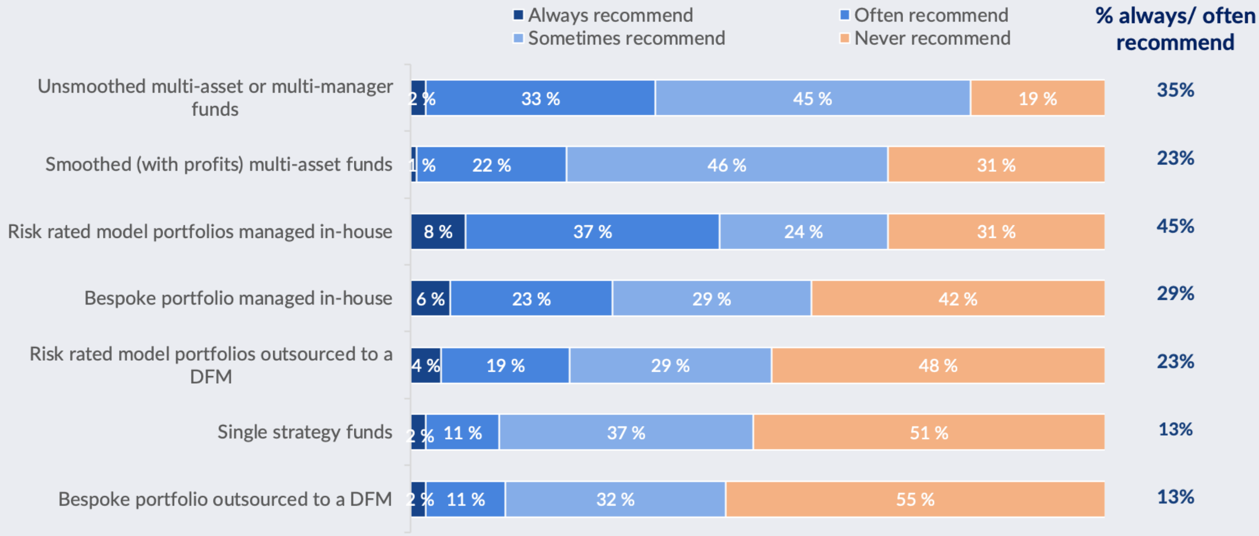
Unsmoothed multi-asset and multi-manager funds come out on top with 35% ‘always’ or ‘often’ recommending these products to retirement clients.

Multi-asset funds are recommended by a range of financial planners. We found no marked difference by size of firm or assets under advice. We did note that financial planners that offer DB pension transfers are more likely to recommend smoothed multi-asset products.

In 2018, 58% of financial planners told us they ‘never’ recommend *risk rated model portfolios outsourced to a Discretionary Fund Manager (DFM)*. We said at the time that we expected discretionary model portfolios to gain share of assets in time as DFMs and platforms improved their ability to help financial planners manage tax liabilities and to handle natural income. In line with that thinking, we have seen the share that ‘never’ use DFM models decrease by 10%. There has been a corresponding 6% increase in the share of financial planners who ‘always’ or 'often' recommend these services to clients in retirement.

Only 13% of financial planners say that they ‘always’ or ‘often’ recommend single strategy funds, down 5% since 2018.

FIGURE 19: LIKELIHOOD TO RECOMMEND FOR CLIENTS' ASSETS IN DRAWDOWN

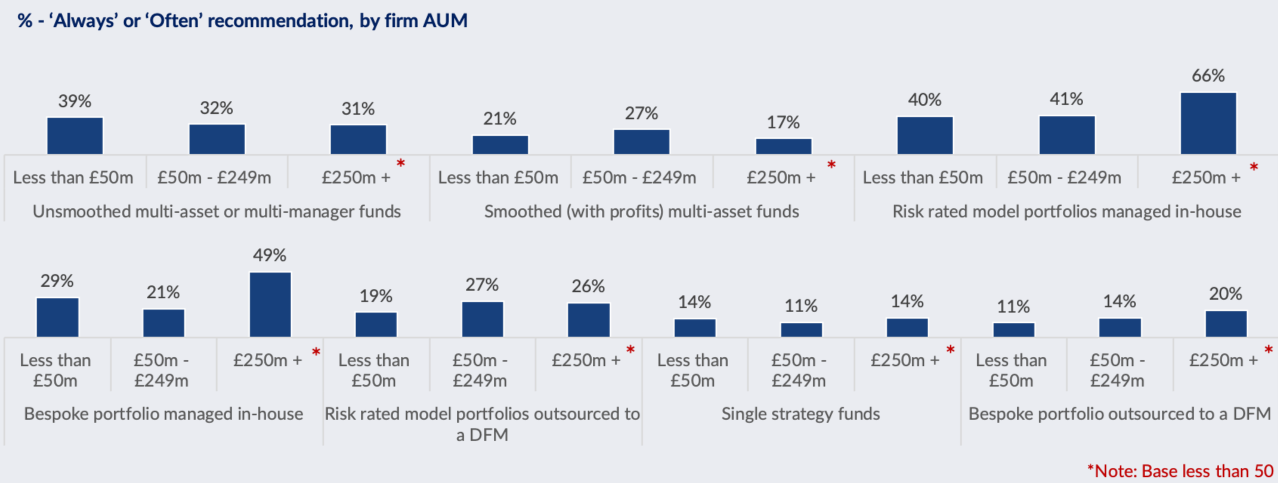


Source: "When investing client assets in drawdown, how often do you recommend the following...?" All advisers (n=227)

Risk rated model portfolios are a popular choice with 45% of financial planners saying they recommend them 'always' or 'often' for clients in retirement.

Financial planners at larger firms are much more likely to recommend *adviser managed models*, as illustrated in Figure 20. This is also true of *bespoke portfolios managed in-house*, *risk-rated model portfolios outsourced to a DFM* and *bespoke portfolio outsourced to DFM*.

FIGURE 20: LIKELIHOOD TO RECOMMEND FOR CLIENTS' ASSETS IN DRAWDOWN, BY FIRM AUA

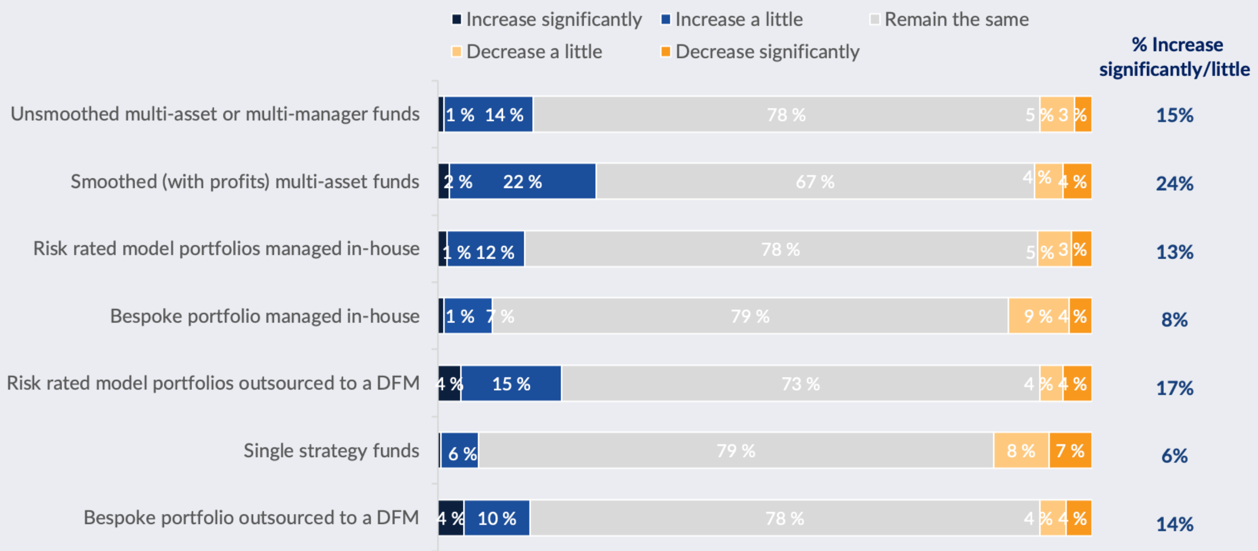


Source: "When investing client assets in drawdown, how often do you recommend the following...?" Less than £50m (n=102), £50m - £249m (n= 90), £250m+ (n= 35)

Financial planners expect to increase use of *smoothed multi-asset funds* and *risk rated model portfolios outsourced to a DFM* in the next three years.

Firms with higher AUA are the most likely to expect to increase use of outsourced DFM. These firms will drive more asset flow than smaller firms, suggesting a further lift for outsourced DFM. We note that all bands of firm AUA predict an increase in use of outsourced DFM in 3 years' time.

FIGURE 21: IN 3 YEARS' TIME: LIKELIHOOD TO RECOMMEND FOR CLIENTS' ASSETS IN DRAWDOWN

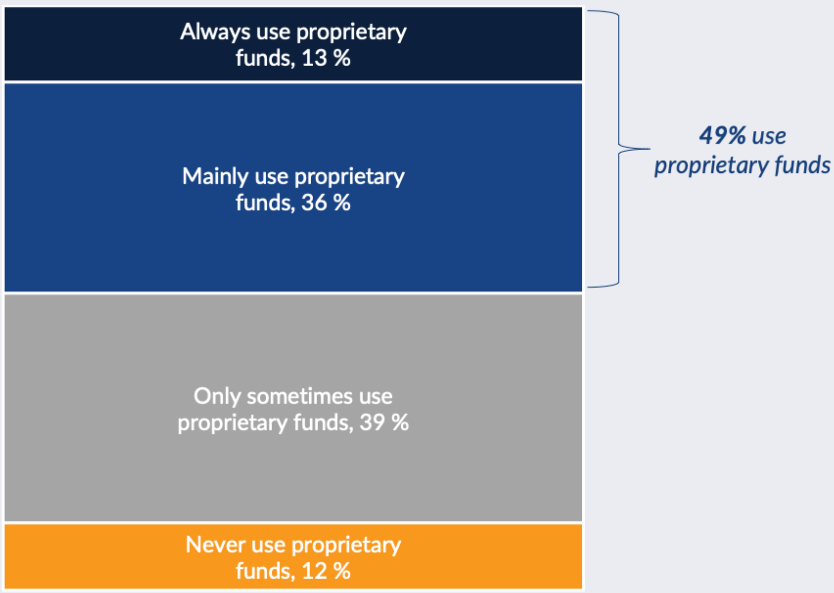


Source: "And when investing client assets in drawdown, how do you expect your use of the following products to change over the next three years?" All advisers (n=227)

5.2 USE OF PROPRIETARY MULTI-ASSET FUNDS

A source of great debate in the industry is whether financial planners are reluctant to use proprietary multi-asset funds. Proprietary multi-asset funds are funds where the same firm manages the money and provides the tax-wrapper. Our research shows that just under half of financial planners 'always' or 'mainly' use proprietary funds. Only 12% 'never' use proprietary funds.

FIGURE 22: EXTENT OF USE OF PROPRIETARY MULTI ASSET FUNDS



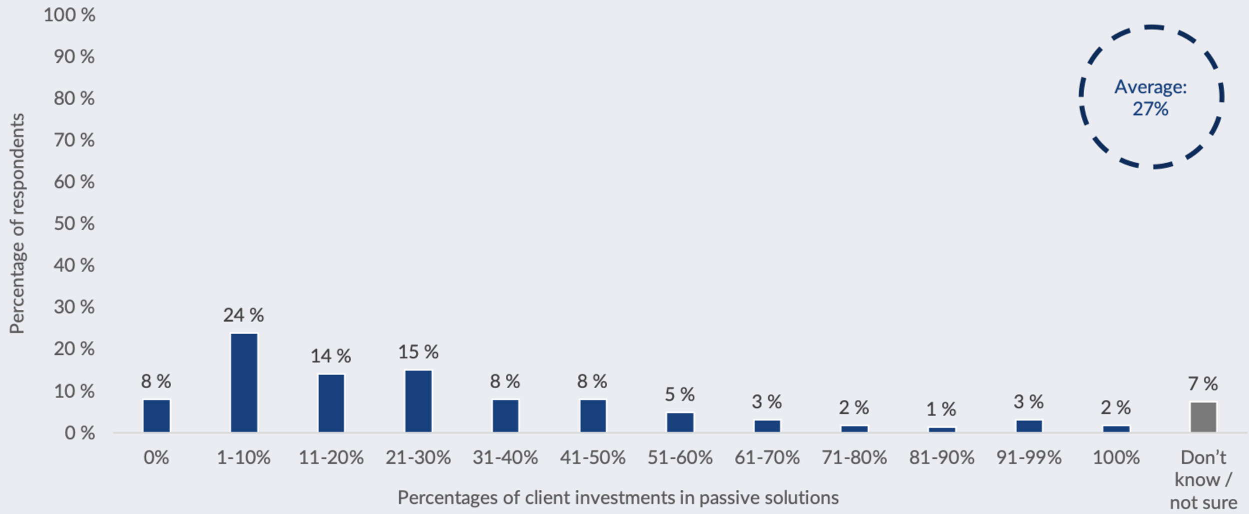
Source: "You mentioned you use unsmoothed multi-asset funds for some clients. Where these are used, to what extent are these the product or platform provider's proprietary multi-asset funds?" All advisers who use unsmoothed multi-asset or multi-manager funds (n=130)

5.3 USE OF PASSIVE FUNDS IN RETIREMENT PORTFOLIOS

Financial planners say that they invest an average of 27% of retired client assets in passive solutions. This figure is slightly lower than NextWealth found in a survey we conducted recently with the *Personal Finance Society*. In that study, among the 482 financial planners surveyed, the average share of all advised assets in passive solutions was 32%.

Rather than suggesting a preference for active solutions for clients in retirement, we think this has to do with the age of the financial planner. NextWealth research reveals that older financial planners are more likely to have retired clients and are more likely to favour active funds .

FIGURE 23: RETIRED CLIENTS' INVESTMENTS IN PASSIVE SOLUTIONS



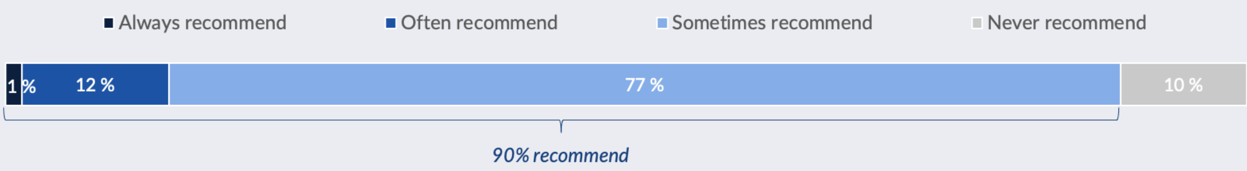
Source: "Approximately what percentage of your retired clients' investments are in passive solutions?" All advisers (n=227)

5.4 USE OF GUARANTEED INCOME PRODUCTS

Annuity rates continue to fall, driving down demand. There was some thought that other guaranteed income products would replace annuities, but these products have struggled to gain adviser support often being seen as overly complex and costly.

While nine-in-ten financial planners recommend guaranteed income products such as lifetime annuities, most do so only 'sometimes'. Only 13% recommend these products 'always' or 'often'. Financial planners at large firms are least likely to recommend guaranteed income products. And financial planners at a firm with a CRP in place are more likely than average to use guaranteed income products (94%).

FIGURE 24: RECOMMENDATION OF GUARANTEED INCOME PRODUCTS



Source: "How often do you recommend guaranteed income products such as lifetime annuities for clients in retirement?" All advisers (n=227)

I can't remember the last time I did one. I did a whole phase of it in the late 90s but then they stopped working. Too expensive and too risky.

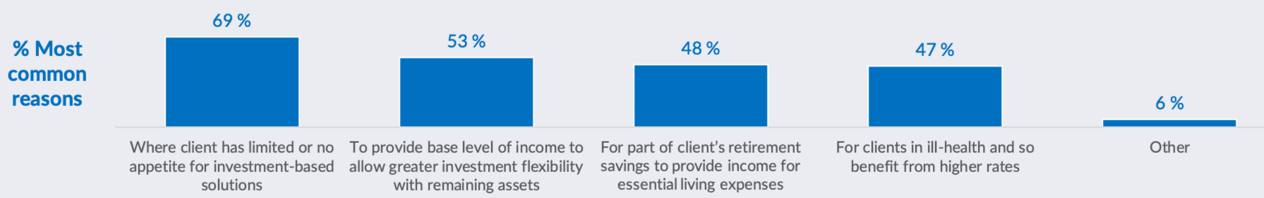
Very very rarely, almost never. Clients tend not to have been in fixed jobs with fixed incomes, so they are not looking to replace certainty of income they had in their working life; for example business owners taking bonuses in some years, others not.

Consistently every firm who offers guaranteed products after a period of time has to make changes, e.g. make terms more penal. They are not sustainable products.

We also asked financial planners if they expect to increase use of guaranteed income products in the next three years. One fifth of respondents except to increase use 'a little' over the next three years.

The following two charts show the reasons for and against recommending guaranteed income products. The comments support our view that demand for guaranteed income products will rise as fewer retirees have final salary pensions and as rates improve.

FIGURE 25: REASONS FOR RECOMMENDING GUARANTEED INCOME PRODUCTS



Source: "What are the main reasons for you recommending / not recommending guaranteed income products more often?" Base: All advisers who do not always recommend guaranteed income products (n=224)

FIGURE 26: REASONS FOR NOT RECOMMENDING GUARANTEED INCOME PRODUCTS

Source: "What are the main reasons for you recommending / not recommending guaranteed income products more often?" Base: All advisers who do not always recommend guaranteed income products (n=224)

Financial planners say that guaranteed income products are used mainly in instances when the client has 'limited or no appetite for investment-based solutions.' The two next most popular reasons cited are to offer guaranteed income either to cover essential living expenses or to give greater flexibility for the remainder of the client's assets.

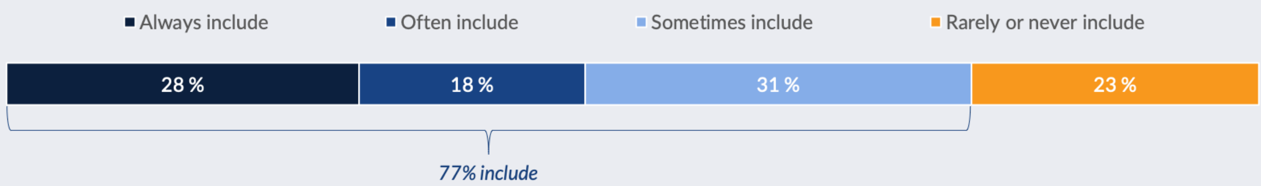
Many expect that demand for guaranteed income products will rise as more people retire without final salary pensions. The use of guaranteed income to offer income security confirms this notion.

The top reason cited for not recommending guaranteed income products more often is that guaranteed income rates are too low at present. With the ruling Conservative party proposing increases in public sector spending in coming years, we could see some increase in long-term interest rates. However, while annuity rates will improve if and when underlying interest rates rise, there are other factors that are driving rates lower. In particular, the increase in underwriting of annuities means that those in good health no longer benefit to the same extent from having their risk pooled with those with lower life expectancy.

5.5 USE OF HOUSING ASSETS IN RETIREMENT PLANNING

Over three-quarters of financial planners include a client's home in retirement and estate planning. Proportions of advisers citing this is similar across firm AUA. We found little difference in results by profile of respondent, except that financial planners at firms with an agreed CRP are more likely to include the client's home in estate planning.

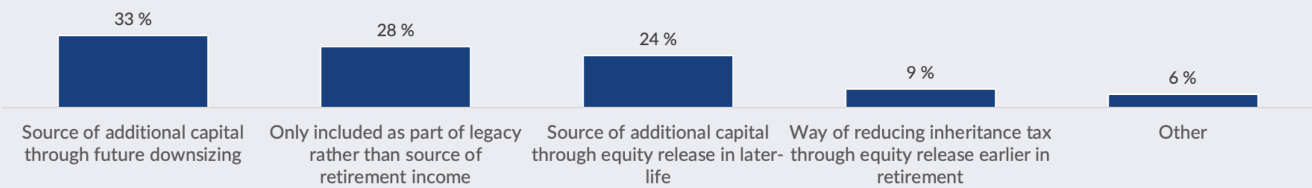
FIGURE 27: INCLUSION OF CLIENT'S HOME IN RETIREMENT AND ESTATE PLANNING



Source: "To what extent do you usually include a client's home in retirement and estate planning?" All advisers (n=227)

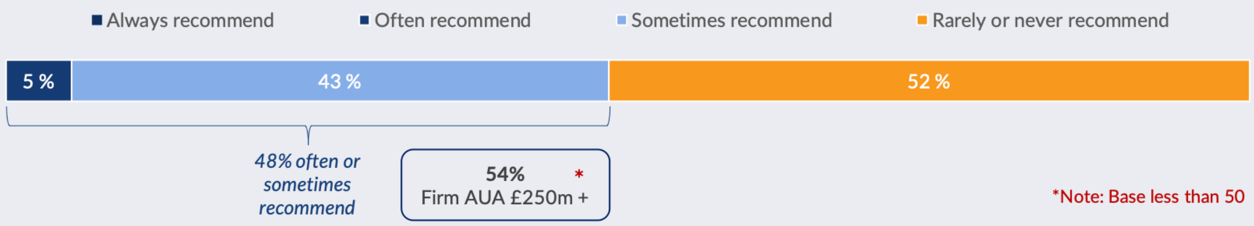
The client's home is seen as a source for additional capital through future downsizing by one third of financial planners. A further 28% say that the home is only included as part of the legacy rather than a source of retirement income.

FIGURE 28: IF INCLUDING CLIENT'S HOME IN RETIREMENT AND ESTATE PLANNING, USUALLY CONSIDERED AS.



Source: "Where you include a client's home in retirement and estate planning, how is this usually considered?" All advisers who include a client's home in retirement and estate planning (n=175)

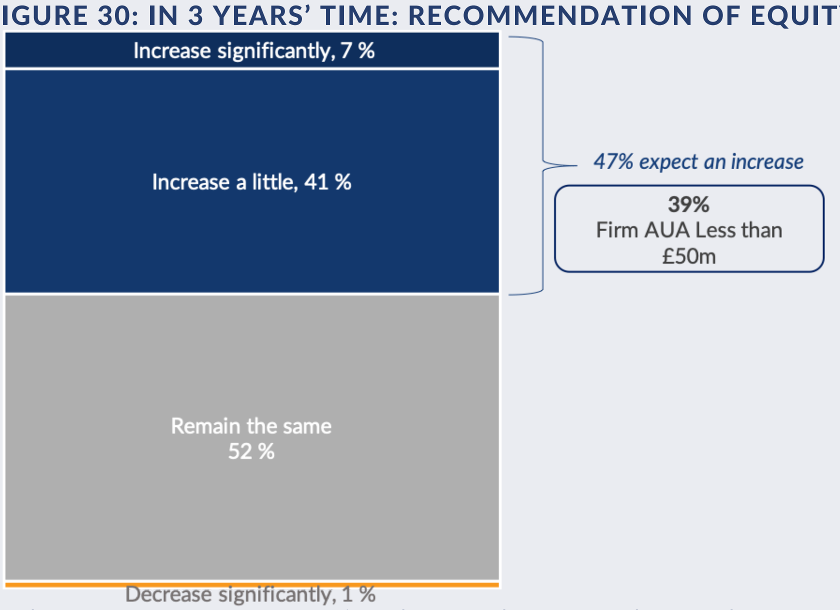
FIGURE 29: RECOMMENDATION OF EQUITY RELEASE



Source: "To what extent do you recommend equity release for clients?" All advisers (n=227)

Looking ahead 3 years, almost half of financial planners predict an increase in their use of equity release, though most expect use to 'increase a little'. Financial planners at smaller firms are less likely to expect an increase in use of equity release.

FIGURE 30: IN 3 YEARS' TIME: RECOMMENDATION OF EQUITY RELEASE



Source: "And how do you expect your use of equity release to change over the next three years?" All advisers (n=227)

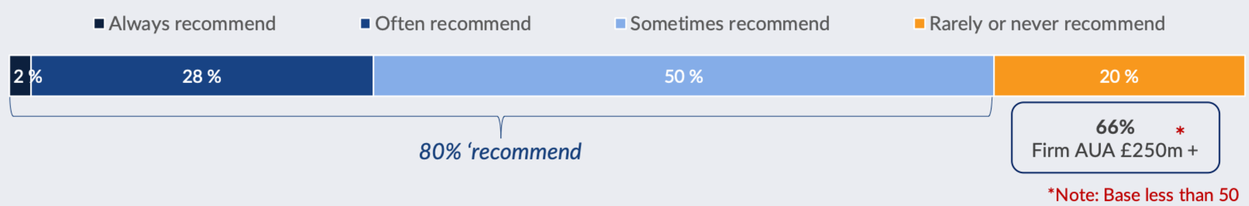
Many financial planners still regard equity release as a product for the less wealthy rather than a tax management strategy for wealthier clients. This came through in our interviews with financial planners.

> ***If they don't have a great deal of money, then I'll talk about other options, such as the home. It's a "loan of last resort." But I also make sure the beneficiaries know about the loan.***

5.6 STANDALONE PENSION PRODUCTS

In this year's survey we wanted to understand the extent to which advisers recommend standalone pension products. By 'standalone pension product' we mean a non-platform pension product or a simplified platform pension with, for example, a limited fund range.

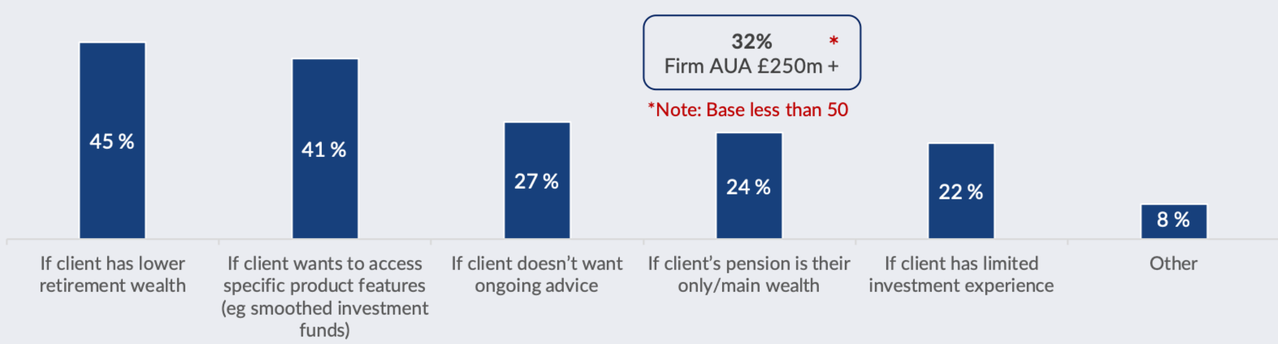
FIGURE 31: RECOMMENDATION OF STANDALONE PENSION PRODUCTS



Source: "How often do you recommend standalone pension products for your clients' retirement needs?" All advisers (n=227)

Financial planners say they are most likely to recommend a standalone pension product if a client has lower retirement wealth or wants to access specific product features. These reasons remain consistent across all profiles of financial planner.

FIGURE 32: CIRCUMSTANCES OF RECOMMENDATION



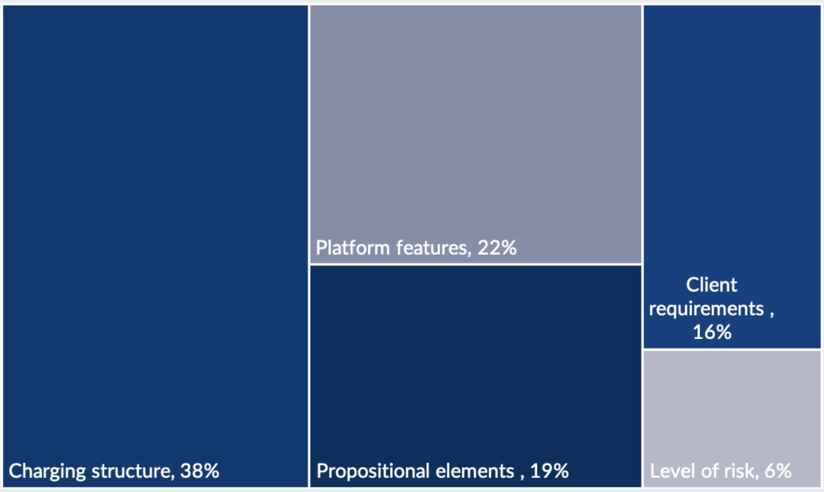
Source: "In what circumstances do you recommend standalone pension products?" All advisers who recommend standalone pension products (n=164)

6/ PLATFORMS

About one in five (19%) financial planners say that they have a different preferred platform for customers in accumulation and those that are retired. In 2018, that figure was nearly one quarter (23%). Platforms have invested heavily in functionality to support decumulation and that appears to be reflected in these results.

Advisers cite a variety of reasons for using a different platform for accumulation vs retirement. The most common reason is the different propositional elements and charging structures across the various platforms.

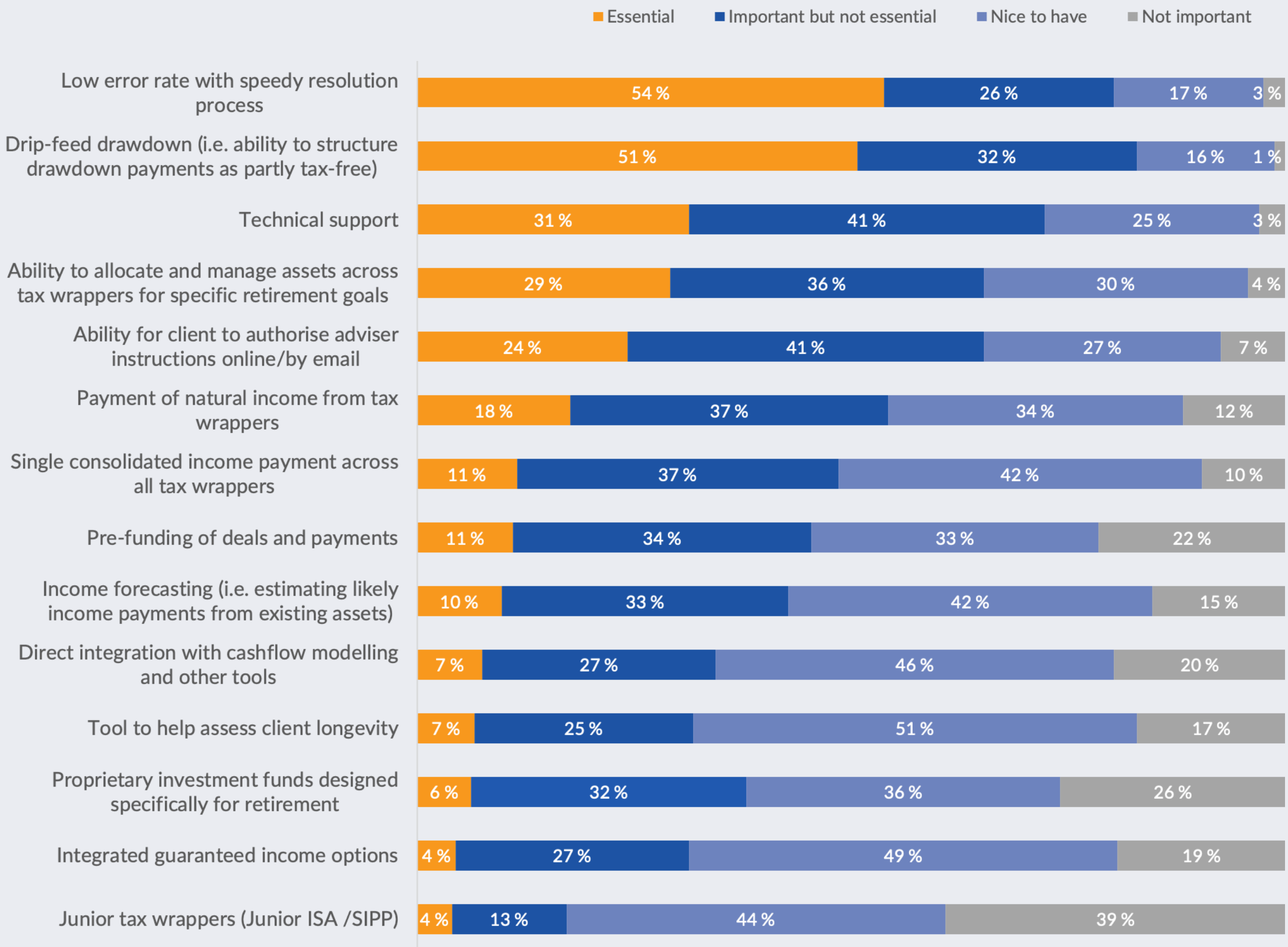
FIGURE 33: REASONS FOR CHOOSING A DIFFERENT PLATFORM FOR ACCUMULATION VS RETIREMENT



Source: "Why do you recommend a different platform for clients who are accumulating wealth versus those that are in retirement?" All advisers who use a different platform for Retirement vs Accumulation (n=46)

Advisers cite numerous features as essential for a decumulation platform. However, there are two items that stand head and shoulders above the rest, each cited by more than half of financial planners as 'essential': *low error rates with speedy resolution process* and *drip-feed drawdown*. These remain the most cited reasons across levels of firm AUA, as well as across number of client facing financial advisers in the firm.

FIGURE 34: MOST IMPORTANT DECUMULATION PLATFORM FEATURES



Source: "What are the most important features you require from a platform for clients in decumulation?" All advisers (n=227)

We also see demand for the ability to manage assets across different wrappers. Advisers are taking a more holistic view of retirement and, in particular, will often seek to draw down from non-pension assets first to minimise inheritance tax. Being able to consider client's assets at a retirement goal level rather than just a wrapper level will support this approach. Similarly, being able to make a single consolidated income payment across tax-wrappers is also seen as important by many.

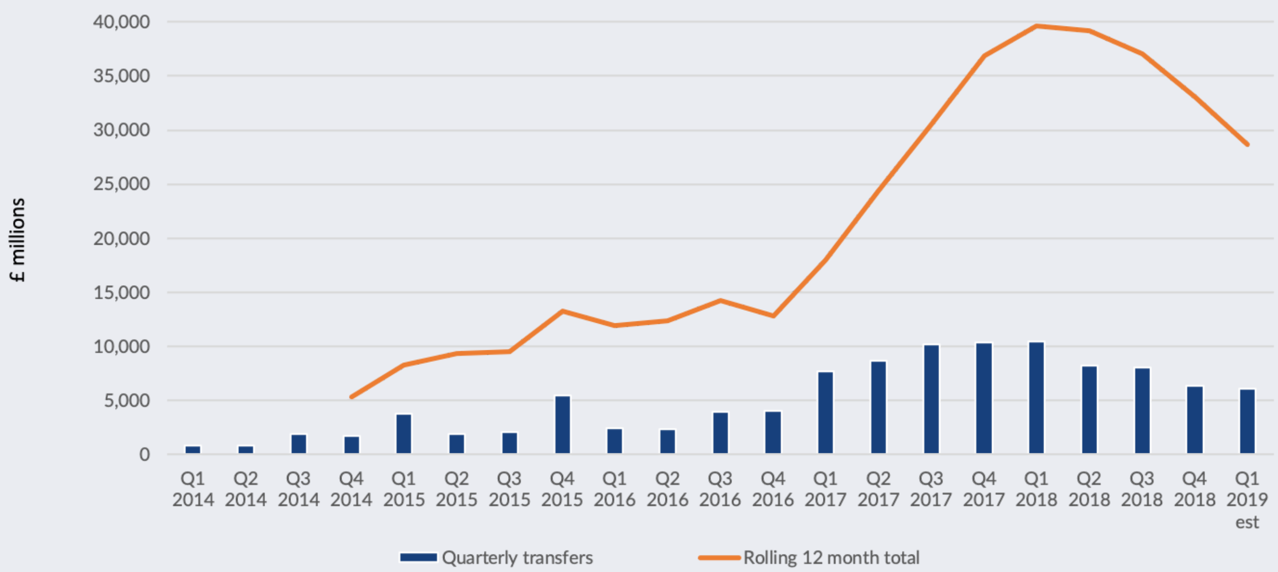
Financial planners also told us that a specific challenge with managing retirement portfolios is the ability to get client approval for, and execute, investment instructions quickly. In the absence of having discretionary permissions, advisers are looking for platforms to help them speed up this process by allowing clients to give approval for instructions electronically.

7/ DEFINED BENEFIT PENSION TRANSFERS

Pension freedom has been a key driver of adviser business growth in recent years. It was always obvious that a move away from annuities would create opportunities for advisers, but few anticipated the explosion we have seen in transfers from defined benefit pension schemes. In its original consultation document, HM Treasury did highlight the potential for defined benefit members to want to take advantage of the freedoms and introduced the requirement for those with transfer values of more than £30,000 to take financial advice.

While the requirement to take advice was perhaps intended to limit transfers, high transfer values resulting from the low-interest rate environment, concerns about scheme security and a strong desire from clients for greater flexibility saw transfer volumes soar.

FIGURE 35: TOTAL TRANSFERS FROM SELF-ADMINISTERED PENSION SCHEMES



Source: Office for National Statistics – Investment by insurance companies, pension funds and trusts (MQ5). Q1 2019 estimated using FCA retirement income market data, October 2019

When we conducted our field research for 2018's report in June, there were signs that the transfer boom had reached its peak. While advisers were, on balance, confident that the market would continue to grow, we concluded otherwise, predicting a slowdown in volumes. We attributed this to increased regulatory attention, a hardening attitude to transfer business amongst professional indemnity insurers and negative media coverage arising from the British Steel transfer exercise.

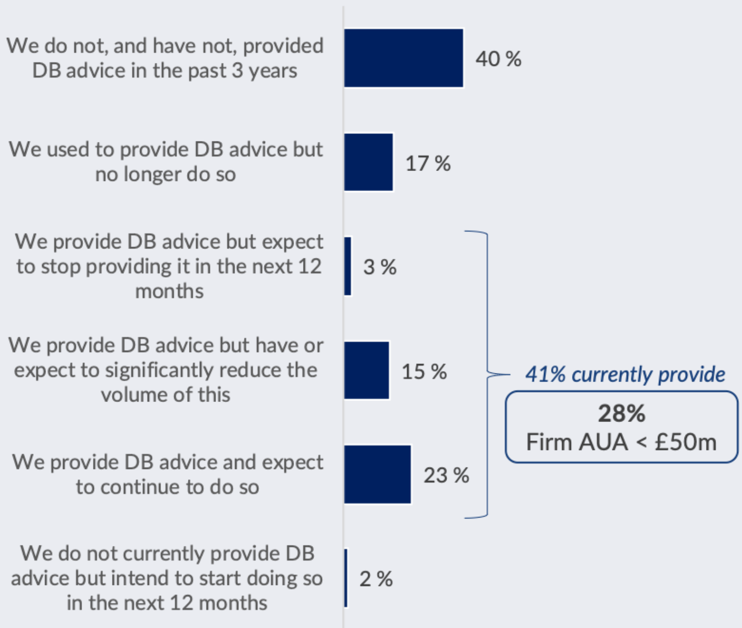
In this year's report we take another look at how this part of the retirement market has fared and what advisers are thinking about the further regulatory changes on which the FCA has just finished consulting.

7.1 FIRMS OFFERING DB TRANSFER ADVICE

In 2018's report we found 56% of advisers were offering defined benefit (DB) transfer advice, either directly or in partnership with pension transfer specialists. Moreover, a further 4% of firms said they were looking to start offering DB transfer advice in the coming 12 months.

This has changed dramatically since 2018 with only 41% of firms still offering transfer advice. 17% of firms told us they used to provide this advice but have stopped doing so. Moreover, a further 15% of firms have significantly curtailed the volume of business they write or intend to do so over the next 12 months with another 3% intending to exit completely over the same time period.

FIGURE 36: APPROACH TO PROVIDING DB PENSION TRANSFER ADVICE



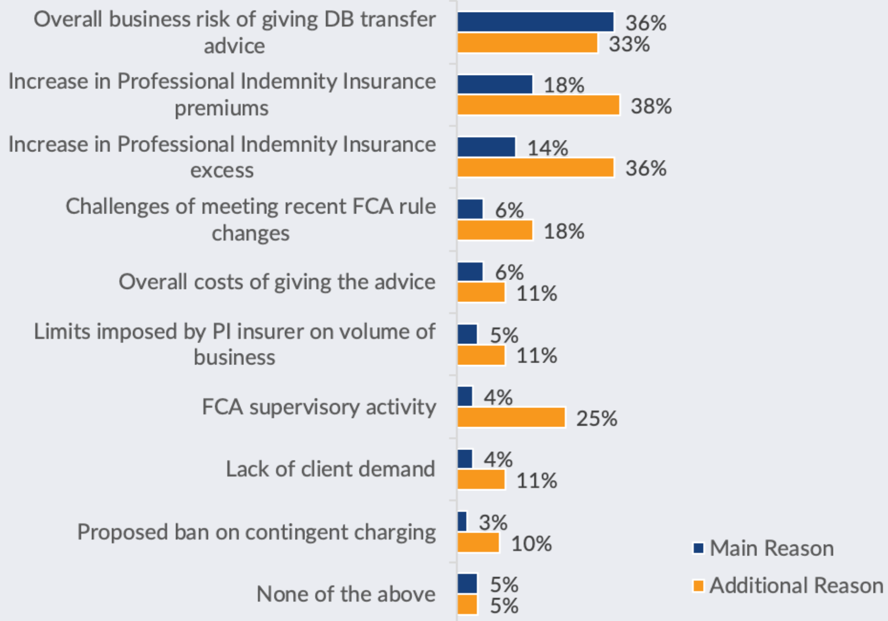
Source: "How would you describe your firm's approach to providing Defined Benefit (DB) transfer advice?" All advisers (n=227)

Smaller firms, those with less than £50m under advice, are least likely to offer transfer advice with only 28% offering the service. This rises to half of firms with assets under advice of between £50m and £249m and to 57% for firms with assets above £250m.

7.2 REASONS FOR CEASING TO OFFER DB TRANSFER ADVICE

Defined benefit transfer advice has been lucrative business for many advisers, driven by high transfer values. However, these same high transfer values also mean that costs of reparation can be significant where advice is found to be unsuitable. Increased activity by claims management companies, an increase in the FOS compensation limit and a further hardening of PI insurer attitudes have made this a much riskier business for advisers.

FIGURE 37: MAIN AND ADDITIONAL REASONS TO STOP OFFERING OR REDUCE VOLUME OF DB ADVICE



Source: "Which of the following factors is the main reason in your decision to stop providing or to reduce the volume of DB advice you give?" All advisers who are looking to cease offering DB advice (n=171) "And which of the following factors also contributed to your decision to stop providing or to reduce the volume of DB advice you give?"All advisers who have stopped offering DB transfer advice in the past 3 years, or intend to stop or reduce volumes in next 12 months (n=80)

This increase in business risk is the main driver for ceasing transfer business with 36% of firms citing it as the main reason for their withdrawal from the market. Digging below this we find that challenges around PI insurance are a huge factor in advisers' decisions.

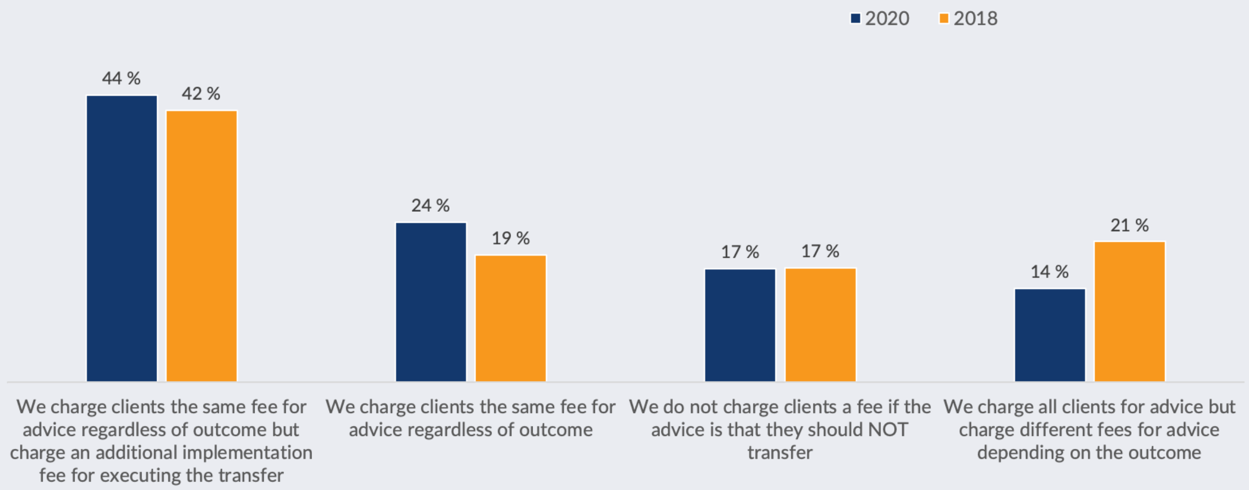
Many firms have seen a significant increase in PI premiums but also, as importantly, in the excess they must pay on claims. The net effect of this is that many advisers must be struggling to meet the costs of insuring their existing transfer business, let alone continuing to advise on transfers. While some advisers cite an explicit limit on transfer cases being applied by their PI insurer, the increase in excesses will drive a de facto limit on what business firms can afford to write.

7.3 DB TRANSFER ADVICE FEES

After holding back from banning contingent charging for DB transfers in 2018, the FCA is now set to ban this practice. We have yet to see the final rules, but it seems that all forms of contingent charging will be outlawed, including the practice of charging an additional implementation fee where clients are advised to transfer.

We have seen some change in approach to DB transfer advice fees from 2018 with 'pure' contingent charging falling from 21% of advisers to just 14%.

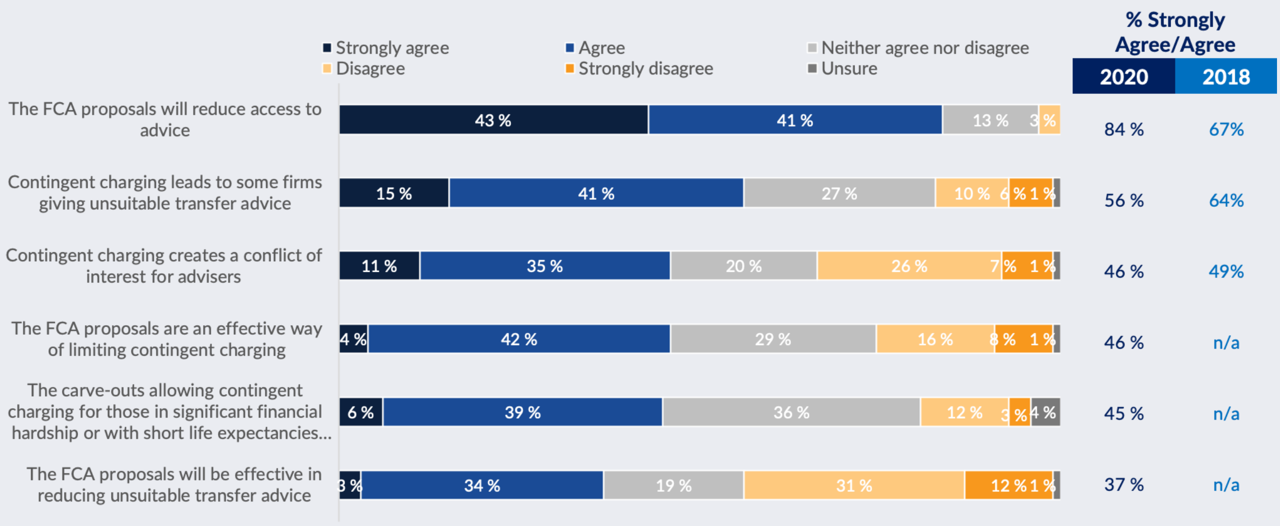
FIGURE 38: STRUCTURE OF DB ADVICE FEES



Source:“Which of the following best describes the way you structure your defined benefit advice charges?”All advisers who currently offer DB advice or plan to in next 12 months (2020/2018) (n=98/149)”

The practice of charging an additional implementation fee for those that transfer remains the most popular approach. While we have seen a small increase in the proportion of advisers charging the same overall fee, our research suggests that three-quarters of firms will be affected by the change of the FCA’s rules.

FIGURE 39: ADVISER ATTITUDES TO PROPOSED BAN ON CONTINGENT CHARGING



Source: "To what extent do you agree with the following statements?" All advisers who currently offer DB advice or plan to in next 12 months (2020/2018) (n=98/149)

84% of advisers feel that removing contingent charging will reduce access to advice. This is up sharply from 2018 perhaps reflecting that the current FCA proposals are at the tougher end of where they could have been. Advisers do seem to recognise that contingent charging is an issue with only 16% disagreeing with the idea that it can lead to unsuitable advice and one third believing that it does not create a conflict of interest.

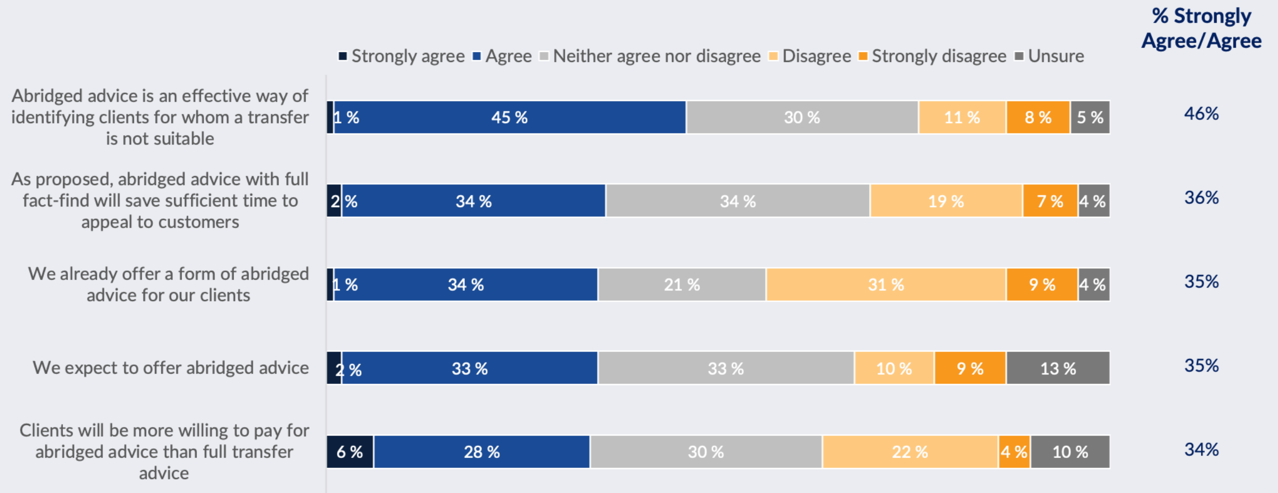
However, only 46% of advisers agreed that the FCA rules would really be effective in limiting contingent charging. More importantly, only 37% believe they will be effective in reducing unsuitable transfer advice. In our discussions with advisers, there is a general feeling that those few firms who are exploiting the DB transfer opportunity are unlikely to be deterred by the contingent charging ban and other regulatory action will be needed.

7.4 ABRIDGED ADVICE FOR DB TRANSFERS

In response to concerns about the contingent charging ban reducing access to advice, the FCA is consulting on the introduction of an abridged advice process to identify where a transfer is unlikely to be in a client's best interests. The expectation is that this will allow firms to identify these clients more cost-effectively than taking them through a full advice process.

The FCA proposals get a mixed response with only 46% agreeing that the proposals will be effective in identifying clients for whom a transfer is likely to be unsuitable, although only 19% disagree. Many financial planners (30%) say they are 'unsure'. There is more scepticism as to whether the abridged advice process will save sufficient time to make it appealing to consumers with just over one third agreeing it will and almost the same proportion disagreeing with a further 34% saying they are 'unsure'. This split is also reflected in the proportions that expect to offer abridged advice and those that believe clients will be more willing to pay for abridged advice.

FIGURE 40: ADVISER ATTITUDES TO ABRIDGED ADVICE



Source: "To what extent do you agree with the following statements?" All advisers who currently offer DB advice or plan to in next 12 months (n=98)

It's interesting to note that, overall, mid-sized firms are more positive about abridged advice and are more likely to offer it.

FIGURE 41: ADVISER ATTITUDES TO ABRIDGED ADVICE BY FIRM AUA

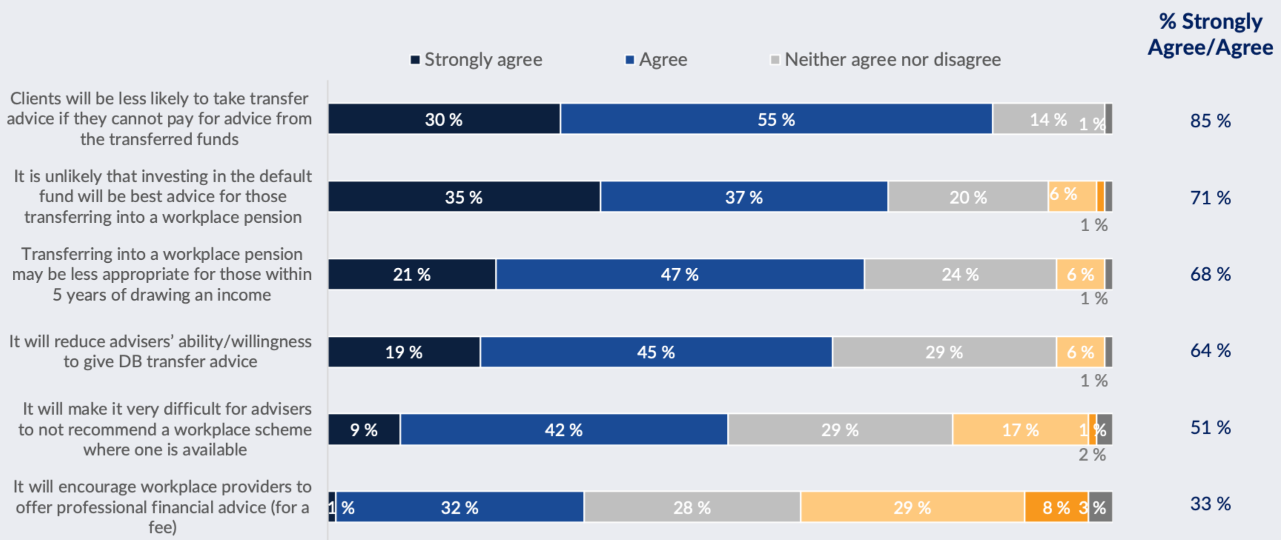
Source: "To what extent do you agree with the following statements?" All advisers who currently offer DB advice or plan to in next 12 months, Less than £50m (n=30), £50m - £249m (n= 47), £250m + (n= 21)

7.5 RECOMMENDING WORKPLACE SCHEMES FOR DB TRANSFERS

Over the past few years, the FCA has expressed increasing concern that advisers weren't adequately considering workplace schemes (WPS) as a destination for pension transfers. Its latest consultation makes some damning statements about the value of investment choice and the bold assertion that "a default option within a WPS, if available, is more likely to be a suitable destination option for many consumers" (FCA. 2019b). In support of this the FCA cites the lower charges on workplace schemes, the presence of Independent Governance Committees or trustees to oversee default arrangements and the limited knowledge and experience of many clients.

Unsurprisingly, advisers tend to disagree with this with 71% saying investing in the default fund is unlikely to represent best advice and 68% agreeing it will be less appropriate for clients to transfer to a WPS within five years of retirement. Despite this, only 18% disagree with the idea that the proposals will make it very difficult for advisers not to recommend a WPS where one is available.

FIGURE 42: ADVISER ATTITUDES TO FCA PROPOSALS ON USING WORKPLACE SCHEMES FOR DB TRANSFERS



Source: "To what extent do you agree with the following statements?" All advisers who currently offer DB advice or plan to in next 12 months (n=98)

One of the biggest challenges with using WPS at the moment is that many will not be able to accommodate adviser fees meaning that clients would have to fund the advice costs from other resources rather than having them taken from transferred funds. Advisers see this as a huge barrier with 85% believing that this will make clients less likely to transfer, so reducing further access to defined benefit transfer advice. Overall, nearly two-thirds of advisers say the proposals will reduce their ability or willingness to offer transfer advice.

8/ CONCLUSION

BUILDING A BETTER RETIREMENT ADVICE APPROACH

Our report shows that advisers are already thinking very deeply about advice at and in retirement and how this might need to be different from advising those saving for retirement. Many are using different investment propositions, thinking about risk differently and using tools such as cashflow forecasting and scenario modelling to define objectives. It does though also highlight some areas where further development could add greater value both for clients and the firms that advise them.

UNDERSTANDING LONGEVITY – DEFINING THE PLANNING HORIZON

For clients who are looking to draw down their retirement savings during their lifetime, understanding how long that might be seems an essential input to retirement planning. Yet our report suggests that few advisers are really investigating this in any detail. Of course, knowing precisely how long a client and their dependents might live is impossible, but it is possible to get a basic understanding of likely life expectancy versus the average.

Firms such as Morgan Ash and Hymans Robertson can provide reports on life expectancy that can be used to consider different retirement scenarios. Even obtaining annuity quotes based on actual medical and lifestyle information will help guide advisers. We expect we'll see greater focus on longevity in coming years as more clients become reliant on retirement savings to fund their retirement income and the regulator puts current advice processes under greater scrutiny.

RETIREMENT INVESTMENT – LOOKING BEYOND ASSET ALLOCATION

Many advisers already use a different set of portfolios for clients at or in retirement from those saving for it. Typically, this will involve different asset allocations that reflect the risks faced by retirement investors, particularly sequencing risk. But asset allocation alone will not be enough, considering how the components used within this can also add value.

Many DIMs and advisers think about fixed income simply as a diversifier from equities. However, with fixed income likely to be a larger portion of retirement portfolios than in accumulation, perhaps more thought needs to be given to how fixed income can be used to add value. This could involve improving returns through greater use of dynamic fixed income strategies such as strategic or dynamic bond funds or reducing risk through buy and maintain strategies that are less correlated to economic cycles. On the equity side, consideration can be given not just to overall volatility but how strategies perform in market downturns. Those that are able to reduce downside risk will be valuable to retirement investors.

MANAGING CASH – MAKING A VIRTUE FROM NECESSITY

Our report shows that most advisers are using cash buffers for clients in retirement. This is partly driven by investment considerations but also by the need to provide comfort to clients in drawdown who are concerned about market falls. This raises two questions – how best to use a cash buffer in manging a client portfolio and how to get the most from the assets held.

Systematic rebalancing of the cash held without consideration of market conditions means that clients are simply holding a strategic allocation to cash which may create a drag on overall portfolio performance. Using the cash buffer as a source of income only when other assets are performing poorly, or a more dynamic approach to rebalancing that considers market conditions, will likely yield better results.

Clients value the certainty of cash but there may be some scope to improve returns using shorter duration fixed income. This is not risk-free but does offer the opportunity to enhance portfolio performance and is less complex than building a deposit portfolio.

DYNAMIC WITHDRAWALS – GETTING MORE FROM DRAWDOWN

The proportion of advisers using fixed rules for drawdown (eg the 4% rule) has fallen since last year but is still relatively high. While these rules are simple to use and explain, they tend to be inefficient. In order to deliver a high degree of confidence that money will last, they inevitably assume a relatively low starting level of income; and by delivering greater certainty that clients won't run out of money, they also increase the likelihood that clients leave money behind. For those looking to spend more in early retirement and maximise lifetime income this is not the best outcome.

By taking a more dynamic approach to withdrawal strategy and varying income based on market conditions, advisers can maintain the certainty of making retirement savings last while ensuring clients use more of their savings while still alive. It also allows advisers to better tailor income profiles to match client needs rather than just providing an ever-increasing income that may be more than clients need in later life.

DEFINED BENEFIT TRANSFERS – IMPROVING OBJECTIVITY

There is no doubt that swapping defined benefit income for drawdown will be in many clients' interest. However, demonstrating this, particularly when clients are some way from retirement, is challenging.

Focusing on providing advice to those clients' who are at retirement will make it much easier for advisers to make comparisons based on clients' actual circumstances and medical condition. Using the techniques around longevity assessment and dynamic withdrawal detailed above in this context will help advisers build a more objective case to transfer (or not) so improving client outcomes and reducing regulatory risk.

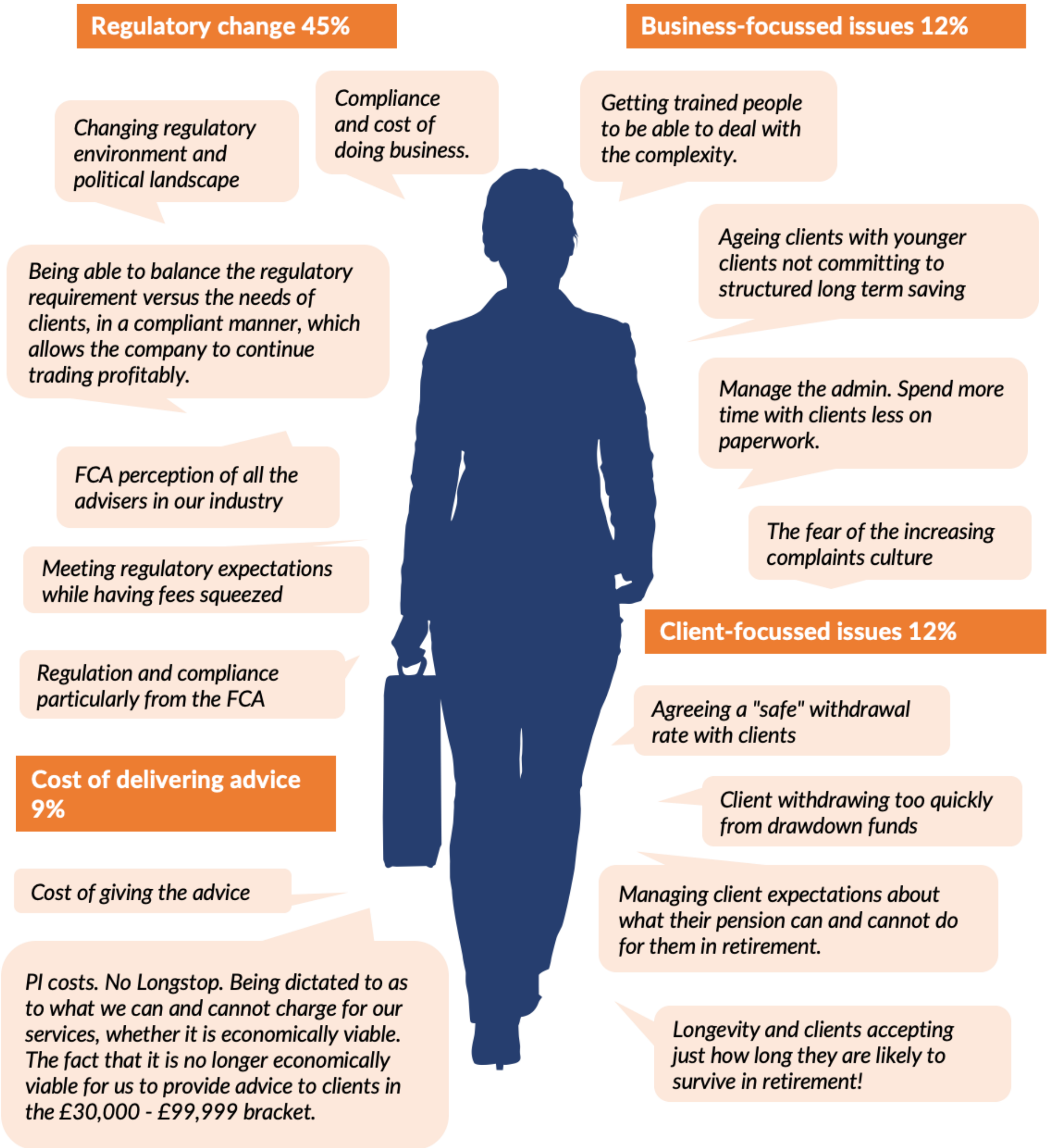
CONCLUSION

By its nature, retirement advice is very client specific. We are already seeing firms being challenged by the regulator to demonstrate they have tailored their advice accordingly, a trend we expect will continue. Providing bespoke solutions to client needs will put pressure on advisers but there are signs the market is developing to help them manage this.

The use of technology to help plan and maintain withdrawal strategies is growing and DIMs are increasingly waking up to the need to provide services that specifically recognise the needs of retirement clients. Platforms are also enhancing their services to support advisers through providing more capabilities to manage and execute withdrawal strategies.

Five years on from the start of pension freedom, the market has come a very long way but there is clearly further to go. Advice processes will need to develop further but the opportunity for those who are able to build and deliver them efficiently is as strong as ever.

FIGURE 43: IN THE WORDS OF FINANCIAL PLANNERS: BIGGEST CONCERNS IN RELATION TO RETIREMENT ADVICE



Source: "Finally, what is the biggest concern/challenges for you in relation to your retirement business in the future?" All advisers (n=227)

9/ REFERENCES

FCA. 2019a. Retirement income market data 2018/19. *FCA Data*. Available from: https://www.fca.org.uk/data/retirement-income-market-data

FCA. 2019b. “CP19/25 Pension transfer advice: contingent charging and other proposed changes”. *FCA Data*. Available from: https://www.fca.org.uk/publications/consultation-papers/cp19-25-pension-transfer-advice

Defined Contribution Investment Forum. 2019. “Five years of freedom: Evolution, not revolution”. Available from: https://dcif.co.uk/wp-content/uploads/2019/11/dcif-2019-evolution-not-revolution-final-1.pdf

ABOUT AEGON

In the UK Aegon is a leading provider of pensions, investments and protection. Our purpose is to help our nearly four million customers achieve a lifetime of financial security

As an international life insurance, pensions and asset management group based in The Hague, Aegon has businesses in over twenty five markets in the Americas, Europe and Asia. Aegon companies employ over 28,000 people and have millions of customers across the globe.

ABOUT NEXTWEALTH

NextWealth is a research, data and consulting business helping firms to adapt and thrive amid disruption. Our customers are platforms, asset managers, technology companies and financial-advice businesses.

We publish syndicated research reports and industry metrics, perform bespoke services and host public events and private roundtables. To sign up to our research panel, email enquiries@nextwealth.co.uk.

The NextWealth Directory lists and reviews all of the tech providers supporting financial advice businesses. It is free to use and already has over 1,400 reviews from people working in financial planning firms. From back office systems to cash flow modelling – we publish ratings and reviews. Read a review. Leave a review. nextwealthdirectory.co.uk

ABOUT RICHARD PARKIN CONSULTING

Richard Parkin Consulting is an independent research and consulting business providing insight and advice to pension providers, asset managers and others on all aspects of pension and retirement strategy, proposition design and product development. We combine strategic insight with a detailed understanding of the business challenges and technical complexities of defining and delivering change projects.

To find out more about how we can help you build a successful retirement business contact richard@rparkinconsulting.com.

NEXTWEALTH

RICHARD PARKIN CONSULTING

NEXTWEALTH

enquiries@nextwealth.co.uk
www.nextwealth.co.uk
www.nextwealthdirectory.co.uk

RICHARD PARKIN
CONSULTING

richard@rparkinconsulting.com

AEGON

jonathan.henderson@aegon.co.u
k

www.aegon.co.uk