



WHAT CONSUMERS WANT
PENSIONS FREEDOMS RESEARCH 2016
TECHNICAL APPENDIX



Contents

Background and approach

Research headlines

The consumer mindset

The consumer journey

- Initial fact-finding stage
- Engagement stage
 - Experience and expectations of Pension Wise
 - Experience of providers
- Final decision stage

Conclusions and recommendations

Appendix A: Additional quant findings; Reactions to provider literature

Appendix B: Pen portraits and case studies

Appendix C: Sample descriptions; stimulus

CII Background

- World's largest professional body in insurance and financial services: over 120,000 members in more than 150 countries.
- Membership spans both providers and advisers, and individual practitioners and Chartered firms. Eg includes about 36,000 in the Personal Finance Society and those working for providers in the CII Faculty of Life & Pensions.
- Responded to the Chancellor's retirement reforms: initial focus was on standards for training and delivery of Guaranteed Guidance through Pensions Wise.

Consultation response



11 June 2014

HM Treasury: Freedom and Choice in Pensions

We support the Chancellor's ambition behind the retirement reforms. They could however expose the customer to risks and significant unintended consequences unless appropriate essential safeguards are put in place.

- The public must be confident in the "Retirement Guidance" offered; that whatever is given is relevant to their needs; that the organisations and/or individuals offering this Guidance have sufficient knowledge and ability to do so; and that appropriate steps are taken to manage any conflicts of interest.
- We believe that the only way to generate such confidence is by ensuring that all those delivering Guidance should be subject to an integrated set of Standards, Training, Accreditation and Revalidation (STAR).
- At the core of this STAR is a set of minimum standards covering quality, entry criteria and ongoing assessment. This includes high-level design and delivery standards, including possible areas of knowledge and competence. This response sets out what these standards might look like.
- All this must be in place by April 2015 if the Government wishes to meet its criteria of quality and impartiality.
- Training, accreditation and especially the revalidation requirements for those giving Guidance are just as important. This response also includes some high-level suggestions in these areas.
- There also needs to be some ultimate oversight of the standards, to ensure a consistently high quality across the range of provision offered. While we do not believe this warrants full FCA regulation, instead we suggest the Government explore some other model that combines the STAR approach with government oversight.

Next Steps: the CII is willing to work with HMT/FCA and the market to arrive at the right level of standards, and then help develop training, accreditation and revalidation solutions as required.

Our overall views of the reforms

The Chartered Insurance Institute (including our financial advice arm the Personal Finance Society) supports the ambition behind the Chancellor's retirement reforms. We agree that safeguards must be put in place to ensure they protect the public, and do not lead to unintended consequences. These safeguards should be consistent with the long-term objective of raising public trust and confidence and building a long-term savings culture to address the demographic changes that the UK faces.

We support the proposal for pension providers and trust-based schemes to guarantee to their consumers approaching retirement a guidance service that is impartial, personalised and free at point of use. This "Retirement Guidance" must be subject to minimum standards for those delivering it, and our response sets out some thinking on what these standards could look like. We do this in Section A directly below because we think this is the area where the CII as a professional body working in the public interest has the most to offer. Our answers to specific consultation questions about the retirement reforms in general are set out in Section B later in the submission.

¹ Your consultation proposed that providers/trust-based schemes offer to their customers "a guidance guarantee at the point of retirement". For the purposes of describing the proposed service Raiff (as opposed to the guarantee), we will use the label "Retirement Guidance" throughout this response for consistency with the latest FCA thinking on this subject.

The Chartered Insurance Institute



Previous wave of pension freedoms research

- Key component of our work on the pensions reforms was comprehensive research into consumer views towards the Government's proposals.
- Research was conducted with over 1,000 consumers (target users of the service).
- Received considerable trade press and stakeholder interest.
- Report key to ongoing discussions with key stakeholders including HM Treasury, TPAS etc
- Significance of report reflected in positive comments from several stakeholders and numerous references made during Parliamentary debates.





ABOUT OUR STUDY

Background and research objectives

This research was carried out in response to the substantial changes to pension legislation announced in 2014 and the impact this may have on those approaching retirement

The aim of the study was to provide a detailed evidence base for thought leadership, to help CII promote its position with key policy influencers

As a follow up to last year's research, this wave sought to:

Research objectives

- Understand **how well the system delivered for the launch of Pensions Freedoms** is meeting consumer needs
- Assess **consumers' experiences of the new process** – particularly the revised communications from pension providers
- Understand the **extent to which they feel well informed on the choices** and services available to assist them (from pension providers, financial advisers, Pension Wise, etc)
- Establish the **extent to which they are using these services** to arrive at the best course of action for them
- Understand any **risks to good outcomes** and how better results may be achieved



Our approach

A mix of qualitative and quantitative research was undertaken with pre-retired and recently retired consumers

All participants were holders of one or more DC pensions with combined pots worth £5k or more. Those with a DB scheme only and/or an ongoing relationship with a financial adviser were screened out.

Qualitative phase 30 face to face depths

- A mix of consumers up to 12 months from retirement and those who retired up to 6 months ago
- Hold one or more DC pensions with pot sizes of £10k-£50k or £50k-£120k
- Majority freefound plus some from provider customer lists
- See Appendix B for more details on profile case studies

Timing: 17 Sept- 15 Oct
2015



Quantitative phase 1,005, 15-minute online questionnaires

- All aged 50+; 66% men, 34% women
- Time to retirement: 16% within 12 months, 35% in 1-3 years, 42% 3-5 years
- Pension values: 5% between £5k and £9k, 35% between £10k and £49k, 23% between £50k and £100k, 31% hold >£100k
- Regional spread
- Those with >£100k in investable assets were screened out
- See Appendix C for more details

Timing: 16th – 26th Sept
2015

Findings from both phases are reported in this document. Wherever relevant, qualitative findings that add insight to the quantitative data, are show in grey call outs.

Contents

Background and approach

Research headlines

The consumer mindset

The consumer journey

- Initial fact-finding stage
- Engagement stage
 - Experience and expectations of Pension Wise
 - Experience of providers
- Final decision stage

Conclusions and recommendations

Appendix A: Additional quant findings; Reactions to provider literature

Appendix B: Pen portraits and case studies

Appendix C: Sample descriptions; stimulus

Research headlines

- There is a **growing awareness** of pension freedoms, the choices available and the availability of free guidance – but **understanding of the specifics is limited**.
- **Consumers are not fully benefitting from the information and support that has been put in place post pension freedoms** due to a) lack of engagement and b) timing of the communications. A more extensive awareness campaign for Pension Wise, **targeting consumers earlier in the decision making process** and highlighting the nature of the service and the delivery channels available will help boost consumer understanding of what it can offer.
- Many consumers have limited appetite to absorb communications on this topic, wishing to take the simplest route to a decision. They need **different levels of information at different trigger points in their journey to retirement**. Most want comms to be simplified further; be more focused and concise. Official sources are far preferred to provider-led comms.
- **'Wake up packs' are often falling short of engaging consumers, due to landing at the wrong time** (targeted around NRD) and looking too generic, too content heavy and 'salesy'. Signposts to further information are often missed as consumers are often simply scanning for the essential information (their pension valuation).
- In providing effective support to consumers, **timing is key and the opportunity for engagement needs to take place earlier and be more frequent**. Consumers want to be able to 'pull down' information whenever it suits them.



Contents

Background and approach

Research headlines

The consumer mindset

The consumer journey

- Initial fact-finding stage
- Engagement stage
 - Experience and expectations of Pension Wise
 - Experience of providers
- Final decision stage

Conclusions and recommendations

Appendix A: Additional quant findings; Reactions to provider literature

Appendix B: Pen portraits and case studies

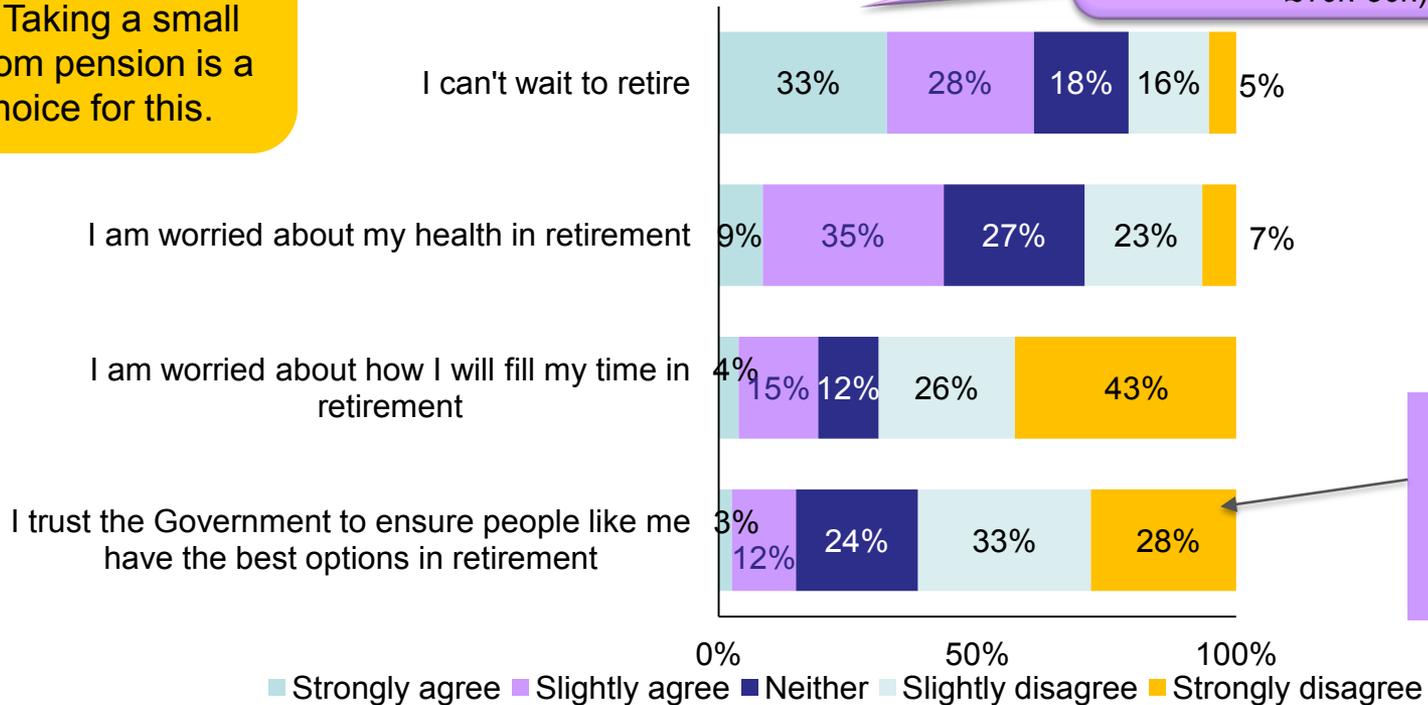
Appendix C: Sample descriptions; stimulus

Attitudes towards retirement are generally positive with 61% saying that they ‘can’t wait to retire ‘

The most frequently mentioned concern is the possibility of failing health, with almost half (44%) saying that they are worried about this happening in retirement

QUAL: Retirement is a time to enjoy travel, hobbies, time with family. Taking a small lump sum from pension is a popular choice for this.

I’m looking forward to it – the perks of a bus pass, more time at home and a bit of travel (*Female, 60, £10k-50k*)



2014 research found higher levels of lack of trust in Government (Strongly disagree = 34%)



Base: All respondents (1005)

Q6 Please select how strongly you agree with each of these statements about how you feel about your retirement.

It's not all plain sailing – many feel daunted by the many options, decisions and complexity

Several factors contribute to this:

- Great majority have moved jobs at least once leading to fragmented/multiple pensions
- Changing circumstances (divorce, redundancy, inheritance) impact the complexity of savings and investments
- New rules are still bedding in; low levels of knowledge and high volumes of paperwork make many anxious about making the right decisions in unfamiliar territory
- The danger of scams adds to the pressure (especially amongst those less financially-savvy)
- Changes in State retirement date mean the goalposts have moved for some, who now need to 'bridge the gap' through semi-retirement, taking a lump sum, "soldiering on"...
- Feeling that goal posts may yet change again – need a crystal ball

I'm 60 and was led to believe I'd get my state pension (*now*) but I don't until I'm 66. They decided to move the goalposts. ... I have had some bumf but have you seen what they send you? They send you so much stuff. As you get older your brain doesn't digest as much ... The paperwork was the size of this table! (*Female, 61, £50k-£120k*)



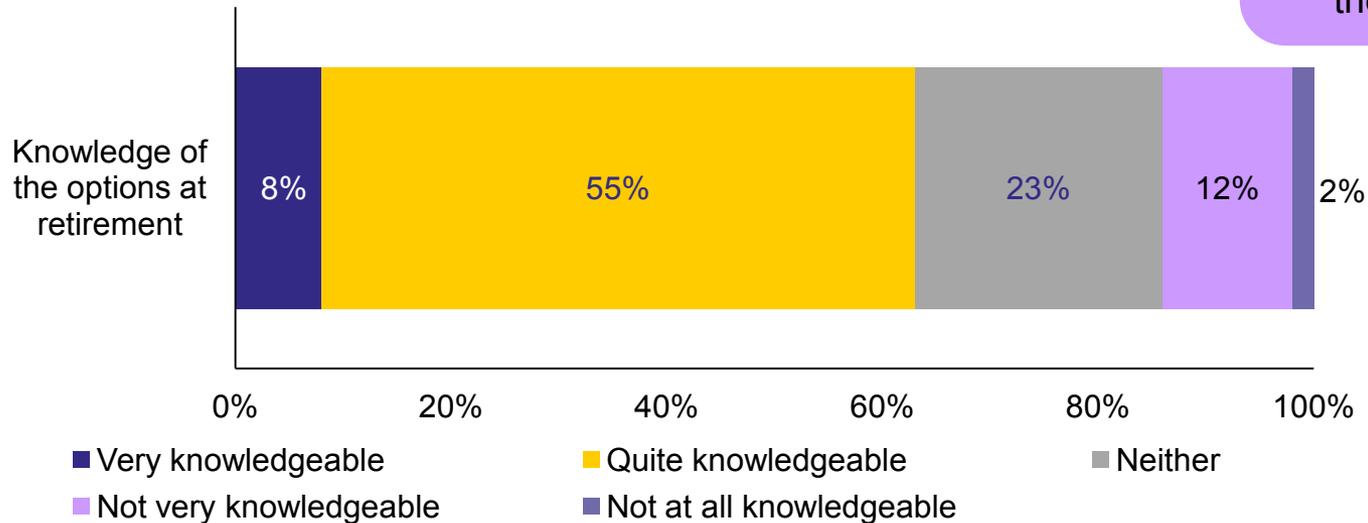
I get my pension early as I'm a teacher and I'm looking to do other things that interest me ... But it's all a bit scary. I'm trying to muddle through and do the best I can. I hope I'm doing everything right. (*Female, 54 £50k-£120k*)



Few would say they are 'very knowledgeable' about the options available to them at retirement

Around half would put themselves in the 'quite knowledgeable' category

QUAL: Consumers tend to over-claim their knowledge levels – they don't know what they don't know



Those who say they are 'very knowledgeable' more likely to be male, have £100,000 or more in their pension pot, and tend to do their own research and invest directly

Those not at all knowledgeable likely to be unsure when they are going to retire

Base: All respondents (1005)

Q5 How knowledgeable do you feel about what options are available to you when you come to retire?



CII

However, there is a desire to *engage* in planning for retirement

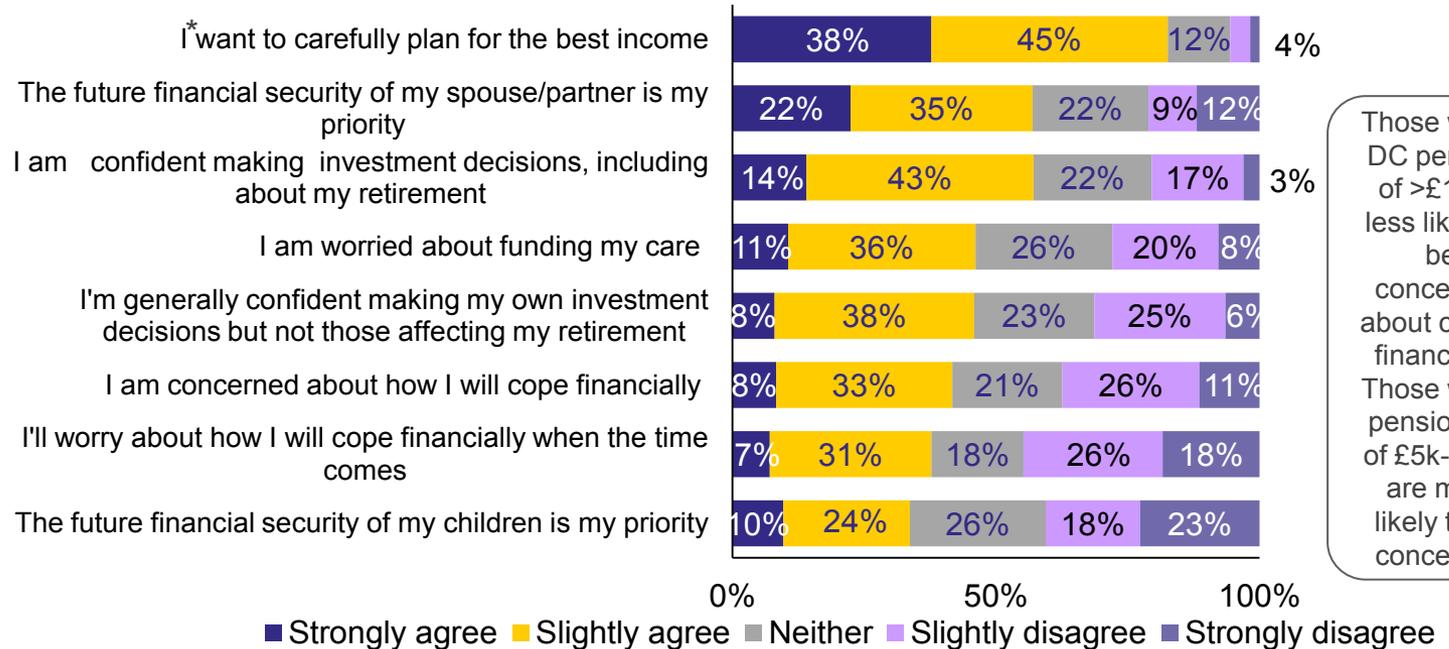
A common driver is ensuring that a spouse/partner is well provided for in future (57%). Provision for children is a driver for one in three.

2014 research found higher levels of concern about coping financially (48% agree slightly/strongly)

Women more likely to be concerned about coping financially

Financial future of spouse more likely to be a priority for those with pension pots of >£50k

Those with a DC pension of >£100k less likely to be concerned about coping financially. Those with a pension pot of £5k- £50k are most likely to be concerned



*Statements have been summarised



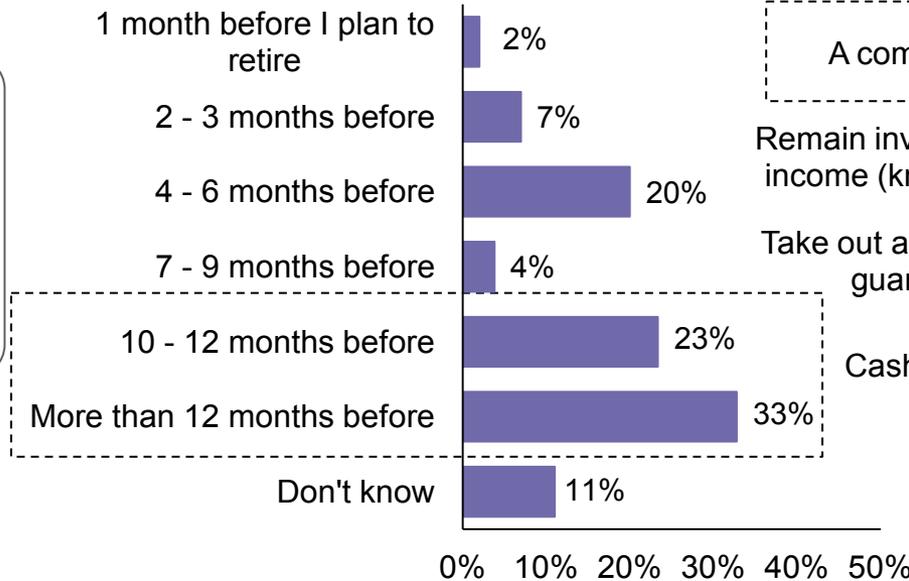
The majority expect to take a decision on their pension savings 10 months or more before they retire

Almost half expect to take their benefits as a combination of solutions

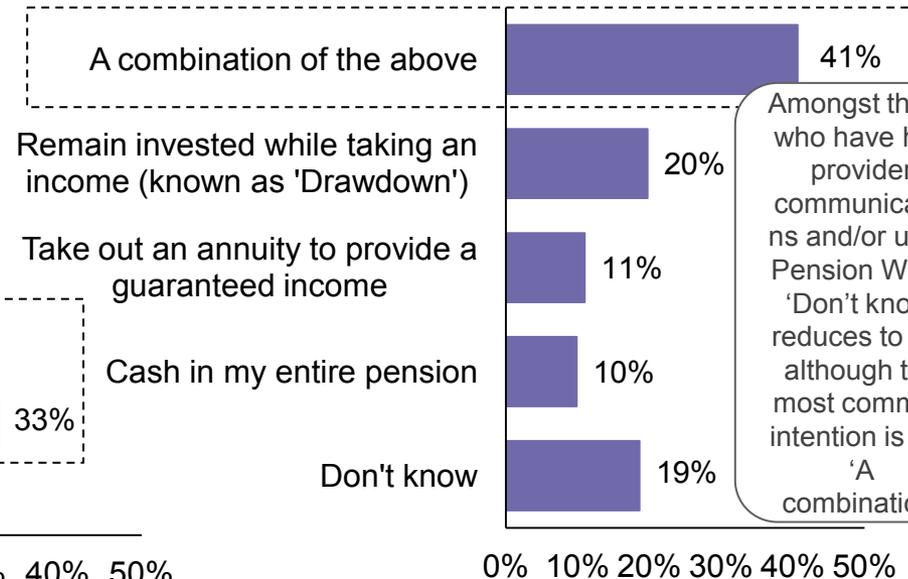
QUAL: Official NRD and planned retirement date are often misaligned

Expect to make decision

Those with pots of <£50k more likely to make a decision 1 month before retirement



Current expectations for pension benefits



Amongst those who have had provider communications and/or used Pension Wise, 'Don't know' reduces to 9% although the most common intention is still 'A combination'

There is a clear demand for earlier engagement and propensity for “best of both worlds” solutions pointing to a need for services that support consumers around these potentially complex decisions

Base: Those who have not received communication and have not had a Pension Wise appointment (445)
 Q17a When do you expect you will make a decision about what to do with your pension savings?
 Q18a Based on what you know today, which of the following are you most likely to do with your pension benefits when you come to take them?



The qualitative research revealed a variety of attitudes towards pension decisions that appear to be related to behaviours

We have clustered the key attitudes into four types which will help frame perceptions and attitudes described later in this document

Our definition of each type also takes into account the level of engagement and comfort that the consumer experiences when taking financial decisions.

Please note that this is for explanatory purposes only and should not be treated as a segmentation model.

Mr or Mrs
Ostrich



Low engagement,
very low comfort
levels when taking
financial decisions

Mr or Mrs
Flexible



Moderate
engagement,
moderate comfort
levels when taking
financial decisions

Mr Thorough



High engagement,
high comfort
levels when taking
financial decisions

Mr or Mrs
Detached



Very low engagement,
moderately-to-low
comfort levels when
taking financial
decisions





THE CONSUMER JOURNEY

Contents

Background and approach

Research headlines

The consumer mindset

The consumer journey

- **Initial fact-finding stage**
- Engagement stage
 - Experience and expectations of Pension Wise
 - Experience of providers
- Final decision stage

Conclusions and recommendations

Appendix A: Additional quant findings; Reactions to provider literature

Appendix B: Pen portraits and case studies

Appendix C: Sample descriptions; stimulus

Certain events act as triggers to looking in to retirement more closely

It's rarely about waiting for the State pension date - earlier than this, life changes or specific trigger events tend to focus the mind on thinking about retirement more seriously

Ageing parents

Reaching a symbolic age, e.g. 50 or 55 (esp. if have larger pot)

Work changing, or becoming too much

Ill health, or the death of someone close making them think 'life is too short'



Rule changes, eg Budget 2014/NRD dates meaning a need to reappraise the options

Policy maturity (endowment, early pension pot etc)

Major lifestyle change e.g. divorce, children leaving home, birth of a grandchild

50 was the age I started thinking about winding down. I wanted a better work/life balance. I lost my best friend who was 42. He had cancer.
(Male, 55, £10k-50k)

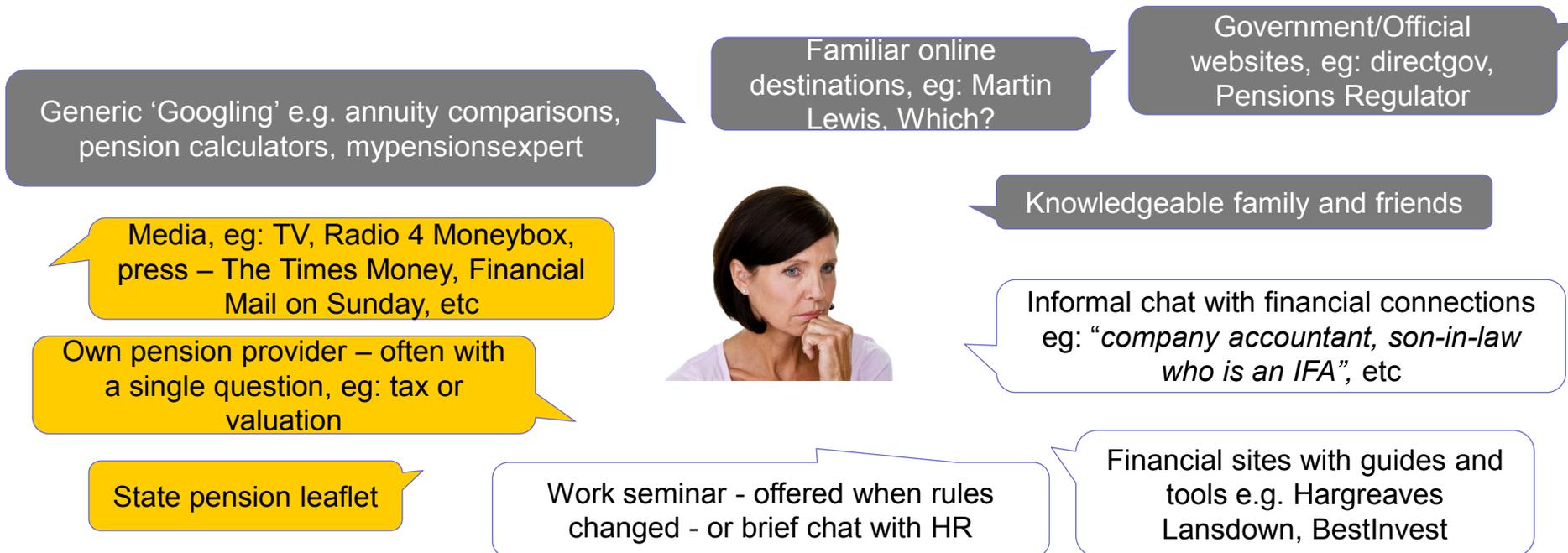
NB: 'Wake-up packs' (if even remembered) seem to rarely be a key trigger – the thinking has usually already started by then



While there is no single time horizon for this stage or source used, this stage is characterised by a need for *introductory-level* and *trustworthy* information

This leads many to either government/official sources, generic internet searches or knowledgeable family members/friends

Awareness of Pension Wise at this stage is extremely low and a wide variety of channels and sources are used:



There is a consumer need for an organisation with credentials of trustworthiness to deliver a simple 'introduction to pensions' service at this stage. Where employers offer this it is highly valued.

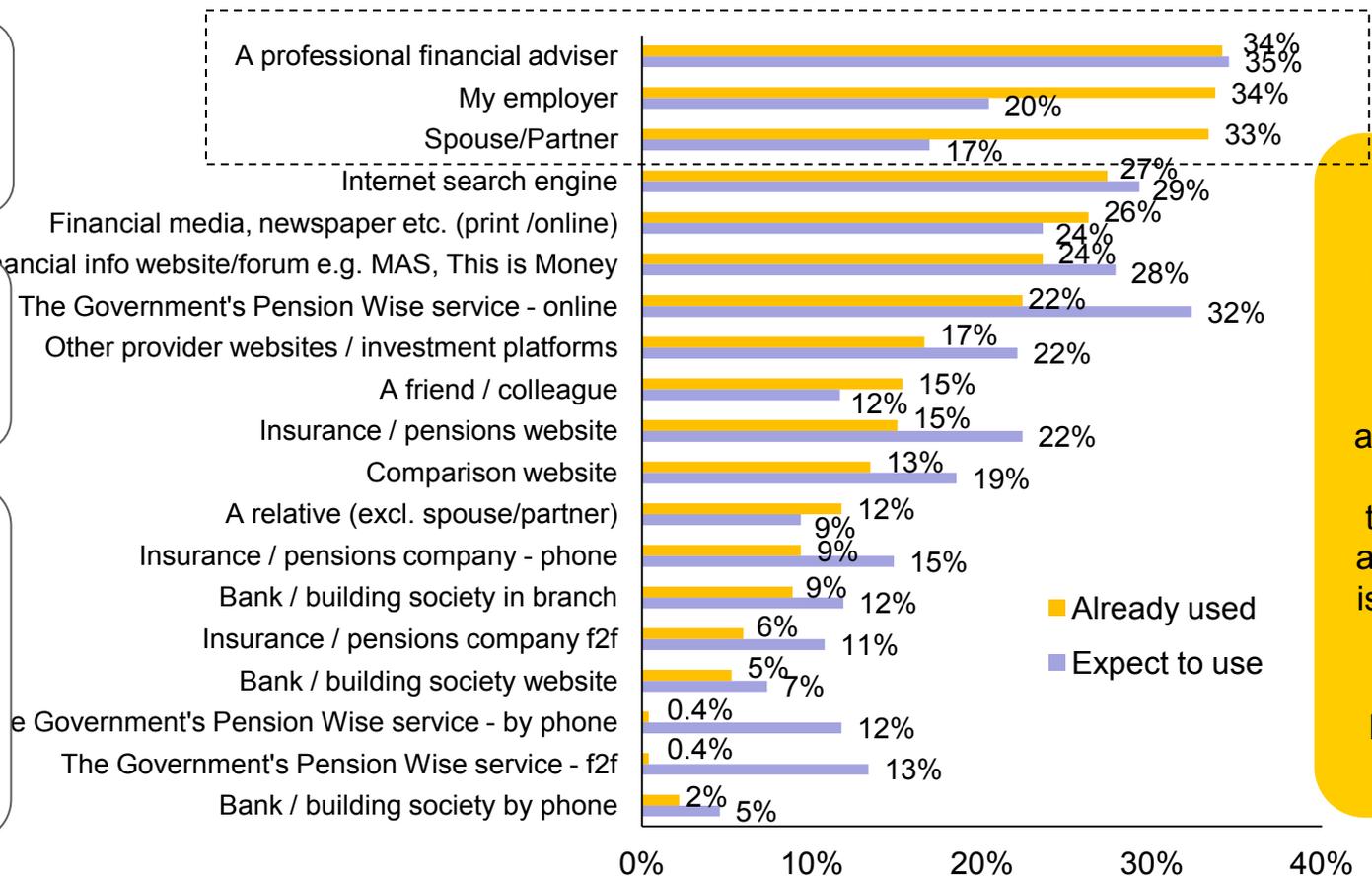
The importance of a trusted source is confirmed in the quant with 1 in 3 saying they will consult a trusted individual

At least 1 in 4 expect to use a non-personalised source of information (financial websites, provider websites) pointing to a need to broadly understand their options

Those with pots of >£50k more likely to have used a financial adviser

Those with pots of <£50k more likely to have used a bank/building society website

Men more likely to have used a financial adviser.
Women more likely to have discussed with a spouse or knowledgeable relative



QUAL: Key driver to use trusted individuals is the reassurance that advice/guidance given has their interests at heart. There is concern that existing pension providers will be biased / pushy

Base: All respondents (1005)

Q7 What sources of information or advice have you used already when planning your retirement and which do you expect to use?

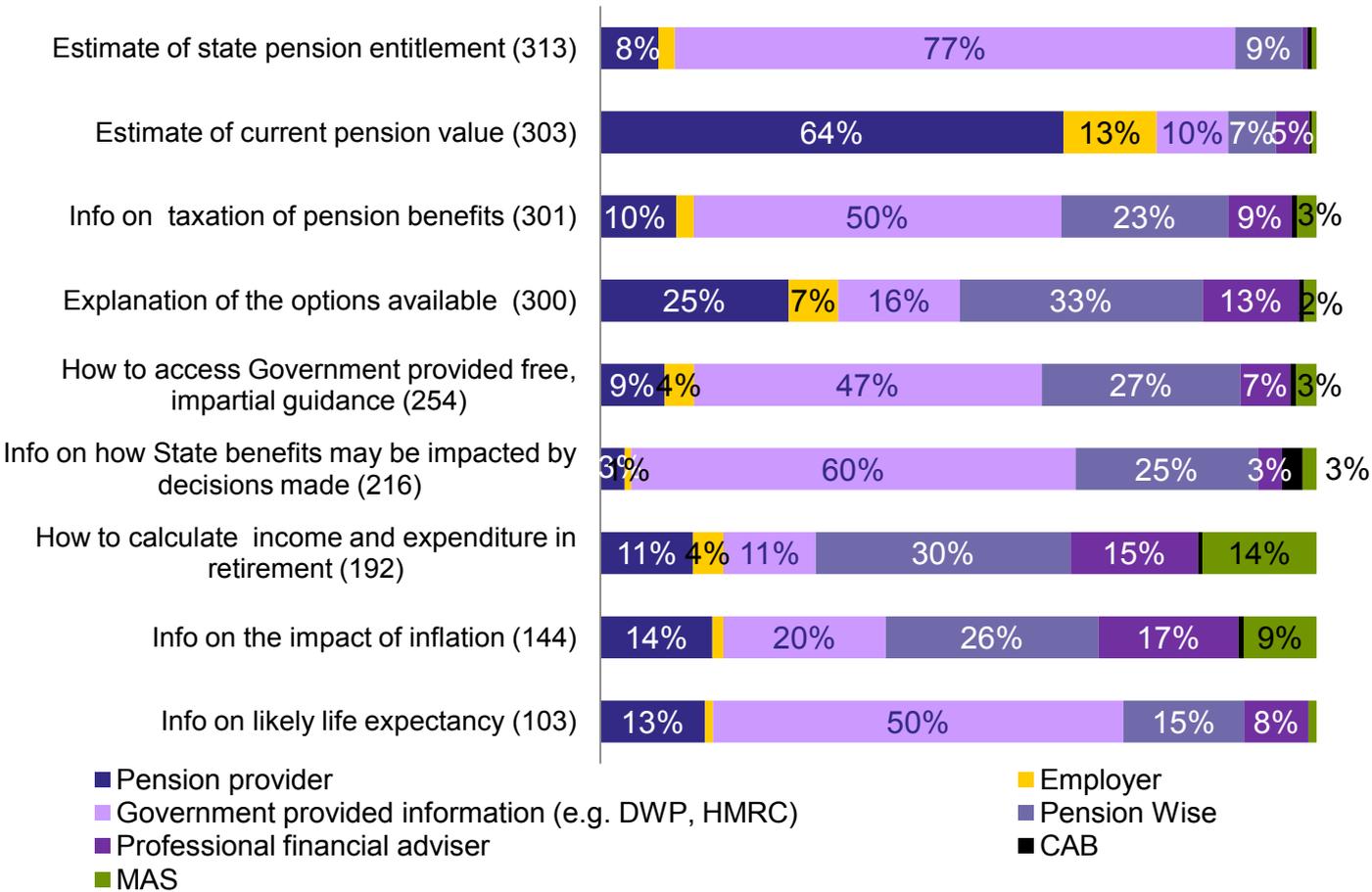


There are expectations that government (e.g. DWP, HMRC) will provide much of the ‘must-know’ information around pensions

In addition to ‘must-know’ information, the Pension Wise deliverable is expected to be more a) practical and b) individually relevant to the consumer

Men more likely to rely on financial adviser for tax information.

QUAL: Different expectations: Government = basic, ‘need to know’ topics, such as impact on state benefits, taxation and life expectancy. Pension Wise = practical guidance allowing the individual to arrive at a realistic estimate of their income in retirement



Base: Those who have not received communication and have not had a Pension Wise appointment and consider each information item essential to their decision making (see chart)
 Q16b Where would you most expect this information to come from?



Understanding at this early stage is often patchy and many doubt their ability to grasp the topic fully

With the exception of Thorough personalities, many are aware that they don't know enough and feel vulnerable

- **Thorough** personalities tend to 'swot up', are well informed. They are confident that the information they need is available and that they will be able to make sense of it
- **Detached/Ostrich** personalities have either just scratched the surface due to lack of interest, or are putting off wading through the paperwork, feeling out of their depth.
- **Flexible** personalities are resourceful. They have the wherewithal and confidence to collect what they would consider the '*right level of detail*' to make a decision

I'm not terribly au fait with pensions. You get all this stuff and it is incomprehensible. You don't know until you organise an annuity. Is a drawdown the same as an annuity? (Male, 65 £50k-£120k)

I know I get a payment every month. I'm not sure if it's an annuity. (Female 63, £10k-50k)

Information with different levels of detail and complexity need to be made available to meet the requirements of the four types. A key benefit to be delivered is the reassurance that they are being told *all they need to know* to move forward.



What do consumers want at this stage?

Research objectives

- ✓ Impartial, high-level explanations - no fine detail or lengthy checklists
 - ✓ The more obvious 'go-to' official sites (e.g. directgov) to provide must-know information or signpost other sources
 - ✓ Schematics and tools that aid understanding and save time and effort (e.g. flowcharts, simple illustrations/ graphs)
 - ✓ To 'get armed' with the basic facts before engaging with providers/FAs to avoid looking uninformed/being taken advantage of. Sales patter is *very* unwelcome at this stage.
- X** Provider wake-up packs do not appear to be meeting consumer needs at this stage. They are often dismissed because they:
- Are mistaken for an annual statement
 - Often 'land' at the wrong time, missing the consumer's engagement time window
 - Are too content heavy
- X** Awareness of Pension Wise is too low to have an impact

I rang [my provider]. All I needed to know was what I've got, and what's the best way to get at it. But they can be a bit pushy and try to sell to you – at that point I wanted to hang up. (Male, 61, £50k-£120k)

I don't want to ring up my provider just yet, I might ask daft questions – plus they won't know the whole picture, only that pension. (Female 59, £10k-50k)

Contents

Background and approach

Research headlines

The consumer mindset

The consumer journey

- Initial fact-finding stage
- **Engagement stage**
 - Experience and expectations of Pension Wise
 - Experience of providers
- Final decision stage

Conclusions and recommendations

Appendix A: Additional quant findings; Reactions to provider literature

Appendix B: Pen portraits and case studies

Appendix C: Sample descriptions; stimulus

There is generally a trigger for consumers to *engage more fully* – this is strongly linked to life events and is often out of line with NRD

This stage may or may not be preceded by the Initial Fact-finding phase described earlier



Leaving work

A life-changing crunch-point, eg: redundancy, illness, etc

Change in partner's circumstances

Finally just deciding to go and make that life change, eg: downsize, semi-retire

DB pension reaching maturity – a need to take stock of all finances

What will consumers do...

Large majority will speak to a person

- Provider over the phone (especially for fairly straightforward decisions)
- FA if more complicated (e.g. drawdown arrangements)
- A knowledgeable friend/contact – even if to only to confirm their decision

Majority want something in writing (from provider/FA) to confirm their understanding before taking a decision

No real difference by personality type except that Thoroughs are more likely to carry out further research.

There is no one-size-fits-all time window. Current process of pushing out information at 30 weeks, 10 weeks from NRD doesn't work. Providers should allow consumers to 'pull' information when they need it – with push comms more frequent and high level

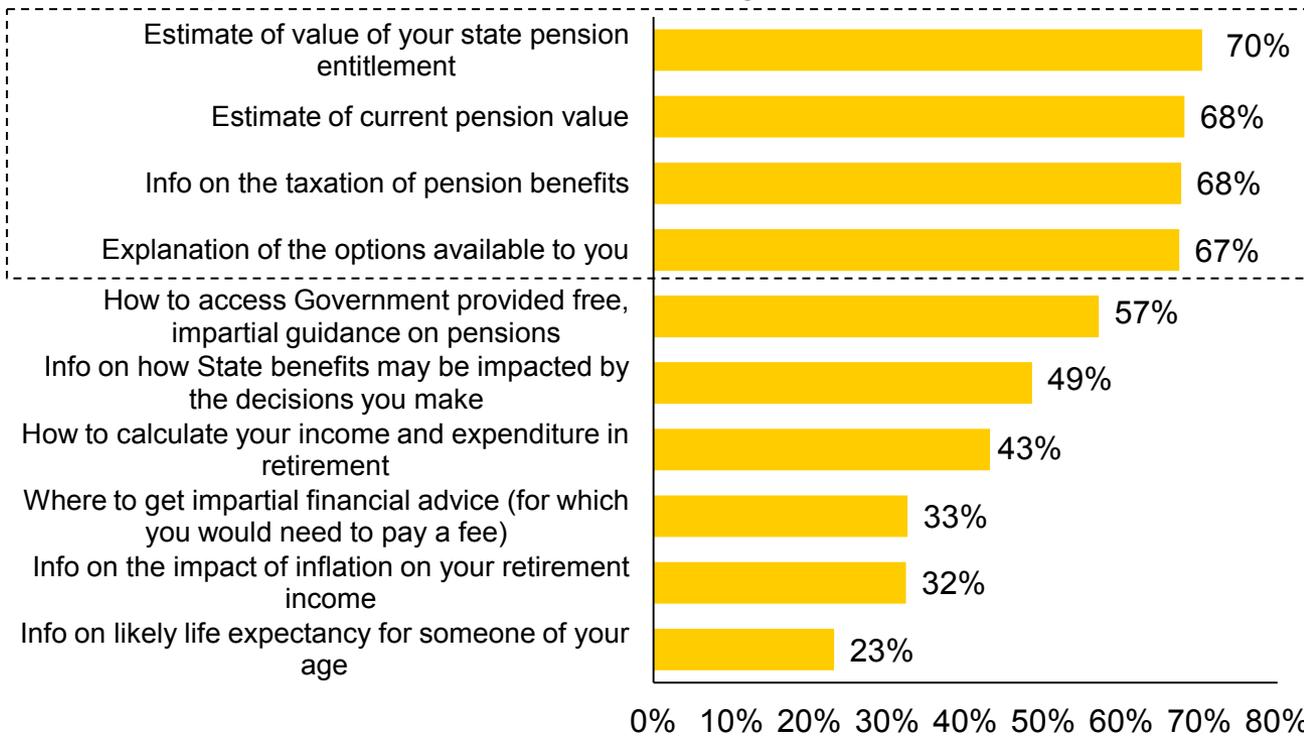
At the engagement stage, consumers want information that is *relevant to them* and that leads to an accurate estimate of retirement incomes

Information on how to calculate income and expenditure in retirement (e.g. pension calculators) were deemed essential by 43%

Information on tax deemed more useful amongst those with pots of >£50k

More than half deem information on how to access Pension Wise, essential

Men more likely to consider information on life expectancy important



QUAL: Many of the sources mentioned earlier are used but consumers are now more likely to go to sources who can feedback information based on their **personal circumstances** – FAs, knowledgeable third parties etc.

At this stage, consumers want information from providers to lead them to a finite set of viable options. There is an opportunity to promote how Pensions Wise can support this process, while reassuring consumers about its impartiality and staff credentials.

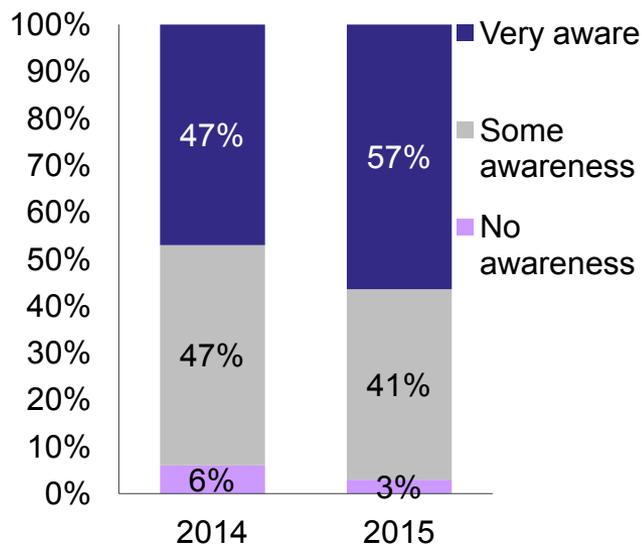
Awareness of both new pensions freedoms and the opportunity to access guidance has increased over the past year*

However the majority (65%) still have some to no awareness

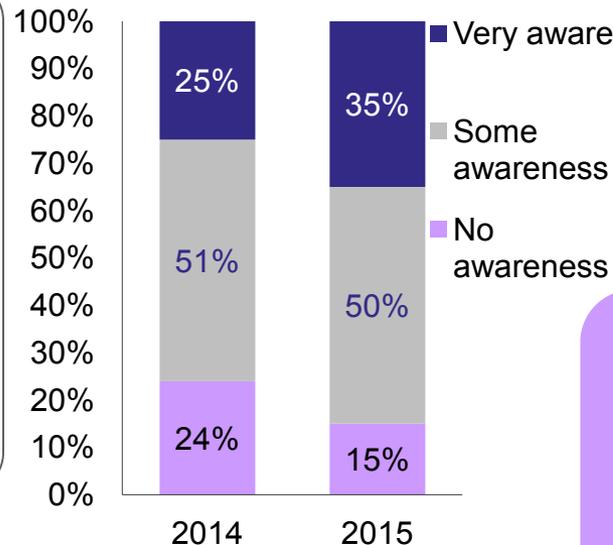
The ability to access and use your pension pot in any way you wish after the age of 55

The offer of free and impartial guidance on your options if you have a DC pension

Those with pots of >£50k are more likely to be very aware of both pensions freedoms and guaranteed guidance



A greater proportion of men and participants who are less than a year from retirement were very aware of new pension freedoms and guaranteed guidance.



QUAL: while there is some awareness of Pension Wise there is very little to no awareness of how it is delivered (FTF at CAB, telephone etc.).

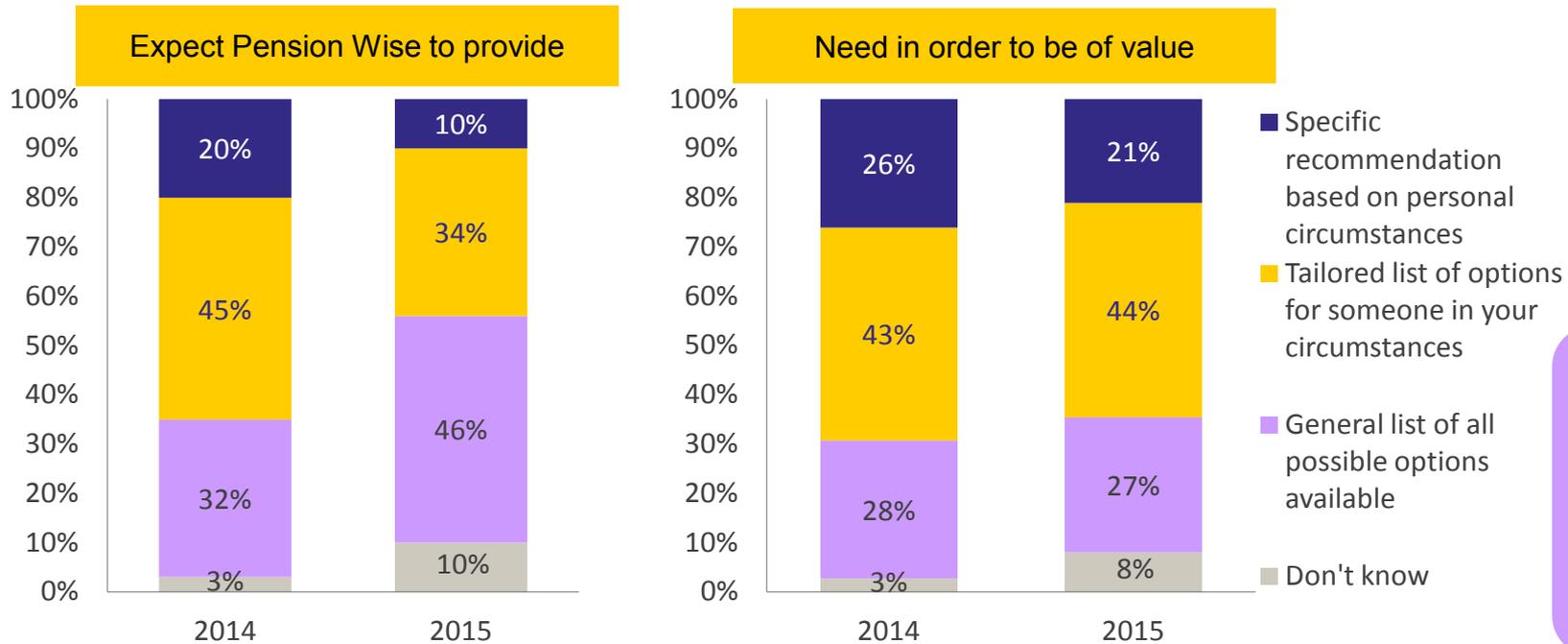
*NB: The significant increase in awareness compared to the 2014 study points to a real step change. Caution is advised, however, as prompted questions will generally yield higher levels of awareness than unprompted approaches (as used in the qual)

There is scope to raise awareness of the nature of the service and delivery channels



Compared to a year ago, fewer consumers expect guaranteed guidance to provide *personalised* recommendations

Compared to the 2014 research, consumers appear more realistic about what a guidance service can offer. However tailoring of the options remains a highly valued aspect of the service.



Women more likely to expect a personalised recommendation. Men more likely to expect and need a general list of options.

Base: Those who have not had an appointment with Pension Wise (997 in 2015) All respondents asked this in 2014 (1000)

Q14 Which of the following would you expect the Pension Wise guidance to provide?

Q15 And which of these would you need the Pension Wise guidance to provide in order for it to be of value to you?

Many have misconceptions about Pension Wise; namely around what it offers and who it's for

Perceived relevance changes once the nature of the service is explained...

Unprompted...

- Vague to no recollection of ads but no awareness of the nature of the service
- **Many assume the main (often only) channel to be a website**
- A minority expect to get through to a call centre – **A BARRIER, PERCEPTIONS OF LESS QUALIFIED STAFF**
- A minority consider it 'not for me' because:
 - Their pension pot is too small or,
 - It would not deliver complex, big-picture financial considerations

Once explained...

- ✓ Good to talk to someone who can explain the rules in simple terms
- ✓ Impartial, '*safe*', *not salesy*' – **STRONG DRIVERS** – esp. for **initial fact finding stage**
- ✓ Free and adds to what you know – **STRONG DRIVER** – esp. for **Detached, Ostrich and Flexible**

BUT:

- ✗ May already know the information on offer – **KEY BARRIER**
- ✗ May be a waste of time: generic, scripted and unable to look across all of my finances
- ✗ A misconception that it can provide advice
- ✗ Cynicism around anything government-led – **MINORITY**
- ✗ Lack of confidence that staff would be sufficiently qualified – **MINORITY**

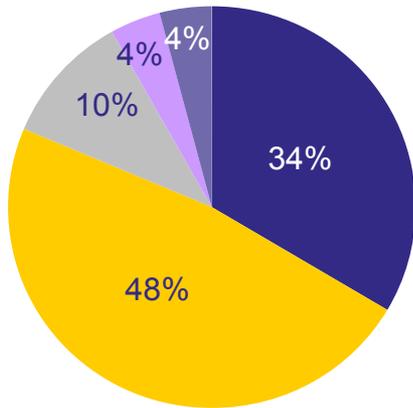
A government service? That makes me feel better. I just think it has to be safer. So you can go to their offices? ... Wow! I'm surprised it's free ... I imagine they'd talk to you quite simply. That'd be fantastic. I'm not thick but it's a lot to take in. (Female, 61, £50k-£120k)



The quant data confirms that, when explained, the service is positively received

A third think they would *definitely use* Pension Wise with the vast majority wishing to use it early on in their fact-finding journey

Likelihood to use Pension Wise

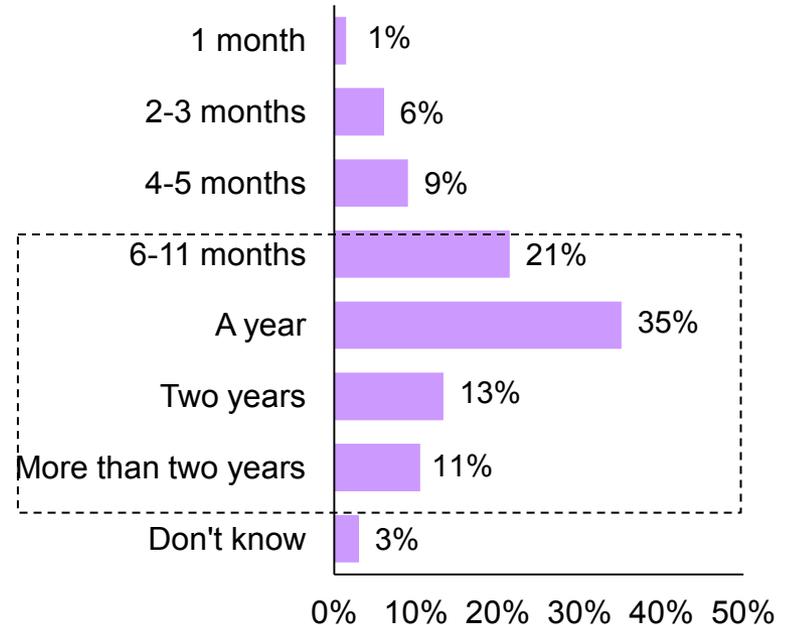


Those with pots between £5,000 and £49,999 more likely to 'put it off but get round to it eventually'

Those who 'do not feel very confident' about deciding what to do with their pension are more likely to say they will *definitely use* Pension Wise

- Will definitely use it
- Will probably use when I need it
- I'm likely to put it off but get round to it eventually
- I'm likely to put it off and probably never get round to it
- Would never use

When would use Pension Wise



There is a strong 'fit' with those who are not confident making their own decision (e.g. Ostrich types) – this may help guide messaging in future comms campaigns promoting Pension Wise

Base: Those who have not booked or had an appointment (993)

Q19 Which of these best describes your likely use of the free guidance (Pension Wise)?

Base: Those who would use Pension Wise (952)

Q20 How far in advance of your planned retirement date would you prefer to receive this guidance?



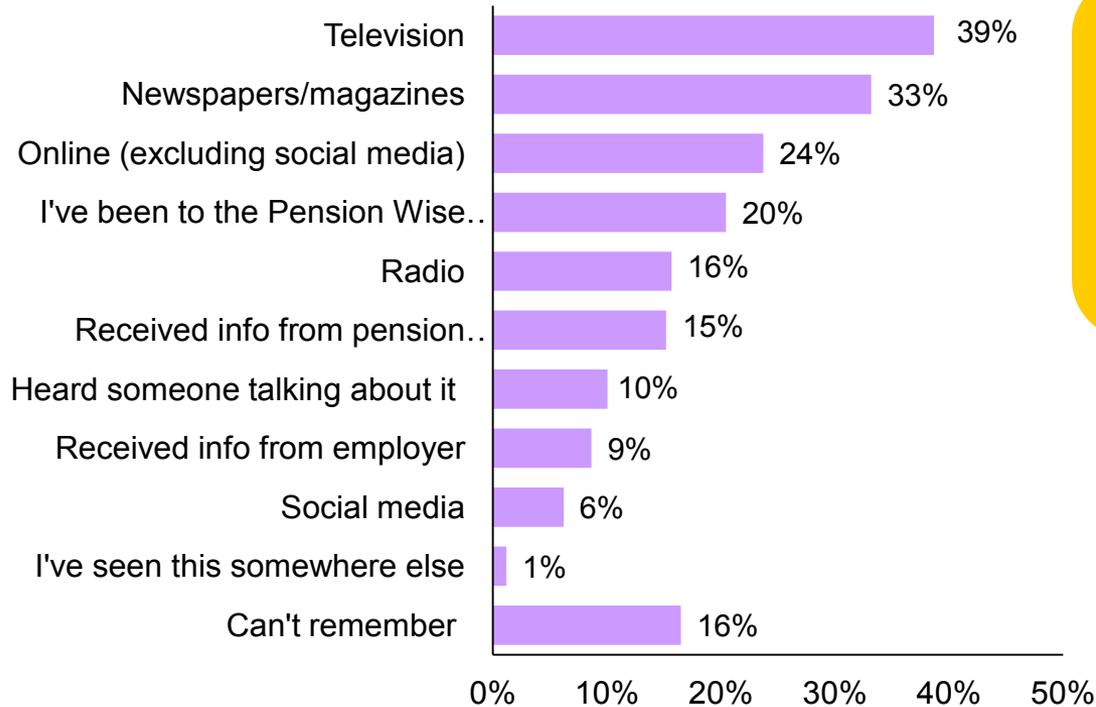
Awareness of Pension Wise is most frequently attributed to above-the-line channels

1 in 4 viewed the website but 3 in 4 had made no use of the service via any channel

More men likely to have heard of Pension Wise online or via radio

Those retiring in the next year are more likely to have heard about Pension Wise via their provider

Those two years or more from their retirement date were less likely to have made use of Pension Wise



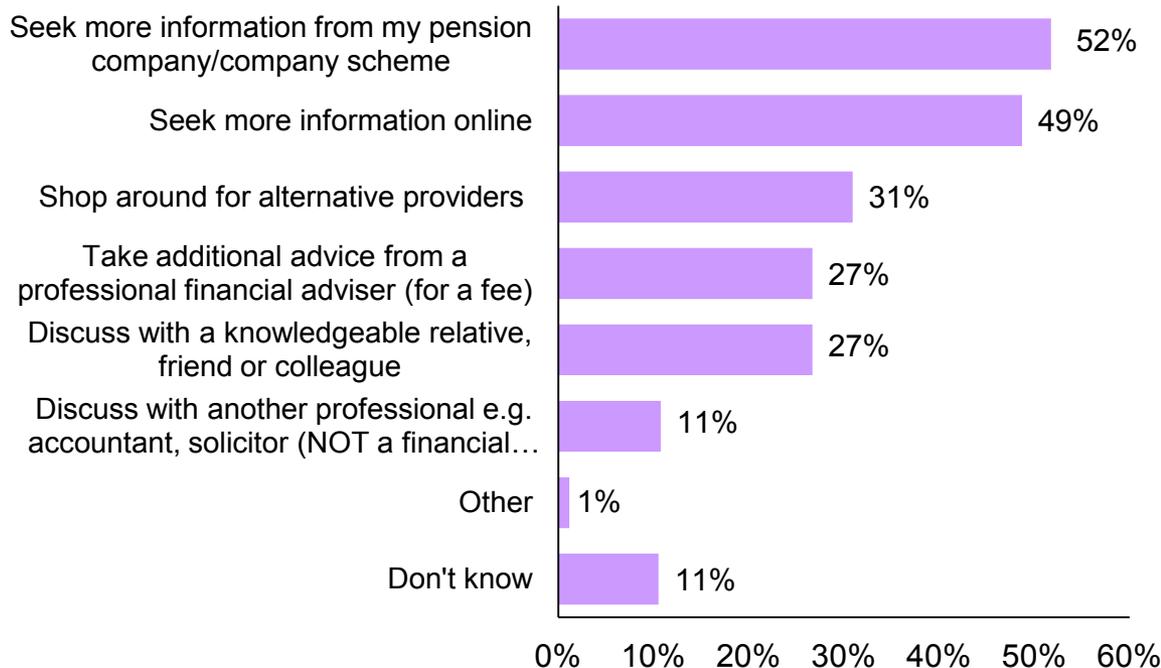
Most frequently mentioned channels by pot size:

- £5,000-£49,999: Heard someone talking about it
- £50,000-£100,000: Pension Wise website
- £100,000+ : television, newspapers/magazines

There is scope for increasing both awareness of Pension Wise *and the delivery channels through which it operates.*

After using Pension Wise, the majority will continue to collect information by contacting their provider or by browsing online

Around 1 in 4 envisage taking paid-for advice from a professional financial adviser or discussing with a knowledgeable third party



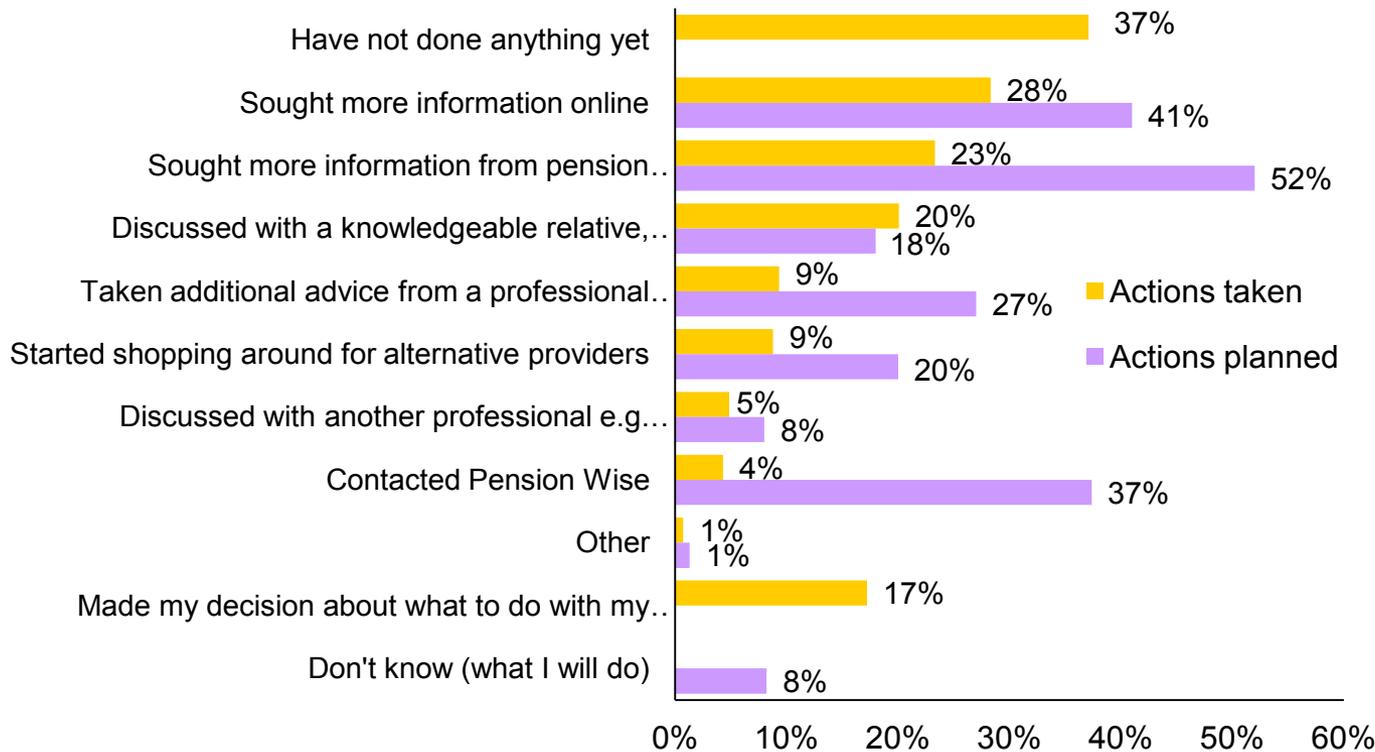
Those with pot sizes under £50,000 are more likely to discuss with a knowledgeable relative whilst those with pots of £50,000+ are more likely to take additional advice from a professional financial adviser

QUAL: Pension Wise is likely to be considered as one of the starting points in the journey, followed up by a search for more detail on options and providers

This indicates that consumers 'position' Pension Wise at the early information-gathering stages. This has implications for targeting i.e. to the widest audience and at a point when it could be relevant.

Activity following receipt of provider comms is limited, with general actions like looking online the most common

Half plan to contact their scheme or provider for more info; 1 in 6 did say that they had made their decision



Those less than a year from retirement more likely to have:

- Taken advice
- Discussed with a third party
- Sought more information from pension provider
- Made a decision

Men more likely to expect to shop around for alternative providers than women

Those with £100,000+ pension pots more likely to seek further advice and more information. Those with <£50,000 less likely to shop around for alternative providers

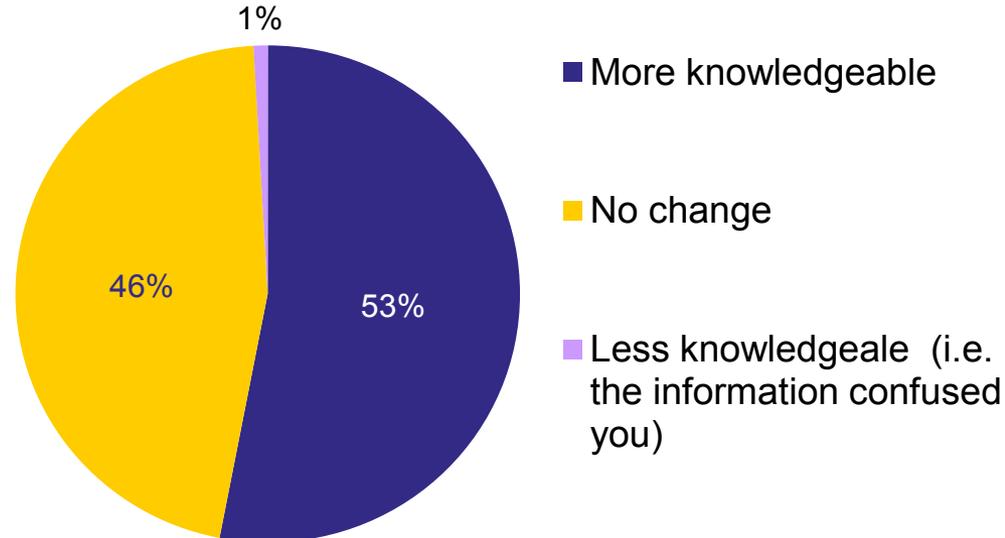
This indicates that provider packs are being used (landing) at different stages in the journey. It would be useful to include pointers to where consumers may access more information should they still be in the earlier stages.

Base: Those who have read or skim read the communications (558)
 Q15f What actions have you taken as a result of receiving this information from your pension provider or company pension?
 Q15g And what action(s) do you plan to take as some point?



Comms received add to perceived level of knowledge for over half

However, given that the most common content of the pack is a statement of the current pension fund value, this improvement may only be minor



Those with pot sizes of £100,000+ were more likely to feel more knowledgeable after reading the information

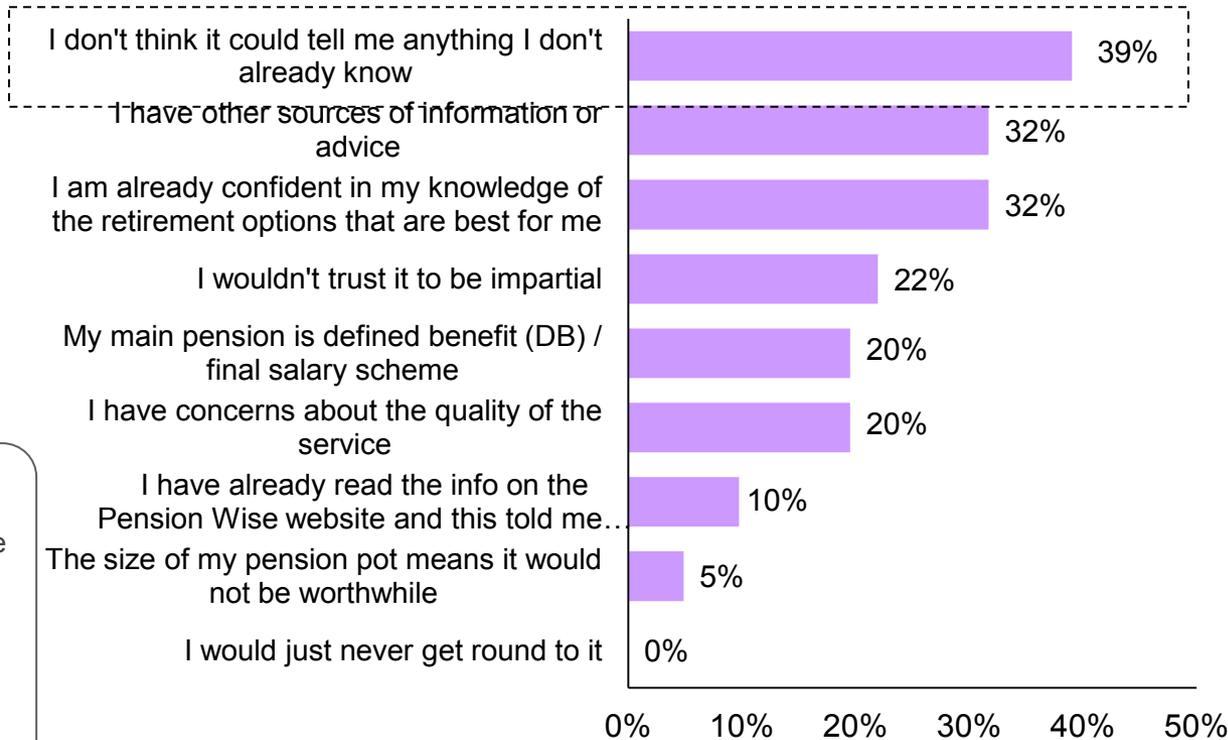
Base: Those who have read or skim read the communications (558)
Q15e As a result of reading this information how do you feel about what options are available to you when you come to retire?

Base: All respondents (1005)

Q5 How knowledgeable do you feel about what options are available to you when you come to retire?

As revealed in the qual, a key barrier to using Pension Wise is thinking that they already have the information on offer

There is also a lack of knowledge of what the service can provide



Those with pots of £50,000 or more are more likely to say that Pension Wise is unlikely to offer them anything they do not already know

QUAL: people who were either a) already in the later stages of the process or b) considered themselves generally well informed did not believe PW could deliver anything they did not already know

Men more likely to say that the info on the Pension Wise website was sufficient

This points to the importance of consumers being aware of what's on offer. There is also scope for widening the *time window* and *target audiences* of future comms to ensure it reaches consumers at earlier stages

Base: Those who wouldn't use Pension Wise (41)

Q21 Why do you say you would never access this guidance?



Pension Wise Booklet: Delving into the pack – seems easy to understand, but not personalised, plus the thickness can be daunting

Pension Wise pack



LIKES:

- ✓ Signposting to different sections - don't need to read it all
- ✓ Bite-sized info boxes, FAQs and bullets make it 'digestible'
- ✓ Words like: checklist, key points, jargon buster, make it seem accessible
- ✓ Active language is appealing e.g. 'time to choose'

I've seen a lot of these packs and theirs was pretty good. It wasn't too technical. There were FAQs too which I found very useful.
(Female, 60, £50k+)

DISLIKES:

- ✗ Some may never get round to reading it – put off by the length
- ✗ Too generic to be useful
- ✗ Letter (*Dear Saver*) is not personalized - could imply it's more of a sales brochure than an official document
- ✗ Bright colours and fun pictures can make it look like marketing – needs to look 'official' and stand apart from typical provider materials

It looks helpful but you'd need the time to look at all this. The 'Top Tips' and 'Key Points' draw your eye and it's good that they point out scams. Plus it seems impartial.
(Female, 63, £10-50k)



Usage of Pension Wise: A very small number had used the website - none had had a face-to-face meeting

Users had positive impressions of the website:

- Clear and helpful - especially pension calculator
- Perception that the service is mainly there to answer fairly basic questions about the rules – **THIS MAY BE A BARRIER TO PURSUING A MEETING IF NOT AWARE OF OTHER POSSIBLE DELIVERABLES**
- **Thorough** personalities think they wouldn't learn anything they don't already know
- Those with larger/more complex financial set-ups think they need more specialist, personalised advice

QUANT: 21% had visited the website and 1% (8 people) had had an appointment

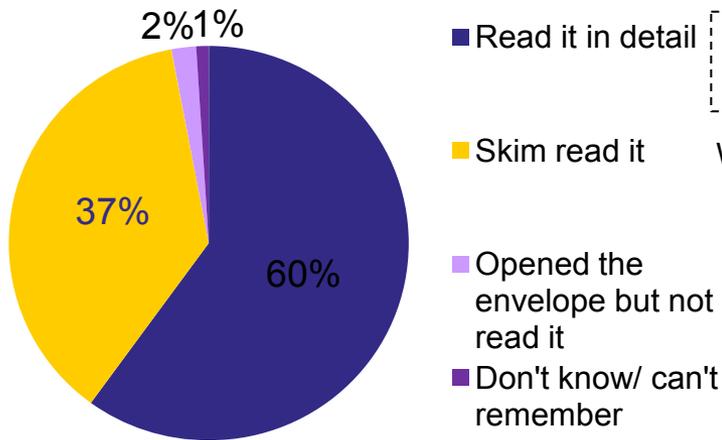
It's fairly simplistic in its advice. My decisions are financial and not just based around my pensions, it's what else I can do, eg with my house. But I might see them out of sheer interest – they might have one useful nugget
(Female, 68, £10k-50k)

I went on the website. There was a good pension calculator. You can play with that. You can mix and match a bit. The options of what to do with the rest [of my pot] came from there.
(Female, 60, £50k-£120k)

More than half (57%) had received comms from their pension provider or employer on how to access their pension benefits

The highest recall in terms of content is around the estimate of pension values and their options. Elements recalled correlate well with what is deemed as 'essential information'

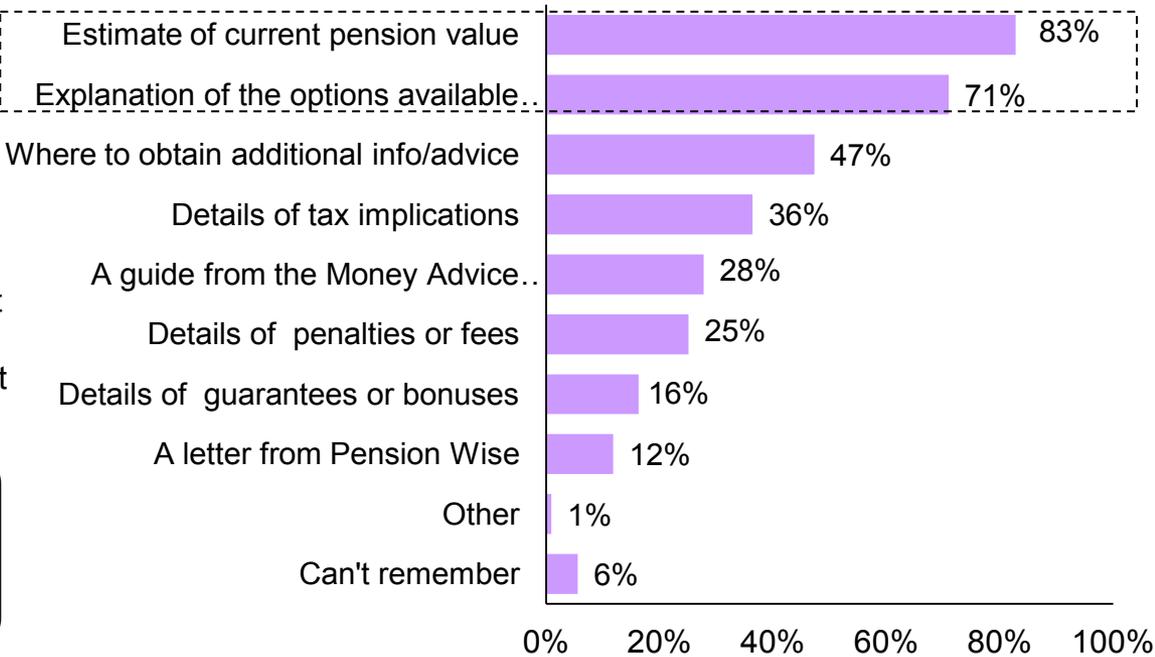
Engagement with literature



More likely to read in detail:

- Those less than a year from retirement
- Men
- Those who are very knowledgeable and confident about taking a decision

Information contained



The qualitative study found that while the comms pack was not discarded, different elements were given different levels of attention. There is scope for designing comms that will look immediately *relevant* to consumers. Timing is clearly key.



Base: Those who have received communication (571) Q15b What have you done with this communication so far?
 Base: Those who have read or skim read the communications (558) Q15c Which of the following did this communication contain?

Provider literature does not always ‘grab’ users’ attention

While the pension valuation is a vital piece of information, provider packs are often found to be a) too generic to be useful b) too ‘marketing-like’ to be used as a reference c) too content heavy

After reading the literature, many are still unsure of:

- Full range of options available, e.g. that you can mix and match – often just understood at high level
- The risk in keeping your pensions invested
- Drawdown products – needs to be simplified and risks spelt out
- Underlying assets – and the match with their risk profile
- Volatility – impact of ups and downs in the market
- How different elements impact each other e.g.: State pension vs private, lump sum vs the remainder, taking 25% from both pots, etc.

[Was it clear the main things they were trying to say?] Yes. It gave you the option of taking an annuity or some type of drawdown. I still didn’t understand the drawdown so I had to ask somebody. The pack was clear but I still needed extra help ... (Female, 68, £50k-£120k)

There is a lot to read. I’ve been reading this on the train but my mind drifts. (Female, 59, £10k-50k+)

More concise formats, signposting to relevant sections and the use of simple schematics (e.g. flowcharts) help engagement



Most providers are communicating potential risks but, if the pack lands at the wrong time, the information is often skimmed over

Too much detail too early in the process (initial fact-finding stage) or too late (once the decision has been made) means that this is not really being assimilated by consumers.

Risk checklist

Consumers can recall providers telling them about:

- ✓ Shopping around
- ✓ Tax implications
- ✓ Range of options (high level)
- ✓ Pension valuation may change and depends on date of enquiry
- ✓ Inflation
- ✓ Health / longevity

Less recall of:

- ✗ Scams (though awareness is generally good through media)
- ✗ Debt (and clearing of this)

Consumers generally do not expect providers to be giving this information – apart from tax implications, generally not high up their essential information needs

[Importance of explaining the risks?] It's important but not in the first communication. If you have a life sentence you just need to know that you have to serve 15 years before parole. You don't need to know about category B prisons. (Female, 64, £10k-50k)

Risk warnings are best communicated when consumers are in the engagement stage of the process. But clear misalignment between industry need to protect consumers and consumer ability to absorb this quantity of information



Contents

Background and approach

Research headlines

The consumer mindset

The consumer journey

- Initial fact-finding stage
- Engagement stage
 - Experience and expectations of Pension Wise
 - Experience of providers
- **Final decision stage**

Conclusions and recommendations

Appendix A: Additional quant findings; Reactions to provider literature

Appendix B: Pen portraits and case studies

Appendix C: Sample descriptions; stimulus

Final decisions: A projection of possible routes taken by different personalities*

Mr or Mrs Ostrich

- Likely to procrastinate the decision till the last minute
- *Vulnerability: High:* may opt for an 'easy' solution, with current provider without shopping around

Mr or Mrs Detached

- Will use easy interfaces and focus on more straightforward products/options, or devolve to an adviser
- *Vulnerability: Moderate to high.* If not using advice, may go for the simplest option they feel gives them a fair deal with minimal involvement or use own provider without shopping around

Mr or Ms Flexible

- Likely to look at a number of options, using multiple sources and guides. May put off some decisions (if possible) until clearer
- *Vulnerability: Moderate:* if forced to make a decision, may ignore some options due to limited time

Mr Thorough

- After extensive research will often adopt an ongoing solution e.g. may use online platforms, income drawdown
- *Vulnerability: Low* – self-driven will manage pensions based on a good level of knowledge

What will they do..

Large majority will communicate decision to chosen provider

- Little to no need for further information at this stage
- Little evidence of taking further (professional) financial advice at these wealth levels

No real difference by personality type

*Case studies in Appendix B give examples of different personalities and actions considered, etc



Contents

Background and approach

Research headlines

The consumer mindset

The consumer journey

- Initial fact-finding stage
- Engagement stage
 - Experience and expectations of Pension Wise
 - Experience of providers
- Final decision stage

Conclusions and recommendations

Appendix A: Additional quant findings; Reactions to provider literature

Appendix B: Pen portraits and case studies

Appendix C: Sample descriptions; stimulus

The ideal support structure for consumers nearing retirement provides an easy way to access information, to the required level of detail, when needed

- As there is not a single trigger, or even common time window, within which consumers start considering their options, it is critical that information and support services are *communicated early* and *made available* to a wide audience
- It is also important that consumers can 'self-direct' their fact-finding journey with the option to access information on demand as their needs for information are unlikely to align with current provider processes for pushing out information
- Consumers will require information and guidance at two key stages, with different requirements:

Initial fact-finding stage

Needs: Much earlier engagement by Government including a very simple 'Introduction to your pension options' highlighting the key principles to help frame their personal circumstances

- Use simple graphics (e.g. flowcharts) to aid understanding of the process and eliminate need to take in irrelevant information

Expectations: Ideally led from an impartial (official) source, in simple language, concise and focused on what's important

Desired Benefits: being safeguarded from falling prey to non-impartial providers and/or overlooking better options through lack of knowledge

Desired outcome: To be 'armed with information' to look into the detail of their own personal situation AND approach less impartial organisations e.g. providers

Engagement stage

Needs: Relevant information, answers to specific questions

Expectations: *Qualified* advice or guidance, relevance to personal situation

Benefits: The ability to weigh the advantages and risks of different options

Desired outcome: Being able to make an informed decision; awareness of the key risks involved



Interest in Pension Wise is high but demand appears untapped

To raise awareness and take-up:

- Communicate that Pension Wise offers:
 - Face-to-face (via CAB) and telephone options
 - An overview of options available and possible next steps
- Show the 'fit' with the consumer's journey by communicating that Pension Wise can:
 - Deliver a simple and comprehensive introduction to pensions – *for those in the Initial Fact-Finding stage*
 - A more personalised consideration of options – *for those in the Engaged stage*
- Key target audiences are likely to be **Detached** and **Ostrich** personalities. **Flexible** personalities may also consider the service in the early stages of the journey. Those with pots <£50k. Consider tailoring comms appropriately.
- Similar to what was found in last year's research, direct comms is more likely to raise awareness. However, this should not be restricted to people 12 months from retirement
 - A yearly direct letter (or official looking email) about the service to pre retired individuals from age 55 would help boost awareness and is more likely to hit people at the right time

Some guidelines for providers

What is needed

- ✓ Focused and concise – with signposts to other sources/next steps
- ✓ ‘Official looking’ and personalised
- ✓ Accessible language, glossaries
- ✓ Action oriented, eg: ‘time to choose’
- ✓ Make it easy to dip in where you want – contents pages, ability to click on different access points, etc
- ✓ Looks accessible - bite size chunks, checklist, call out boxes, tips and simple visuals
- ✓ Flow charts, decision trees, pathways through
- ✓ Delivery to suit you, eg: video clip, FAQs, booklet, online calculator, phone call, so you can construct your own journey and tap in to when relevant

Avoid

- ✗ Cheesy, aspirational pictures (jolly people, cruise ships, etc)
- ✗ Salesy, pretty brochures
- ✗ An overload of detail/small print, trying to cover too much
- ✗ Generic content that may imply it’s not relevant or important
- ✗ Lots of jargon (they do not mind it being ‘dumbed down’)

The “new normal” in pensions: no pre-fabricated solutions

Our research findings reveal:

- New flexibilities mean that there is no longer any set path that consumers will take.
- No set-piece approach to retirement, now a plethora of different paths e.g. people will even treat their various pension pots differently: cashing in small DC pots and leaving larger ones.
- How and when they access their pensions is now unique: no single trigger, not even a common time window
- Information requirements “draw down” versus “lump sum”: all consumers (whether methodical or otherwise) likely to approach their retirement with different decision stages, pulling down information as needed:
 - ✓ Initial fact-finding
 - ✓ Engagement
 - ✓ Final decision
- So they will contact their providers with far more complex questions.

Bottom line: huge new challenges for providers in serving those customers

The need for training and competent staff

The research shows that the right interactions are key to helping consumers 'draw down' the information and guidance that meets their own decision-making needs

What consumers want

- For their journey towards making a decision to be understood
- Having empathy with the challenges they face on the path they are taking
- Customers to understand where they are in their journey and what information/guidance is most relevant to them at that point
- Ability to "draw down" as much or as little information as they need at each stage, whilst knowing where to look for further help if/when needed
- Follow-up conversations with personalised written confirmation that is clear, concise and relevant
- Trust and confidence to be able to return for more information and guidance

So staff need to...

- Tailor their communications in **content and timing** to reflect where consumers actually are in the three stages of decision making
- Be able to build their understanding of the individuals circumstances and preferences
- Be able to offer the right information and guidance
- Pick up the threads of a conversation correctly and confidently when a consumer asks for more help
- Confirm appropriately in writing



APPENDIX A

ADDITIONAL FINDINGS AND REACTIONS

Provider performance: in consumers' own words...

No particular provider singled out for doing things well or badly – experiences can vary greatly, as a few experiences illustrate:

The guy from [the provider] was very helpful, and quite happy to come out and see me and talked me through my options. But they would have charged me £2,500 to tweak my pension how I wanted it, so I ended up going through AFH – [the provider] said I'm doing the right thing. (Male, 65 £50k-£120k)

When we met with [advisor] where she came up with the brainwave of consolidating the pensions, she said it is very complicated. Having spoken to [a provider], I was amazed at how easy it was. There were all these horror stories about people not being able to access their money. I never had any problem at all. (Male, 65 £50k-£120k)

It took my wife from February to August to get money out of [the provider]. They pushed her to go through [advisor] at 2%. She just wanted the cash – under £30k – and it took 5 months. They put every obstacle in her way. It was only when my daughter (a lawyer) intervened that they got a bit scared. (Male, 66 £50k-£120k)

The [provider] information was something that really needed digesting. It could be in clearer language, simpler words. It's day to day for them, but not for us. Whereas the Which? guides were well done, with less jargon. (Female, 62, £10k-50k)



Pension Provider's literature

Only explored lightly, but general impressions included:

Provider packs

LIKES:

- ✓ Some active language - makes you take notice, and not too full of jargon
- ✓ Pre-perception that it may be a 'salesy' brochure but in reality was not
- ✓ They spell out that you can shop around

DISLIKES:

- ✗ More text based, fewer visuals and bite sized snippets to break it up
- ✗ Some language is more passive (e.g. exploring your options) – So Ostriches may think it's not vital to look at it
- ✗ Covering letter looks like normal comms, nothing to really catch your attention or stand out
- ✗ Too long and content heavy (MAS document used as an insert is 38 pages long; main SL brochure 22 pages)



It's good to tell you that you need to choose – I thought it was automatic too ... But 'explore your options' is a bit soft. 'Your pot ... what do you want to do?' etc are my sort of language so it seems understandable. (Female, 64, £10k-50k)



Somehow it is not quite as easy to read. Maybe it's the lack of boxes and tips etc. (Female, 63, £10k-50k)



Short and sweet – I think I prefer it – once you get into really long documents there's a tendency to just put it aside. (Female, 64, £10k-50k)

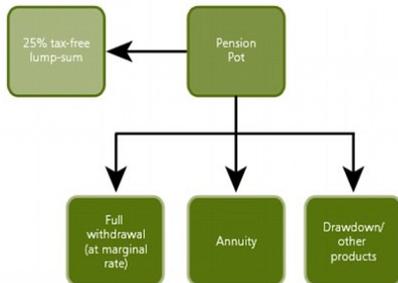
Presentation techniques to encourage engagement...

Flow charts and decision trees



Figure 1.4: Future system for accessing defined contribution pensions at retirement

Under the new system, regardless of the size of their defined contribution pension pot, everyone will be able to choose any of the options in the below diagram. This will mean that everyone has access to full withdrawal, an annuity or drawdown, and potentially other products created by providers.



Easy reading from Ovo when a key decision is needed



Your fixed plan's ending soon - it's time to make some choices

Hello Nanda,

It's not long now until your fixed energy plan comes to an end on 3 December 2015, so it's decision time. You can:

- Fix again in just a few clicks.
- Move to another supplier.
- Do nothing and move on to our variable rate Simpler Energy plan.

Different media –videos and pension guides/calculators



Featured videos



Annuity

Receive a guaranteed income for the rest of your life.



New drawdown

Your pension remains invested - you can withdraw what you want, when you want.



Mix & match approach

Mix and match your options to receive a blend of secure and variable income.



APPENDIX B

PEN PORTRAITS FROM IN-DEPTH INTERVIEWS

Mr & Mrs Ostrich would rather put things off

Mr or Mrs
Ostrich



- **Low engagement, very low comfort levels when taking financial decisions**
- Generally not very financially 'savvy'
- Pensions are a black box – tedious and full of incomprehensible jargon
- Many would like to seek advice but may be worried about the cost
- More likely to have a smaller pot (<£50k) with little interest in managing it proactively
- Lack the confidence and resources to seek out the right information – may be less competent online/with complex paperwork
- **Most likely to procrastinate and will welcome guidance or 'hand-holding' they feel they can trust.**



Mr & Mrs Detached just want to get it sorted

Mr or Mrs Detached



- **Very low engagement, moderately-to-low comfort levels when taking financial decisions**
- Usually a fairly 'steady Eddie', with a lifelong sensible approach to finances
- Have a basic working knowledge but financial topics leave them cold. Time-consuming complexity is a turn-off.
- Characterised by *disengagement* which may mean that they risk missing out on the full range of options open to them due to lack of awareness
- **They want a simple description of options to allow them to engage and take a decision (probably by enlisting some help). They are likely to prefer solutions that need little or no ongoing management.**

Mr & Ms Flexible want to keep their options open

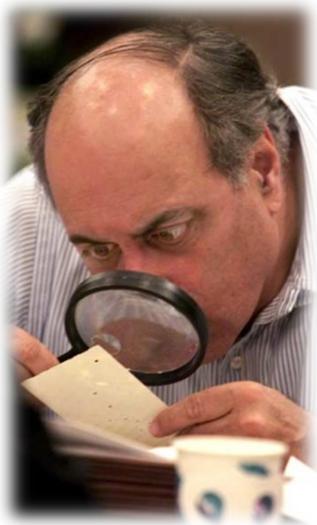
Mr or Mrs Flexible



- **Moderate engagement, moderate comfort levels when taking financial decisions**
- May have followed a varied life path e.g. a different careers, life circumstances
- Many hold multiple pots and a variety of sources of income (eg: may have a small business, a rental property, savings, two or three pensions in the household)
- They are more likely to consider different options in terms of their future e.g. buy a residence abroad, downsize, help their child get on the housing ladder, take a lump sum to travel, etc
- **They want flexibility and the ability to adapt their pension benefits as priorities circumstances change.**

Mr Thorough wants to understand the detail

Mr Thorough



- **High engagement, high comfort levels when taking financial decisions**
- Generally called ‘the hobbyist’ in financial research - intelligent and well read, may read the FT, moneysavingexpert updates, league tables, etc
- Often have relative high incomes and sizeable pots
- Usually male (though can be female) with a real interest in financial matters – like to be in control of their finances
- Enjoy the detail - understanding tax implications, etc - and feeling they have made a smart choice
- Some may plan to be hobbyists in retirement, dabbling in shares, managing a SIPP or other investments
- **Their pension is a ‘mini-project’. They want access to a) detailed information and b) easy channels via which to implement their decision.**

Case study – William* – 67 – pot size £50-120k [Mr Thorough]

- William is married and works full time as a chemist – he is still healthy and well respected in his profession so decided to defer retirement until early next year
- He has a good DB pension (has worked for a local authority lab for 40 years), but also a sizeable DC pot
- He doesn't particularly relish handling financial matters (ie won't be a hobbyist in retirement), but is perfectly competent at it and realises the importance of fully understanding all his options, possible investments and tax implications, etc
- For example has looked into various fund platforms, peer to peer lending and gathered information via Which?, Martin Lewis guides, etc. While acknowledging that pensions are a specialist area that may require advice, he is loathe to pay it, and when the time comes may instead speak to a family friend or others who've retired
- Has not stumbled across Pension Wise despite his research, but feels it may be useful to confirm the basic rules and tax implications, though this would only take him so far. Nor has his provider contacted him about his options, which he finds surprising given that his retirement is fairly imminent. He liked the idea of tools offered by the likes of HL to help him make his own decisions



* For privacy, the names and photographs used in these case studies are not those of the actual participants described.

I don't like people who make money out of making money ... I've looked into getting some advice but it will cost me 2%, which seems a lot for probably half a day's work. The main thing is to minimise the tax and try to maintain the capital

Case study – Peter – Age 64 – pot size £50k+ [Detached]

- Peter is a semi-retired property developer who wants to enjoy life with his younger wife while still in good health. His children are doing well so he's not intending to leave a lot to them, but nor does he want to overspend in case he needs long term care at some point
- He is fairly well covered by a mix of state pension and two private pensions, recently consolidated into a drawdown scheme – as suggested by a long standing adviser. Yet discovering that she would charge £2,000 to complete the paperwork, he decided to do it himself as his financially savvy business partner said it was just a simple form.
- He contacted a provider, who he found to be very helpful and friendly, and thought the process was fairly straightforward, satisfied with his decision (despite not shopping around). Yet despite knowing the gist of the main rule changes, surprisingly he was not aware that drawdown was not guaranteed to pay out for life. Upon probing, it seemed his adviser had mentioned something along these lines but it had not fully sunk in, not even during his discussions with the provider.
- Peter was aware of PensionWise as he had seen adverts but thought it was only a website. He had used this and found it helpful, but was surprised they offered face to face too.

Peter



Is a drawdown the same as an annuity? ... The adviser said you have 2 options – take out an annuity which she didn't recommend or have a drawdown scheme ... *[Do you see any risk to getting a good outcome?]* No because if I'm not mistaken, once I consolidate my pensions and crystallise them, it's like exchanging money on a particular date. You get a rate and get your money. If I asked [the provider] how much my pension is worth, and I want it today, that is secure. That money would be sent. So there'd be no risk."

Case study – Alex – 60 – pot size £50k-£120k [Mrs Flexible]

- Alex is married with a daughter of 17. Her husband has grown up children of his own, and runs two businesses. She now works with him part time, but has recently bought an annuity with one of her larger pension pots from a previous employer
- At 68, her husband is taking his State pension, but also has various investments and an inheritance, plus she has two smaller private pensions to come. So between them they feel fairly confident, despite their finances being somewhat fragmented and complex
- They have several paths they could take, e.g. their daughter may go to uni shortly so they may downsize to somewhere cheaper outside London, which would free up cash
- Drawing her pension was prompted when her provider invited her to a seminar as her policy reached maturity. She found them helpful and documents fairly straightforward, and is happy with her choice, though there was little mention (recall) of being able to shop around
- Nor has there been anything from providers about the change in legislation, which she found out herself from: accountant, friends, info in financial press, Martin Lewis site, looking on the Pension Wise website etc (but did not feel a need to pursue that further)



Financially we'd like to think we are in a reasonable position. We're thinking about downsizing - you get more outside London. I'm fortunate in that some pension I've started taking; some is invested and some to come ... But it's not all cast in stone. Things can be changed around.

Case study – Anthony – Age 66 – pot size £50k-£120k [Mr Thorough]

- Anthony is married, and has been self employed for over 30 years. He is clearly highly financially literate as well as having a background in business management
- He has a long standing Executive Pension Plan as well as a SERPS replacement plan, and was intending to retire last year and access his pot, but deferred it due to the new rules coming into play
- He wanted to organise his own drawdown pension and not buy an annuity, but found dealings with his providers immensely frustrating, as they insisted he liaise via a financial adviser, refusing to work with him directly
- He objected, finding adviser charges excessive, and feeling able to handle it himself, but was left with no choice but to use an FA. Overall he found the provider dealings slow (e.g. he had organised a lump sum pension payment to help pay for a buy-to-let property but its late arrival left him needing a short term loan)
- The experience has left him feeling that legislation is needed to force providers to deal directly with the public should they so desire
- He did use Pension Wise briefly (found their details on the back of a booklet about State pensions) and thought them helpful in tracking down a small pension provider he had lost touch with, but doesn't see a govt body having a role beyond basic signposting

Anthony



[The provider] insisted we go through a financial adviser and it's a rip off. They are laughing all the way to the bank ... It was not geared to be taken out and put into flexi-drawdown. So it all had to be done by an adviser and that cost thousands and I was furious. It was only filling in forms ... They had seven weeks to get the money out, but couldn't do it. It's disgusting how long it took.

Case study – Sheila – 64 – pot size £10k-50k [Mrs Ostrich]

- Sheila is married with grown up children. Has worked in a fairly low paid job in the care sector, on and off while bringing up children – with a husband in the Navy and often away, childcare has always fallen to her. Set up a small pension some years ago
- Loves the job but it is physically tiring so has reduced her hours, seeking to fully retire in March 2016, in line with her husband – he will have a large pension, plus they have a rental property in Spain. Is unsure how they will fare when together 24/7
- Plus he has always controlled the purse strings, and she has largely managed on her own small income. She is ill informed about her own rights and finance generally, and fairly scared about the future as she can't see him sharing his income
- She carried on working, hoping to have a bit more to retire on, yet is worried it won't be enough. She has put off thinking about it or reading anything, afraid of the jargon and decisions needed – may have had papers through but ignored them
- Has a vague recollection of Pension Wise but assumes their services would not apply to someone with a small pot like her. May instead ask for some advice through the Navy
- Upon seeing comms material found the jargon and thickness of documents off-putting, but seeing check lists, tips and clear, purposeful language made it seem more accessible

Sheila



I'm not sure what an annuity is – I thought they just sent you a cheque when you retire ... As soon as I see 'with profits' and 'stakeholder' it scares me. I've decided to just get Christmas out of the way and try to face it after that

Case study – Dave – 65 – pot size £50k-120k [Mr Thorough]

- Dave is married and works in IT. Despite turning 65 in March he decided to carry on working for 9 months as he is no longer paying NI and is thus £2k per month better off
- He had several pension pots from previous jobs which he has consolidated, and is now drawing on a 5 year annuity, plus his NRD cut in at 65, all of which are allowing him to save a bit longer for his full retirement in the next few months
- 65 was the trigger for several firms to contact him, plus he has sought out some information himself. His employers also arranged a seminar last year when the change in regulations happened – relevant to him as he also has a workplace pension yet to be tapped into when he finally retires
- The seminar was one of the most useful sources, giving him the idea to consolidate his plans, as well as telling him about tax, shopping around etc, plus providing a useful flowchart
- Having fully explored his options/rule changes etc, he feels well armed, but is still unsure about the risks and benefits of drawdown. Once told he could meet with PW, he felt this could be useful when the time comes, but would need it to be personalised



When the pension changes were announced they gave us a presentation at work. It was very useful and the timing was appropriate ... it made me think about how to consolidate a pot, as a bigger pot has better buying power ... They talk about index linked ... debt ... that people are living longer ... They told us that it was very much an open market and not to just take what was offered by the pension company ... I homed in on the tax free bit. I don't want to pay the government anymore than I have to. One of the most useful things is that flowchart. You can make a copy and write numbers on and work out where you're going to go

Case study - Alric – Age 63 – pot size £10k-50k [Mrs Detached]

- Alric is divorced, with a grown up working son who lives at home. She is retired and gets a State pension plus a small annuity
- She also has a small AVC that has just matured but she has not sorted it out yet. Finances are not her strong point or a topic she's interested in – she's more keen on quality family time, looking after her granddaughter, etc
- When she retired 2 years ago her elderly mother moved in, so both her son and mum help with finances, hence why she is not too worried about her small AVC
- When her first pension matured she just went with the incumbent provider (this was prior to rule changes). She may cash the AVC in to buy a car/kitchen upgrade
- She is unlikely to explore her options in great detail and would rather sit and talk it through with a friend and discuss a few easy to understand options
- She was interested in Pension Wise and provider literature as it seemed accessible, highlighting clearly things she didn't know and could get caught out by, eg tax implications
- But she admitted it all takes time to look at, and there was the impression that a thick, 'boring' document might well not be delved into, and a short leaflet with the key facts in would be better for someone like her who is fairly disinterested



I've been a bit slack about my pension. I didn't really look into my options, just took what I was given ... I know the rules are changing but I'm not sure how, it's all a bit overwhelming. I just need someone to tell me my choices in words of one syllable



APPENDIX C

SAMPLE DESCRIPTIONS/STIMULUS

Qualitative sample

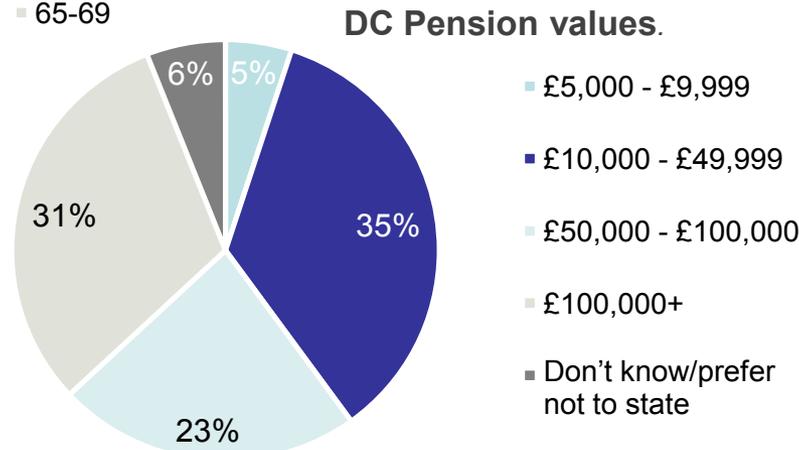
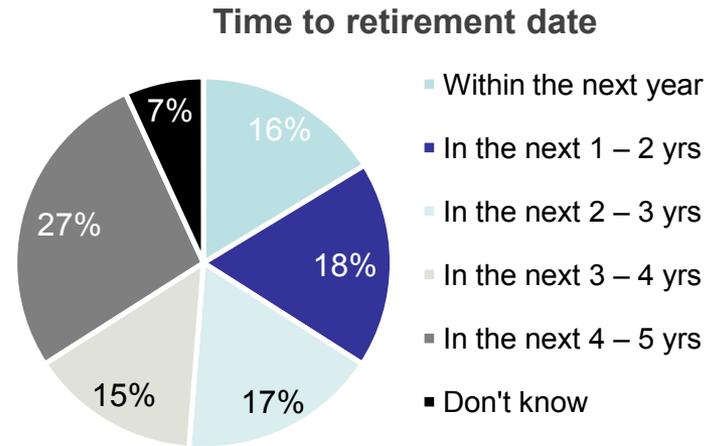
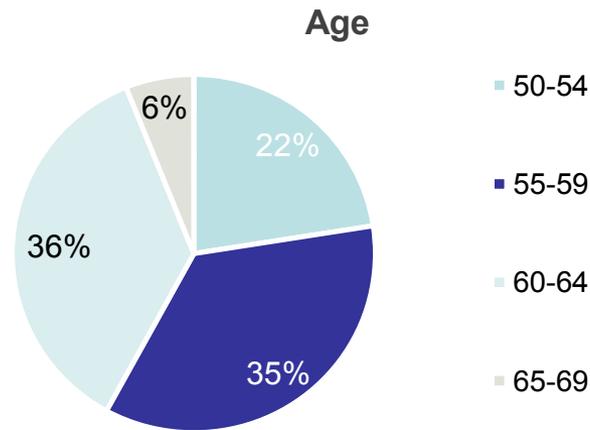
Qualitative research was carried out from Sept-Oct 2015, comprising the following mix of respondents:

Number of depths	Retired / accessed benefits		Pension pot size		Location	Other recruitment criteria
	Yes	No	£10-50k	£50k-£120k		
13	4	9	7	6	Midlands – <i>Birmingham, Sutton Coldfield</i>	<ul style="list-style-type: none"> • All age 55 plus • Holders of DC pension scheme (may also hold other occupational and personal pensions) <ul style="list-style-type: none"> • Mix of males/females
11	5	6	3	8	London / Greater London	
6	3	3	4	2	South – <i>Surrey, Brighton</i>	
30	12	18	14	16		

Who we spoke to: *quantitative survey*

The total sample was made up of 1,005 participants aged 50+ of which 66% were men and 34% were women.

It included a spread of ages and length of time from retirement:



Base: All participants (1005)
 QA What is your age?
 QC When, if at all, are you planning to retire from work or start accessing your pension savings?
 Q2a Which of the following bands applies to your total pension value?

Quantitative sample – Demographics (1)

QA. Age	50-54	22%
	55-59	35%
	60-64	36%
	65-69	6%
	70+	0%
QB. Gender	Male	66%
	Female	34%
Q26. Working status	Working full time (30 hours+/week)	61%
	Working part time (8-29 hours/ week)	14%
	Working part time (under 8 hours/week)	1%
	Self employed	11%
	Unemployed and seeking work	2%
	Semi-retired	4%
	Retired	2%
Not in paid work	5%	

Q27. Region	London	9%
	South	33%
	Midlands	12%
	North	21%
	East of England	11%
	Scotland	8%
	Wales	4%
	Northern Ireland	1%
Q29. Marital status	Other	1%
	Single	9%
	Married / civil partnership	71%
	Co-habiting / living as married	7%
	Widowed	2%
	Divorced / separated	10%



Profile of quantitative sample – *Demographics (2)*

Q28. Housing	I own my property outright	52%
	I own my property, but am still paying a mortgage	38%
	I am part of a shared ownership scheme	0%
	I live in accommodation rented from a Local Authority / Housing Association	2%
	I live in accommodation rented from a private landlord	5%
	I live in other rented accommodation	0%
	Other	2%
Q30. Financial responsibility for others in household	Adult children	23%
	Children / grandchildren under 18	9%
	Parents	2%
	Other family	1%
	Other non-family	1%
	None of these	68%

QC. Retirement date	Within the next year	16%
	In the next 1 – 2 years	18%
	In the next 2 – 3 years	17%
	In the next 3 – 4 years	15%
	In the next 4 – 5 years	27%
	Don't know	7%
Q31. Financial decision maker for household	Yes, solely	38%
	Yes, jointly	61%
	No	1%

Profile of quantitative sample – *Pensions held*

Q2a. Total Pension fund value (excluding DB pensions)	£5,000 - £9,999	5%
	£10,000 - £29,999	19%
	£30,000 - £49,999	16%
	£50,000 – 74,999	12%
	£75,000 - £100,000	11%
	More than £100,000	31%
	Prefer not to state/don't know	6%
Q2. Total number of DC / PP / SIPP pensions held	1	63%
	2	22%
	3 or more	15%
Q1a. Pension types held	DC and DB pensions	41%
	DC pensions only	59%

Q1a. Pensions held	Defined contribution (DC) company pension	54%
	Defined benefit (DB) company pension	40%
	Personal pension / SIPP	62%
	Don't know	3%

Profile of quantitative sample – *Investable assets and retirement income*

QE. Total investable assets	Less than £5,000	12%
	£5,000 - £9,999	10%
	£10,000 - £29,999	24%
	£30,000 - £49,999	18%
	£50,000 – 74,999	18%
	£75,000 - £100,000	15%
	Prefer not to state/don't know	4%
QF. Use of advice for savings and investment products	I will see a professional financial adviser if I want to arrange savings or investments, but I do not see the same adviser on a regular basis	20%
	I mainly do my own research if I want to arrange savings or investments and then buy directly from a financial company or through the internet	70%
	I do not hold / do not buy savings or investments	8%
	Don't know	2%

Q3. Other sources of income for retirement	Cash based savings e.g. cash ISAs, bank/building society savings accounts / bonds	58%
	Investments e.g. stocks and shares ISAs, unit trusts / OEICs	31%
	Rent from additional properties e.g. buy-to-let	17%
	Funds from sale of house / downsizing	26%
	Release of equity from your current home	7%
	Employment (e.g. part time)	34%
	Inheritance	17%
	State pension	75%
	Other pension	2%
	Other income	1%
No other income	2%	



Qualitative phase – stimulus materials

SHOWCARD A

A defined benefit pension – this means a company pension in which the level of benefit paid out on retirement is based on the level of the employee’s salary when they retire/left the scheme and the number of years in the scheme. (e.g. 2/3rds of final salary) *May be referred to as Final Salary Pension, Company Pension or Occupational Pension.*

A defined contribution workplace pension – this means a company pension where the value of the pension pot depends on the amount of contribution paid in and the investment growth of the pot. Usually you and your employer pay a percentage of your salary into a defined contribution pension. *May be referred to as a Group Personal Pension, Company Pension, Stakeholder Pension, Occupational Pension, Staff Pension or Money Purchase.*

A personal pension – this means a pension that you set up yourself (or with your adviser), usually paying in an amount each month though you can pay in annually or make one-off contributions.

May also include a:

- **SIPP** (a self-invested personal pension) where you have more freedom over how the pension fund is invested, or
 - Separate funds on top of your main company pension scheme that you decided to set up yourself to boost your pension savings
- May be called an Additional Voluntary Contributions (AVC)*

Pension Wise logo and materials including detailed booklet



Examples of provider brochures and covering letters



CII

Thank you



CII



**Contact: Laurence Baxter
Head of Policy & Research
The Chartered Insurance Institute
Via Customer Service: +44 (0)20 8989 8464
customer.serv@cii.co.uk**