

REAL PENSION FREEDOM: THE DELIVERY SCORECARD

PART TWO: MAKING PENSION FREEDOM MORE EFFECTIVE



MetLife[®]

MetLife's Pension Freedom Delivery Scorecard has been designed to monitor the delivery and performance of pension freedom. In a changing world, the need for consumers to feel confident in their choices for retirement is paramount.

The Scorecard aims to identify the issues at the heart of pension freedom and to rate how the industry, regulators and Government as well as savers, are reacting to and measuring up to the new opportunities and challenges.

Our report is based on analysis of exclusive independent research among the people with the most at stake – the over-55s who are grappling with the reality of pension freedom. It is supported by insights from the advisers who are delivering pension freedom and the MPs whose remit it is to make the changes that are needed.

Pension freedom is making a difference, but to become more effective and deliver the freedom people need in their retirement, there are areas for real improvement that can be addressed.

Advice is crucial to delivering real pension freedom, but there also needs to be better understanding of the current solutions on offer as well as new solutions.

This is the second part of four reports outlining the initial successes and challenges. Further reports will follow looking at analysis of the economic and market challenges and concluding with recommendations on how to support pension freedom in the short and long-term.

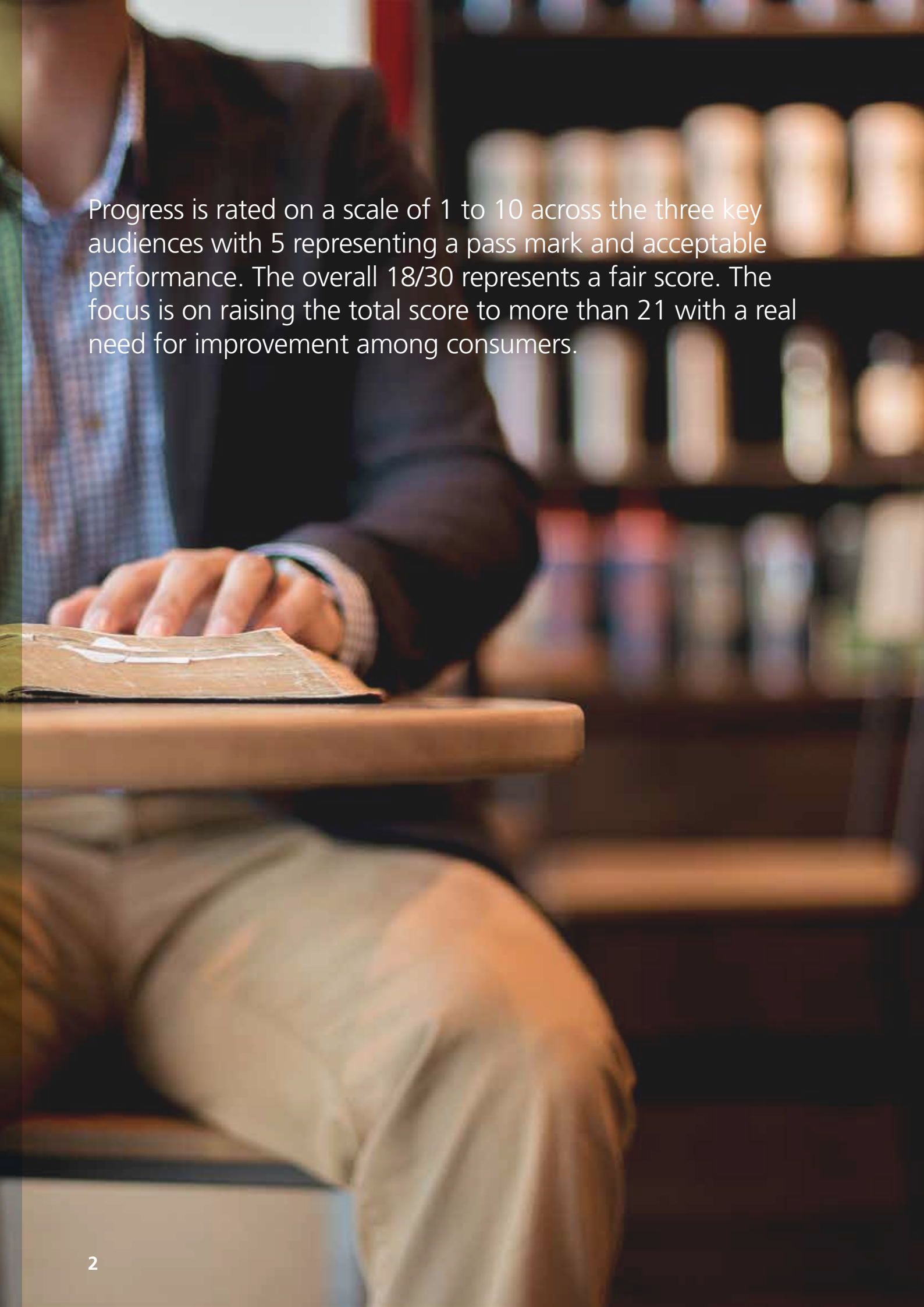
EXPERT INSIGHT FOR CONFIDENT DECISIONS

To receive the full suite of Scorecard reports, please contact your MetLife representative

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A person wearing a dark suit jacket, a blue and white checkered shirt, and a patterned tie is sitting at a wooden desk. They are looking down at an open book on the desk. The background is a blurred library with bookshelves filled with books. The lighting is warm and focused on the person and the desk.

Progress is rated on a scale of 1 to 10 across the three key audiences with 5 representing a pass mark and acceptable performance. The overall 18/30 represents a fair score. The focus is on raising the total score to more than 21 with a real need for improvement among consumers.

THE ADVISERS' SCORE



WELL DONE 79% of advisers believe pension freedom has been a success

MUST TRY HARDER 39% believe over-55s are very aware of pension freedom

SERIOUS WORK NEEDED 26% believe there has been enough innovation

20% believe the advice framework is supportive

ADVISERS' SCORE 7 / 10

THE CONSUMERS' SCORE



WELL DONE 76% say they do not support more change to pension rules

55% are very aware of pension freedom

MUST TRY HARDER 54% find the new rules confusing

36% are worried about being scammed

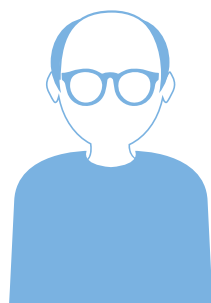
SERIOUS WORK NEEDED 43% are worried about running out of money in retirement

57% are worried that low annuity rates mean their savings are too low

71% want to see more retirement income innovation

CONSUMERS' SCORE 5 / 10

THE MPs' SCORE



WELL DONE 81% say products requiring advice should be differentiated

MUST TRY HARDER 61% say guaranteed drawdown should be included in guidance framework

44% say pension freedom has made savings easier

SERIOUS WORK NEEDED 37% say pension system is not fit for purpose

MPs' SCORE 6 / 10

TOTAL SCORE 18 / 30

MAKING PENSION FREEDOM MORE EFFECTIVE



KEY RESEARCH FINDINGS

- Around 40% of over-55s say they are not looking for advice or guidance on their options
- Just 23% of savers have found guidance services useful
- Drawdown has been a success, but worries about running out of money persist
- Around three-quarters (74%) of advisers say there has not been enough change in the retirement income market and 71% of over-55s want to see a wider range of options offered
- Guaranteeing an income for life that offers flexibility and minimises tax bills are the key challenges
- HMRC is one of the main winners from pension freedom



KEY INSIGHT

The issues that worry consumers the most will need to be addressed and they include minimising tax bills and how to ensure money does not run out in retirement. The challenge for savers relying on drawdown from their pension savings is that funds and income can reduce as a result of market volatility or overspending.



THE REAL GUIDANCE AND ADVICE CHALLENGE

One of the central elements of the reforms – the new guidance service – is already being overhauled. Research provides an explanation – nearly two fifths (39%) say they do not find any online information services to be useful for retirement planning.



39%

say they do not find any online information services to be useful for retirement planning.

WHICH WEBSITES DO YOU FIND USEFUL FOR PENSION FREEDOM AND RETIREMENT PLANNING?

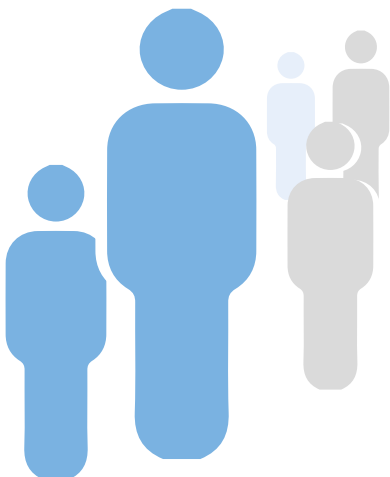
WEBSITE	HOW MANY FIND IT USEFUL
Do not find any online information services useful	39%
The Pensions Advisory Service	23%
HMRC	18%
Pension Wise	16%
Money Advice Service	16%
My pension provider	14%
Citizens' Advice	11%
Other media websites	4%
BBC	3%



THE NEED FOR INNOVATION

The biggest challenge for people planning their retirement is making a decision on what to do with their funds. The rallying cry of the launch of pension freedom was that “nobody needs to buy an annuity” and that has been reflected in the sales figures over the past two years.

Annuity sales have fallen and drawdown has benefited, but there are question marks about the suitability of drawdown.



Nearly three quarters (74%)
of advisers say there has not been enough innovation

71% of over-55s want to see
more innovation in the retirement
planning market





THE SEARCH FOR INCOME

A lack of understanding about what is possible when planning for retirement means many people are at risk of running out of money. The challenge for savers relying on drawdown from their pension pot is that funds and income can reduce as a result of market volatility or overspending.

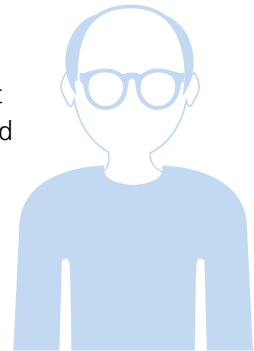
Many over 55s are banking on the stock market outperforming and delivering strong returns – and many believe that the FTSE-100 hitting new record highs has vindicated them. However, hoping for the best in the face of uncertainty and risk is not necessarily a strategy.



66% of advisers said the search for income was by far the biggest issue.



Just **24%** of MPs believe drawdown should be promoted by the Government compared with **29%** who believe guaranteed drawdown should be promoted and the **55%** who say Lifetime ISAs should be promoted



“Expectation levels for annuities are clearly down whilst reliance on them to provide a significant level of income remains. The range of products is confusing.”

Quote from Conservative MP



THE TAXATION CHALLENGE

One absolute certainty is that HM Treasury and HM Revenue & Customs (HMRC) will be a beneficiary of pension freedom. Savers have complete flexibility over their funds subject only to marginal tax rates – and the risk of paying a higher tax bill is real.

Anyone cashing in their entire pension fund will have to pay tax on it – for many that could mean being forced into the higher tax rate brackets of 40% or even 45%.

Extra tax generated as a result of pension freedoms was initially estimated to be £900 million for 2015/16 and 2016/17. In reality a total of £2.6 billion in extra tax is now estimated to have been paid in the two years to 6 April 2017 with a further £1.6 billion expected in 2017/18. Consumers and advisers are alert to the risk, with 47% of over-55s saying they are worried about paying too much tax, while 54% of advisers say the risk of unexpected tax bills is one of their biggest worries about current legislation, second only to concerns about people running out of money.



IN CONCLUSION

The new Pensions Minister Guy Opperman faces a series of real challenges as he starts his job, with the need to provide a new guidance service to replace Pensions Wise at the top of the agenda.

Fewer than one in four over-55s find the current system useful and expert advice and guidance is becoming ever more important given the uncertainty following the General Election and the ongoing Brexit process. However, it is not just the Government that is facing challenges as providers need to offer a wider range of solutions other than just traditional drawdown to help tackle worries about running out of money in retirement.

Ultimately though savers themselves have to take more responsibility which is the issue we will explore in the rest of the Scorecard series.

ABOUT METLIFE IN THE UK

MetLife launched in the UK in 2007, with a commitment to bringing customers a genuine alternative to traditional retirement and investment products

We are the leaders in the guaranteed retirement and investment market and our long-term UK growth strategy also includes our Employee Benefits business focusing on Group Risk and our Individual Protection business.

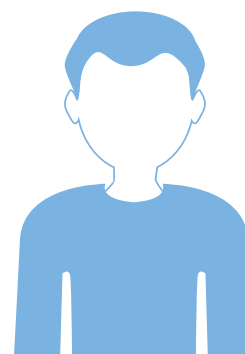
MetLife provides a range of innovative investment options to suit a wide range of customers helping them make the most of their savings. We are focused on the importance of certainty, flexibility and value and designed our guaranteed drawdown product and range of guaranteed solutions to directly answer consumer needs for real pension freedom.

We understand that retirement has changed and that retirement solutions have to adapt and be flexible. We believe that the role of financial advice is crucial in helping people to make informed decisions that enable them to live confidently. By developing a deep understanding of the needs of future generations, we are providing solutions that work in the new world of retirement planning. We are committed to broadening understanding of the changes in the UK pensions market through useful content driven by exclusive independent consumer and adviser research.

MetLife in the UK is affiliated with US-based MetLife, Inc. (NYSE: MET), which through its subsidiaries and affiliates ("MetLife"), is one of the largest life insurance companies in the world, serving approximately 100 million customers. Founded in 1868, MetLife is a global provider of life insurance, annuities, employee benefits and asset management.

MetLife has operations in nearly 50 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East. For more information, visit www.metlife.com.

Independent research for this report was commissioned by MetLife and conducted in September and October 2016 among nationally representative samples of 960 over-55s and among 109 specialist retirement advisers. Research among 84 UK MPs weighted for party representation was conducted by Dods' Research in September 2016.



FURTHER PARTS IN THIS SERIES INCLUDE:

- Part 1: The story so far
- Part 3: Pension freedom meets reality
- Part 4: The way ahead - short and long-term wins

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