



Guaranteed Guidance for retirement

What consumers want

October 2014

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2 Key findings and recommendations

Key findings

- To contribute evidence-based thought leadership to the public debate on the development and implementation of the Government's Guaranteed Guidance (GG) proposals, the Chartered Insurance Institute commissioned primary research into consumer views towards this service.
- The research was with over 1,000 consumers who are the target users of the service. We defined this as within 5 years of retirement who had Defined Contribution (DC) pension pots and other assets each of less than £100,000 and did not have a financial adviser. The fieldwork was conducted at the end of July and beginning of August 2014.
- The research suggests strongly that these consumers would make use of the service (92% saying they would probably or definitely use it) provided that they are satisfied that those delivering it are impartial and qualified.
- Some scepticism was expressed by consumers that sufficient resources would be available to recruit and train sufficient knowledgeable staff to deliver GG before April 2015.
- Consumers want personalised communication of the offer from DWP, 6 months to two years prior to their intended retirement but would also value reinforcing messages from other parties connected with their pension – including, but not just limited to, their pension provider.
- Most consumers envisage that GG will be of value as a generic advice service – sitting outside the boundary of regulated advice – provided it is sufficiently personalised to edit their choices, navigate the information relevant to them and build their confidence to make good decisions.
- Face-to-face is the overall preference for the delivery of GG – 57% placing this first with only 6% placing telephone first. But a third (34%) place a self-completion questionnaire on-line first.
- Consumers expect to use a number of sources of information to help them decide how to use their DC pension pot – on average four. But when asked to choose their most likely follow-up action, a third say 'make their own decision through shopping around' and a quarter say they would seek professional financial advice.

Recommendations

- The Government and FCA must ensure that GG delivers to consumers a 'tailored' offer with:
 - a list of the relevant options based on their circumstances;
 - a thorough understanding for consumers to formulate the right questions to ask providers and advisers to better equip them to engage on more equal terms;
 - tax information relevant to their circumstances;
 - provider information – giving them tools and data to assess providers' expertise and quality; and
 - a written summary of what was discussed in the session.
- There should be an integrated communications plan to engage consumers, with personalised invitations, and led by DWP. Changes to provider 'wake-up' packs are an important part of this, but are unlikely to be timely or sufficient by themselves.
- The Government must ensure that those individuals providing GG and/or overseeing on-line delivery are sufficiently competent and knowledgeable and are able to demonstrate this.
- GG should be designed and delivered as a multi-channel proposition with sufficient development being devoted to face-to-face and on-line channels in the light of the findings of such research.
- Further urgent research should be carried out to establish the utility of different delivery channels for the target group in the light of the strong preference expressed for face-to-face interaction.
- The Government should undertake work on success measures particularly consumer follow-up activity after GG as soon as possible after implementation.

The Chancellor's budget speech in March 2014 set out a raft of major reforms to pensions policy aimed at removing the effective requirement to buy an annuity thereby giving people greater flexibility in accessing their pensions¹.

Whilst the political thrust of policy was about giving those who have saved more freedom in how to use their money in retirement, another component of the reforms was establishing a "free, impartial, face-to-face advice" service to help those retiring on defined contribution (DC) pensions make those choices.

The Government was quick to establish that this Guaranteed Guidance (GG) would not be regulated advice: it should be sufficiently tailored and personalised as to help individuals, but stop short of offering to customers "specific product or provider recommendations"². This combined with impartiality, were seen as the key characteristics of the guidance proposed in matching consumers' needs at retirement.

The Chartered Insurance Institute, as the leading professional body for the global financial services profession, has been a leading player in engaging with Government in the development of the Guaranteed Guidance proposals. The CII has already published its response³ to the Government's proposals. It stressed the importance of the quality of Guaranteed Guidance and proposed the creation of an integrated regime of Standards, Training, Accreditation and Revalidation (STAR) to give people that confidence they need to use such a service.

The author team and acknowledgments



This paper was overseen and prepared for the Chartered Insurance Institute by **Nick Hurman**, a widely respected freelance strategy and research consultant specialising in financial services. As an independent consultant, he has worked extensively in the research and public policy arena with the DWP, FSA, FCA, PHSO, NEST, the Money Advice Service, the CII, the Equity Release Council, the Resolution Foundation and other research and actuarial consultancies. In 30 years' experience

in retail financial services, Nick has worked both as a senior industry executive and consultant with organisations such as Legal & General, Price Waterhouse, NPI, London Life, SAGA, AEGON UK and RGA (UK).

Nick holds an MBA from City University (now CASS) Business School in addition to his BSc from University College, Durham and is an FCII and Chartered Insurer.

Laurence Baxter, Head of Policy & Research took the overall lead on the project for the CII, in his capacity as leading the group's wider policy response to the Government's retirement reforms.

The market research in this study was undertaken by NMG Consulting, and the work was led by the following three staff members:

Jane Craig heads up NMG Consulting's qualitative research business in the UK. A financial services research specialist with over 15 years' experience, Jane has undertaken numerous consumer studies in the retail investment space. Jane is a member of the UK Market Research Society and a Fellow of the Chartered Institute of Marketing.

Celia Callus is an Associate Director within NMG Consulting's research team, and took the lead on devising, arranging, facilitating and analysing the study's six qualitative focus groups. Celia has over ten years' experience in financial services research, particularly in relation to the testing and developing of services and products aimed at consumers. She is a full member of the UK Market Research Society.

Claire Stubbings led the delivery of the study's quantitative survey phase. She has over five years' experience in quantitative financial research, particularly amongst consumers. She has also managed NMG's tracking study Investor Census. A Certified Member of the Market Research Society, she holds an MRS Diploma in Market and Social Research Practice.

The CII would also like to thank David Burns and Georgina Clarke of NMG Consulting for their input into the project; and Ian Costain, independent policy consultant, for his insight and suggestions to the approach and comments on the drafts.

¹ See Budget 2014: support for savers announced at <https://www.gov.uk/government/news/budget-2014-support-for-savers-announced>

² See HM Treasury consultation 'Freedom & Choice in Pensions', Section 3.12, p21.

³ See www.cii.co.uk/about/news-and-insight/articles/cii-responds-to-treasury-pensions-consultation/30670

4 Study objectives and methodology

To inform the debate and development of GG, the CII undertook a programme of primary market research to help establish what would really meet consumers' needs and stimulate active and informed choices⁴.

Study objectives

The research was conducted with consumers who are the target of the proposed Guidance and sought to focus on three core questions:

1. What is most likely to trigger engagement by target consumers with GG?
2. What 'relevant personalisation' is likely to be most effective?
3. What is the relative attractiveness to consumers of subsequent customer paths following the receipt of GG?

Research design

We determined the focus of our research should be on consumers who would be most keen to engage with guidance on these at-retirement choices. So we also filtered those who do not already have an active relationship with a professional financial adviser as well as those with significant retirement and other financial resources that put them well beyond the scope of what the GG proposals are to serve.

As a result, we defined our broad research sample as those:

- Aged 50+;
- Planning to retire in the next 5 years;
- Holding DC pension funds worth £5,000–£100,000;
- **Not** holding more than £100,000 of other *investable* assets (i.e. excluding their home); and
- **Not** using a financial adviser on a regular basis.

So this research is amongst those taking DC pension benefits who are mostly likely to be in what has been termed 'the advice gap'⁵. Note that we also excluded those with very small pots where there is little or no effective choice apart from commutation for cash. Our estimates suggest that the population that meet these criteria would presently be about 1.8 million consumers.

NMG Consulting, whom we asked to conduct this study, then designed a programme of qualitative and quantitative research summarised in Figure 1.

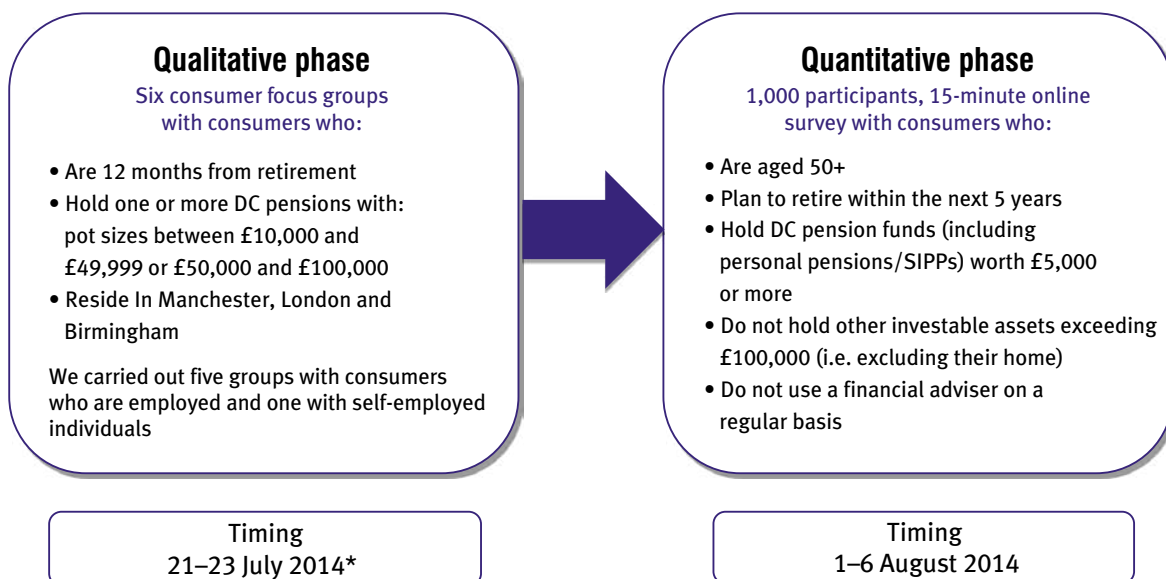
Technical appendix

Please note that a full technical appendix of the findings prepared by NMG is available to download from our website: www.bit.ly/1vzXm24

Figure 1: Our approach

We carried out a qual-into-quant study with the key consumer audience for GG – the 'at-retirement' market, i.e. consumers who are between one and five years from retirement.

Findings from the qualitative phase were used to inform the questionnaire used in the subsequent online survey.



⁴ See HM Treasury consultation 'Freedom & Choice in Pensions', Section 4.11, p 30

⁵ For example, see Hurman, NJ and Costain, I (2012): Researching the "Advice Gap", Financial Services Consumer Panel at www.fs-cp.org.uk/publications/pdf/advice-gap.pdf

It involved a qualitative phase of six focus groups followed by a quantitative survey of 1,000 respondents. The rest of this report discusses the main findings and draws some conclusions for the successful deployment of GG.

Our quantitative approach

The quantitative survey was conducted using NMG Consulting's established on-line methods. We took this approach for several reasons:

- on-line surveys now enjoy far greater participation over a wider geographic and demographic area than other channels, and, therefore, yield larger workable samples, which is particularly important given all the filters we had to apply;
- reading on-line questions and options allows the respondent to more carefully absorb and consider their answers than a telephone or face-to-face interview, and this was something we considered important given the complexity of this subject matter; finally, and perhaps equally crucially;

- we wanted respondents to be able to provide answers that they were most comfortable with, and the anonymity of on-line allows respondents to provide honest answers without concern over what the interviewer in front of them or over the phone might think.

However, we remained mindful of comments that on-line surveys may not be sufficiently representative of the sample population when compared to face-to-face or telephone, particularly amongst certain age or socio-economic demographics. To address this, we asked NMG Consulting to run a specific control questionnaire using a face-to-face omnibus survey, to assess the robustness of the on-line sample.

They found that those without on-line access were likely to fall below our pension wealth cut-off and also to be retired and so would be screened out of our sample. As a result, our research team was confident that the sample would fairly represent the target population and so be used to draw conclusions for policy.

Figure 2: For many consumers, the excitement about retiring is mixed with apprehension...

Many 'unknowns' may impact the quality of their retirement – and a substantial number relate to money.



Consumers are very aware that they may have few, if any, opportunities to accumulate in retirement and that decisions taken now will have a lasting effect on their quality of life.

6 Getting consumers engaged

Our first research objective was to understand what was most likely to get consumers engaged with GG. The research approach allowed us to examine this question in some detail both at an attitudinal and at a practical level.

Consumer attitudes to retirement and finances

The backdrop for consumers' attitudes – which echoes many other studies in this area – is that consumers generally look forward to retirement and feel positive about it.

57% agree or strongly agree with the statement: 'I can't wait to retire'. Retirement is seen as a time they have waited for and have earned, and any delay in retirement would be extremely disappointing. The research also shows that consumers appear to be engaged with the need to plan for retirement with well over 80% wanting to ensure that they have carefully planned to get the best income in retirement. So GG is addressing a clear preference to plan and seeking to meet a basic need for these consumers.

However, this excitement about retirement has a counterpoint of concern as illustrated in Figure 2 on the preceding page.

Consumers feel vulnerable to making the wrong choices and a significant minority (43%) feel less confident about making their own investment decisions including those which effect their retirement. The research also suggests that those with smaller pension pots (and often with fewer alternative sources of income) feel more vulnerable.

Consumers fear not being able to afford the activities they are looking forward to and longer term not having enough money for essentials or for their surviving spouses. A half of this group (48%) are concerned about how they will cope financially in retirement.

This vulnerability increases when they consider the task of accessing their pension pots as set out in Figure 3 below.

There are thus two powerful sources of concern that can block engagement with retirement planning that GG needs to address.

At the emotional level, it needs to help consumers to develop strategies to address their personal 'unknowns' in retirement. And at the practical level, it needs to equip them with understanding and knowledge to make them more confident to make decisions about their retirement pots. As the diagram suggests, failure to do this would lead to significant consumer inertia.

It is also worth noting that decisions about their DC pension pots are seen as significant, as over a half of the group say that these will account for 50% or more of their retirement income. State pensions and a cash-based savings are the most frequently cited other sources of income.

So the backdrop to the GG offer is that target consumers perceive a strong need to plan financially to achieve the retirement they hope for. But they also see significant barriers in the risks they face in retirement and specifically in making decisions about accessing their DC pension pot.

Figure 3: While the majority know that they can shop around, most feel vulnerable when making decisions about pension products

Pension products are complex, decisions are irrevocable and will affect both the individual and their loved ones.



Consumers are often at a loss and may:

- Seek multiple sources of information. (Based on the quant survey, participants have used/expect to use, an average of four sources of information. This includes guidance from organisations they trust – like, Age UK – and financial advisers. With c. 1 in 3 expecting to use professional financial advice with regards to their pension)
- Look into alternative sources of income, where possible (downsizing, buy-to-let)
- Do their own research and trust themselves to make the best decisions (only a minority expect to do this)
- Procrastinate!

Awareness and attitudes to the Budget reforms

Awareness of the overall Budget reforms was very high with over 90% saying they are aware of at least some of the detail. Detailed awareness tends to increase with the size of DC pot held. The general response was positive and there was awareness that the changes place responsibility with them.

Awareness of the GG specifically is slightly lower but still 75% report some awareness, with 25% very aware. Again this is skewed towards those with larger pots – 28% of those with pots under £50,000 have no awareness. Awareness is generally slightly higher amongst those who are within 12 months to retirement.

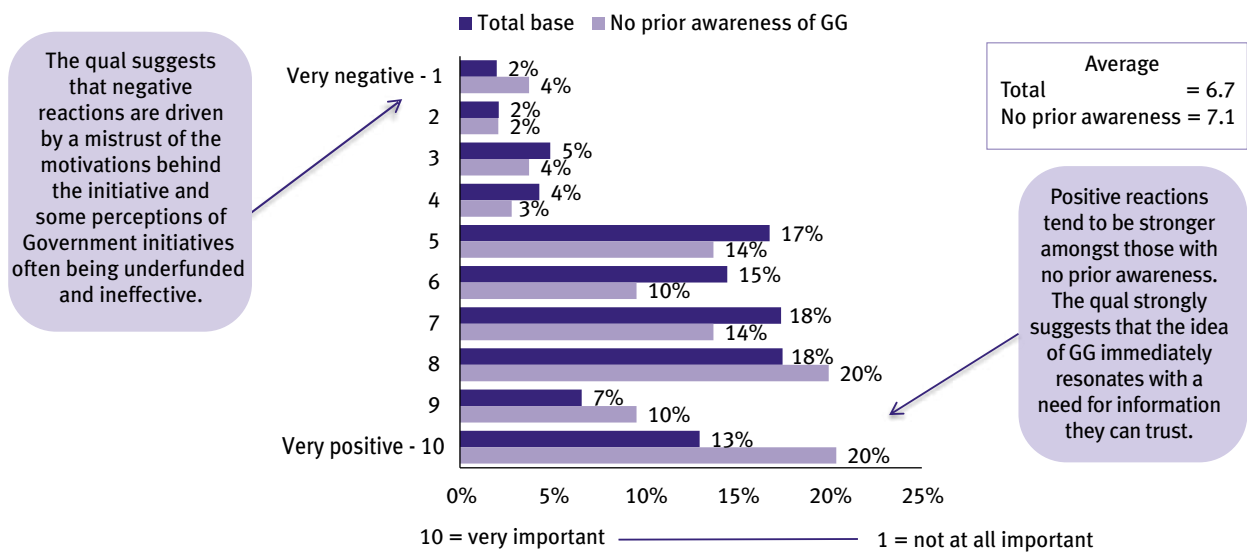
Reactions to the concept of GG are more nuanced, as set out in the chart Figure 4 below:

The initial and indeed overall reaction is generally positive – this is illustrated particularly by the stronger positive reactions of those with no prior awareness. This aligns with the previous findings that it is addressing clear needs and motivations, but it also shows a degree of discomfort about the motivation and effectiveness of the initiative. It was interesting to see in the focus groups, some participants started attempting mental calculations to estimate how many would be retiring each year (a figure of 1 million was mentioned) and whether enough funds would be invested to make GG effective. A limited awareness was evident of the Government’s announcement that after the £20m start-up funding, ongoing costs would be met by the sector via the FCA Levy.

Figure 4: Reactions to the *concept* of GG are somewhat cautious but generally positive

Few are particularly negative about the concept.

“ From April 2015 you will be offered free and impartial guidance on your options if you have a defined contribution pension (which could include a company pension or personal pension/SIPP) ”



The qual suggests that negative reactions are driven by a mistrust of the motivations behind the initiative and some perceptions of Government initiatives often being underfunded and ineffective.

Positive reactions tend to be stronger amongst those with no prior awareness. The qual strongly suggests that the idea of GG immediately resonates with a need for information they can trust.

Much slower, less personalised. I imagine a call centre. (£10,000–£50,000, Manchester)

For some people it's more than they have had before. If it (...) pointed you in the direction of what you needed to do, then there are a lot of people it would be suitable for. (£10,000–£50,000, Manchester)

Base: All respondents (1,000)
 Q9. What is your initial view of the offer of free and impartial guidance?

8 Conditions for consumer engagement

More detailed analysis of the qualitative research suggests that there are a series of possible objections that GG needs to overcome for target consumers to engage. These divide into two groups:

1. **Barriers** to take up: the necessary conditions for GG to be seriously considered – these might be thought of as hygiene factors that need to be present
2. **Motivators** to take up: factors that increasingly engage consumers, once the hygiene factors are satisfied

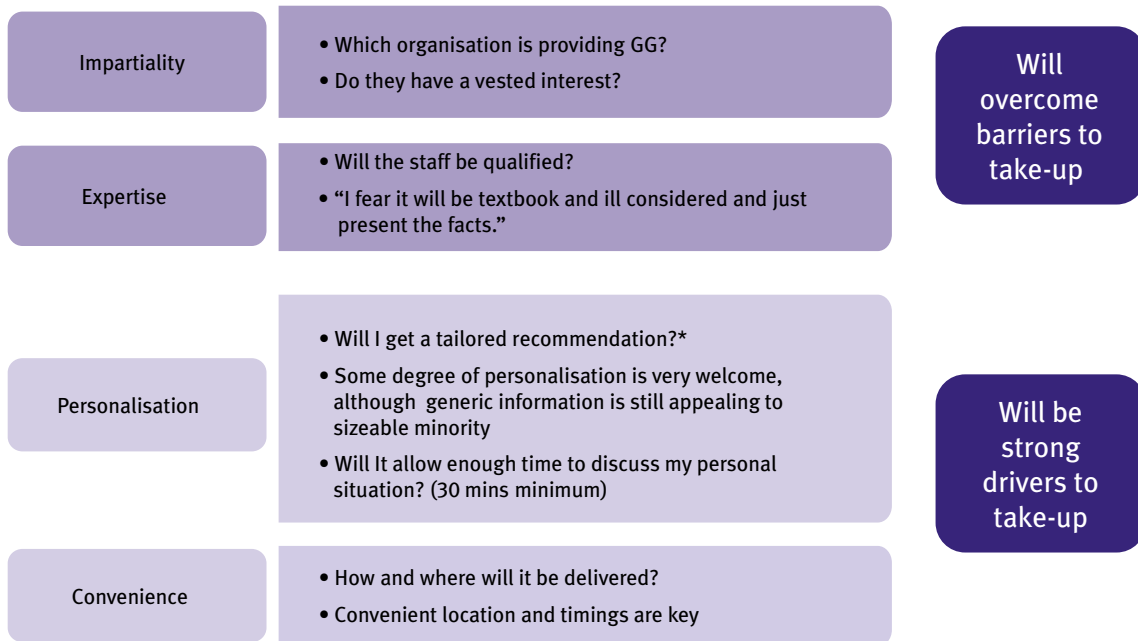
Figure 5 and the verbatim comments set out these factors in detail, highlighting the importance of:

- impartiality;
- expertise;
- personalisation; and
- convenience;

as their key requirements. It should also be noted that confidentiality was implicitly expected as a requirement (as set out a little later) and so is a ‘hidden’ hygiene factor.

Figure 5: However, the idea of GG immediately prompts questions and it is clear that the service must meet some key requirements

In particular, any doubt around whether GG is impartial AND delivered by qualified individuals will be a barrier.



“ I would consider GG if the advice is unbiased. No commission to them behind the scenes. If there is no pressure and they don’t profit.”

(£10,000–£50,000, Manchester)

“ As well as being honest, they need to be very good at what they do.”

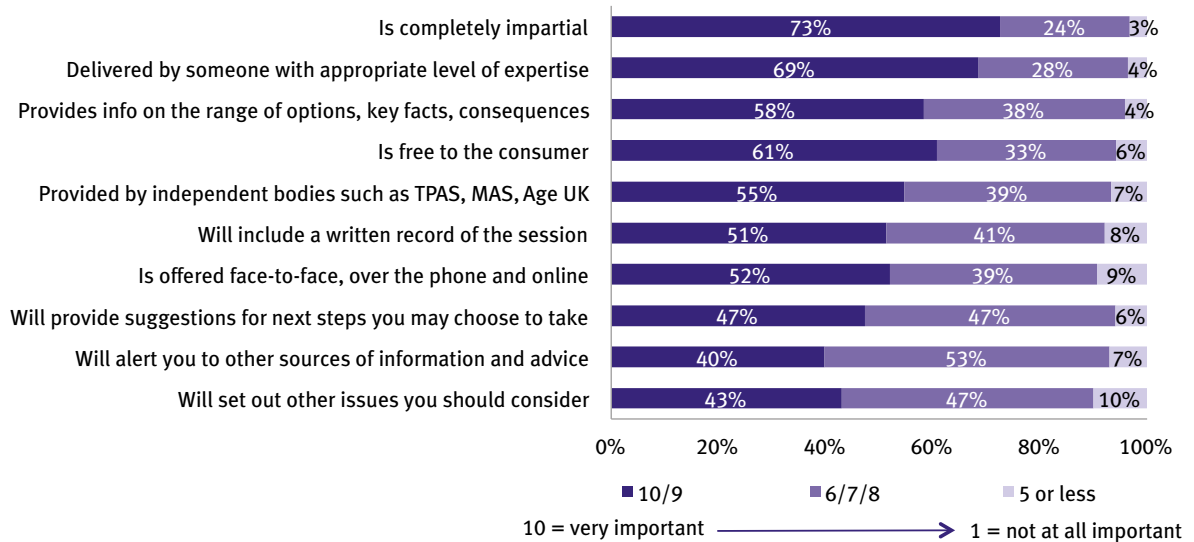
(£10,000–£50,000, Manchester)

“ If they employ them and give them just two weeks’ training... I wouldn’t want that.”

(£10,000–£50,000, Manchester)

Figure 6: Features influencing decision to take up guidance

The impartiality and expertise of the guidance provider are key drivers in the decision to take up the offer of free guidance.



Base: All respondents (1,000)

Q.16 How important would each of these features be in influencing your decision about whether or not you would take up this offer of free guidance? Please use a scale of 1 to 10 where 10 is very important and 1 is not at all important.



The primacy of these essential ‘hygiene’ factors is underlined in the data at Figure 6 above. This shows that 97% of the target audience see ‘completely impartial’ and 96% see ‘expertise’ as important or very important.

The researchers were able to tell participants about the Treasury’s plans in their consultation response to authorise those who would give GG themselves and for the Financial Conduct Authority (FCA) to oversee the provision of the guidance. Together with the expectation that the Money Advice Service, the Pensions Advisory Service and possibly trusted third sector organisations – such as Age UK – would deliver the guidance, this is generally reassuring.

However, consumers still want evidence that the staff actually delivering the guidance are knowledgeable enough to guide them towards the right options. Some scepticism was expressed as to whether sufficient funds and time will be invested to ensure this. Expertise should, therefore, be communicated strongly and there is scope for providing ‘evidence’ of this – for example through qualifications and licences.

In the quantitative research, consumers were asked whether they were likely to use this free guidance. Whilst this question does not forecast take-up, the 92% saying they would probably or definitely use it is further evidence of that the concept of GG does resonate with consumer need.

10 Conditions for consumer engagement continued

Key expectations of GG

The issue of expertise – often voiced as ‘qualifications’ by consumers, but used in this wider context – is key to delivering to the expectations of consumers for GG.

As noted earlier, they need to overcome their feelings of vulnerability when dealing with financial services and their own lack of knowledge and understanding. So consumers need an interaction that is unscripted and interactive, speaking ‘live’ and directly to the consumers own circumstance and concerns.

They then want to receive the information that is most relevant to them, presented clearly and in layman’s terms, and covers all that they need to know to engage with the financial services providers. In economics terms, they are looking to address the information asymmetry between them as buyers and the sellers. The following comments and sets these expectations in detail.

“

I want ideas. Even if they give ideas, it is your personal choices because some people are risk takers and some are more cautious.”

(£10,000–£50,000, Manchester)

“

People our age don’t want to be advised by some 20-year-old so they need to be careful who they employ to do this.”

(£10,000–£50,000, Manchester)

“

An understanding, there are a lot of parts of the pension you don’t know about. If they can translate it and leave you with an understanding...”

(£10,000–£50,000, London)

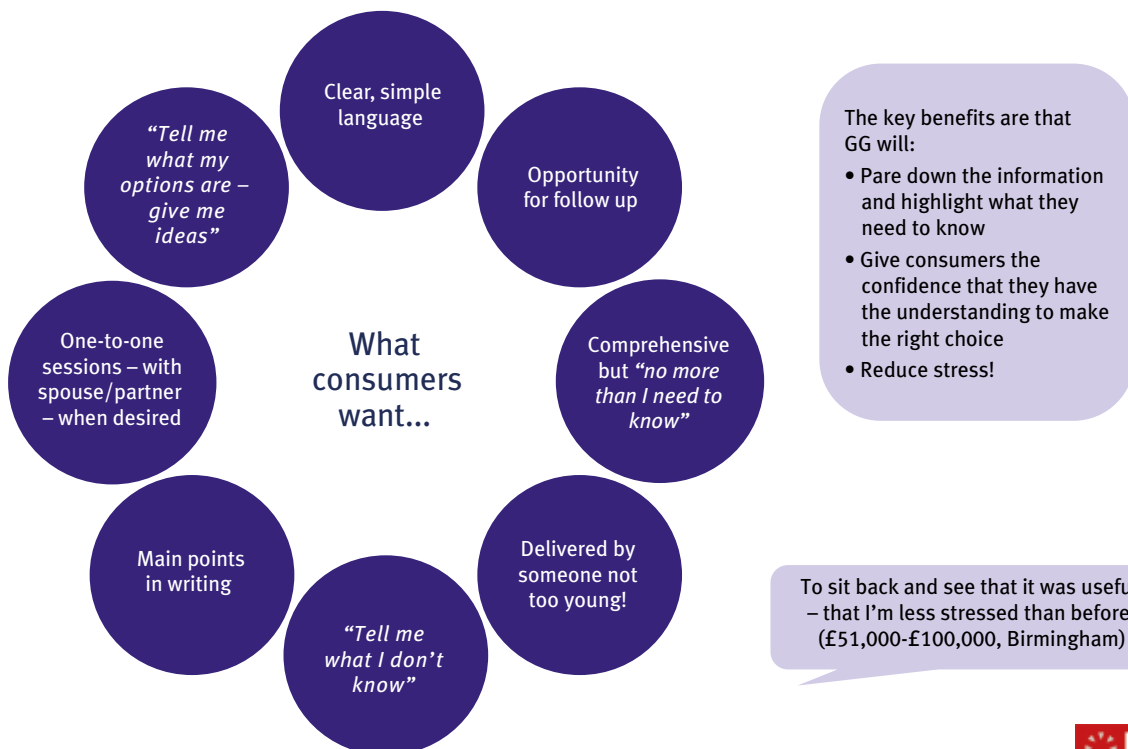
“

A follow-up session. You want someone to check you’ve done it properly. Another meeting. There needs to be some follow-up.”

(£51,000–£100,000, Birmingham)

Figure 7: The key expectations of GG is that it is presented in layman’s terms and is comprehensive

This expectation is borne of a strong need for clear, comprehensive and comprehensible information.



This provides a clear specification of the service quality that consumers expect for GG to be successful in meeting their needs. Delivering on this gives the potential for consumers to engage with their pension pot choices with more confidence and drive better market outcomes.

We also asked participants to rank the importance of a number of possible features of a GG session and these are set out below.

As mentioned below, reassurance of confidentiality was an overarching 'hygiene' factor but there are a couple of other points of note:

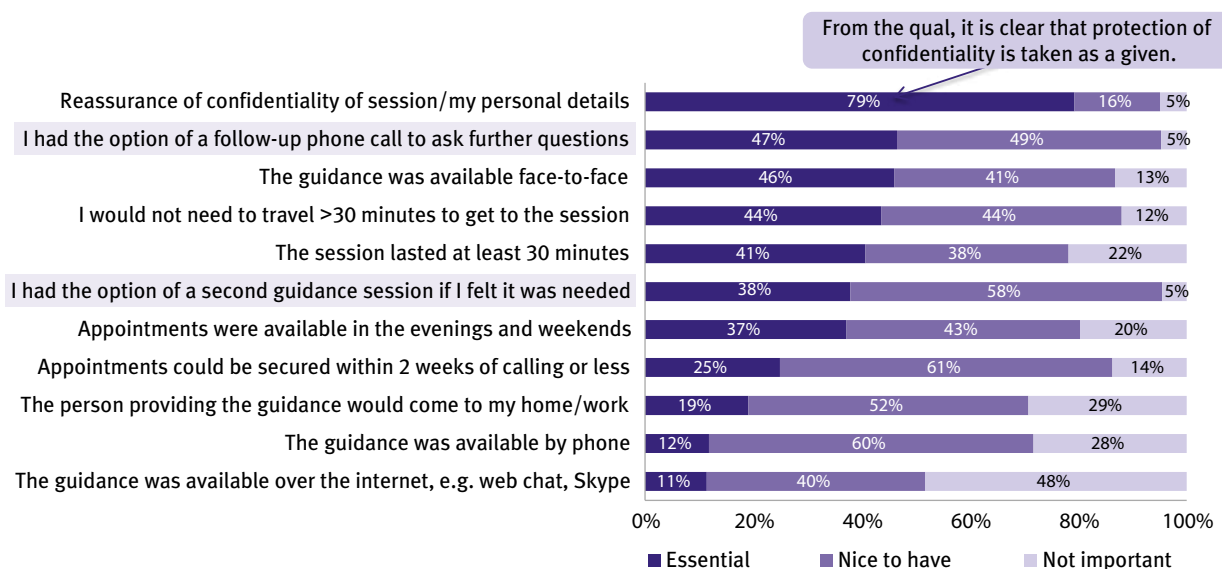
- The requirement to clarify and check understanding through a follow-up session – this could be by telephone but was spontaneously and strongly stated; and
- The preference for face-to-face which we will return to later.

Timing of GG

When asked how far in advance of their planned retirement date they would prefer to receive GG, a majority (59%) say between 6 and 12 months from retirement. Less than 6 months would not be acceptable to the majority. There was also a significant minority (38%) of those furthest from retirement (4–5yrs) for GG earlier – two years or more before retiring.

Figure 8: Knowing that they had the opportunity for a follow-up session would be a strong driver

Other drivers would be having the main GG session delivered face-to-face, convenience and timeliness.



As mentioned, earlier the qual revealed a strong demand for a follow-up opportunity. This would reassure consumers that they have correctly grasped the necessary information.

Base: All respondents (1,000)

Q.22 Please consider each of the following possibilities for the guidance session and select how important each option would be in influencing your decision about whether or not you would take up this offer of free guidance.

12 What is relevant personalisation?

Our second research objective is to understand what relevant personalisation of GG was likely to be effective in engaging consumers and equipping them to act as more confident consumers in the market.

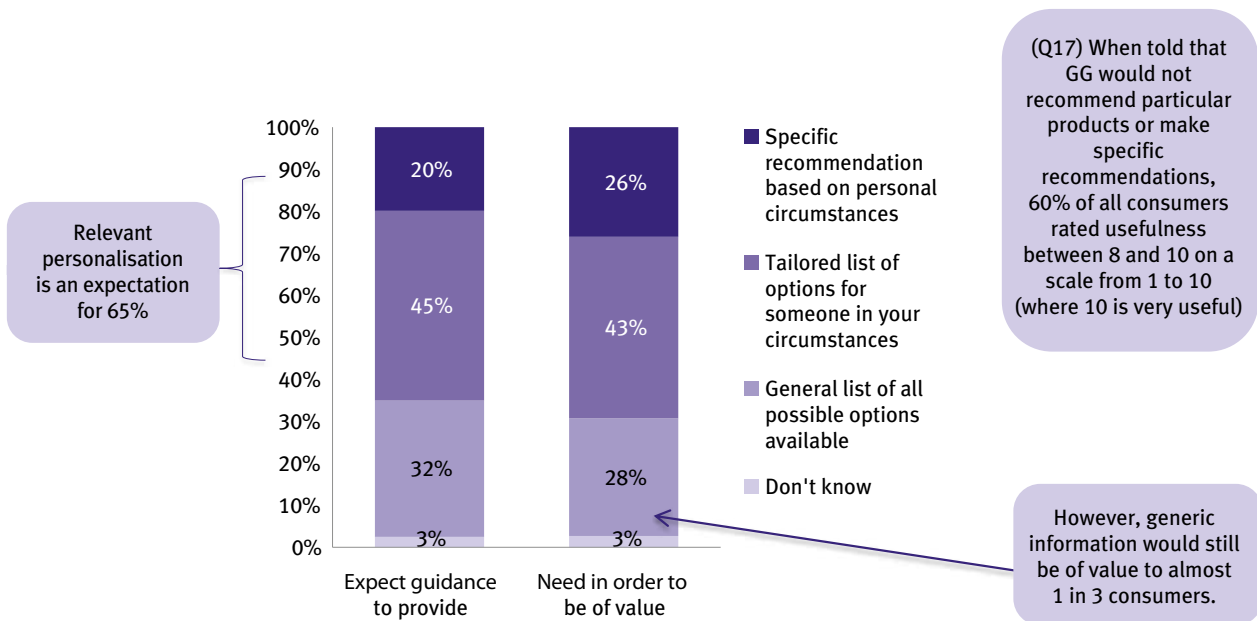
The findings discussed above go some way to answering this question in terms of paring down information and telling consumer's what they need to know and the need for a fully interactive conversation between the consumer and guider. However, we also wanted to understand how realistic consumers' expectations would be and that they would not be frustrated by guidance not providing specific personal recommendations as it will not be regulated advice⁶.

The following chart shows that most (77%) consumers accept that GG can't offer specific personal recommendations and 71% still rated this of value to them.

This points the spotlight on the critical question of tailoring or relevant personalisation which is key to the utility for the majority of the target market.

Figure 9: Most are realistic in their expectations, with only 1 in 5 expecting fully personalised recommendations...

However, the majority (69%) would need some form of personalisation, i.e. GG would *need* to provide more than simply information on all the possible options.



Base: All respondents (1,000)

Q.14 Which of the following would you expect the guidance to provide?

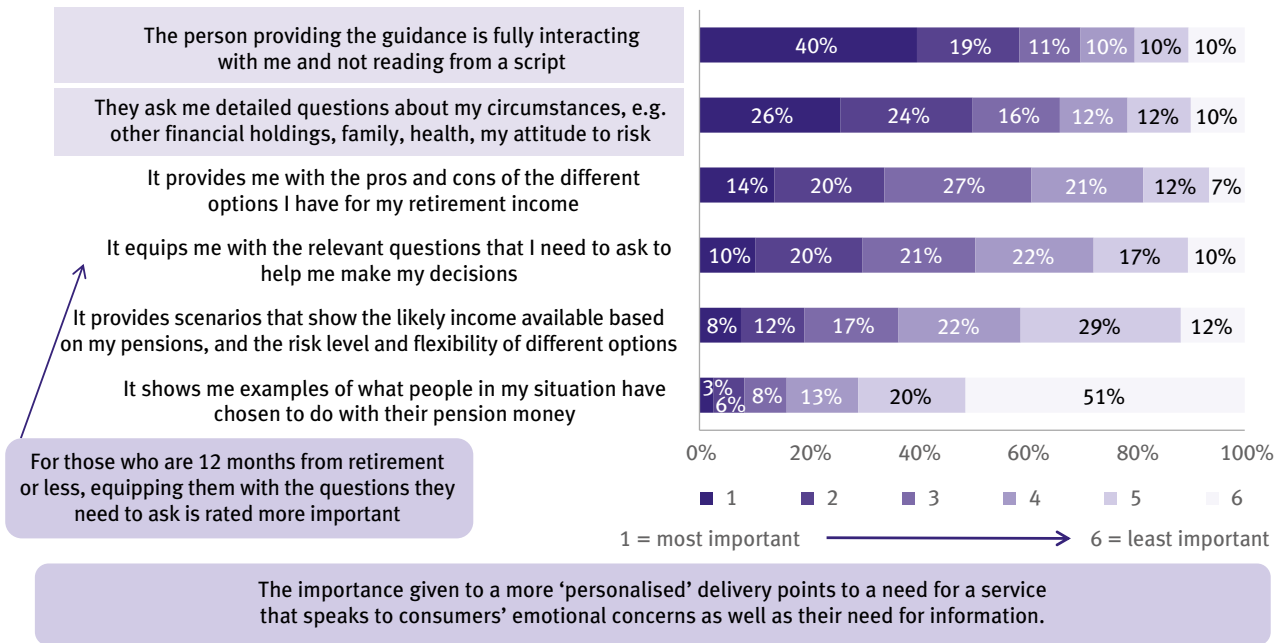
Q.15 And which of these would you need the guidance to provide in order for it to be of value to you?



⁶ i.e. the guidance proposed is generic advice and so sits outside the perimeter of advice regulated under the Financial Services and Markets Act (FSMA). It will not be able to recommend specific products or providers for consumers, not give advice to cancel or amend any existing regulated financial products such as contract-based pensions, long-term investments or mortgages.

Figure 10: However, some degree of ‘tailoring’ is strongly required and the way the GG session is conducted is key

‘Unscripted’ interaction and detailed questioning will enable the GG session to be tailored to consumers’ needs.



Base: All respondents (1,000)

Q.18 Please rank the following in order of how important each would be in ensuring the information discussed during the guidance session is sufficiently tailored to your needs?



As the above chart shows, unscripted interaction and detailed questioning about the consumers circumstances are seen as key to this. The importance given by consumers to such personalised delivery points to a need for a service that speaks to their emotional concerns as well as their information needs. The next most important elements of personalisation are ‘the provision of pros and cons of their different options available’ to them and equipping them ‘with the relevant questions that they need to ask to help them make their decisions’.

Looking at all the data on the content that GG process should cover, it is clear that GG needs to address both emotional and information and needs of consumers. The specifics are set out in the graphic overleaf.

More challenging were the delivery channel preferences. As the chart overleaf shows, there is a strong preference for face-to-face guidance, with over half (57%) placing this first, and only 6% placing telephone first. Typical comments included:



... yes, you would [want face-to-face]. Over the ‘phone a lot can be lost in communication sometimes. You would be trying to write it down.

(£10,000–£50,000, Manchester)

A significant group (34%) prefer an on-line self-completion questionnaire but it is worth noting that these are more likely to feel confident about making their own decisions (and are also more likely to be self-employed).

Further analysis shows that of those whose choose face-to-face first, around a half (48%) choose telephone second; but a third (34%) choose the on-line questionnaire second.

This information suggests that the mode of delivery, and not only the content, will carry weight in equipping consumers with their emotional and informational requirements. There is strong evidence that the majority seek a ‘live’ and interactive conversation to address these needs.

Given the current expectation that much of GG will be telephone based, the expressed strong preference for face-to-face over telephone would also appear significant. However, we did not ask about the relative utility of each channel. So without further research, we cannot conclude that a telephone service would not meet the needs of the majority, but these data raise this as a significant risk that warrants further and urgent review.



A face-to-face meeting is reassuring

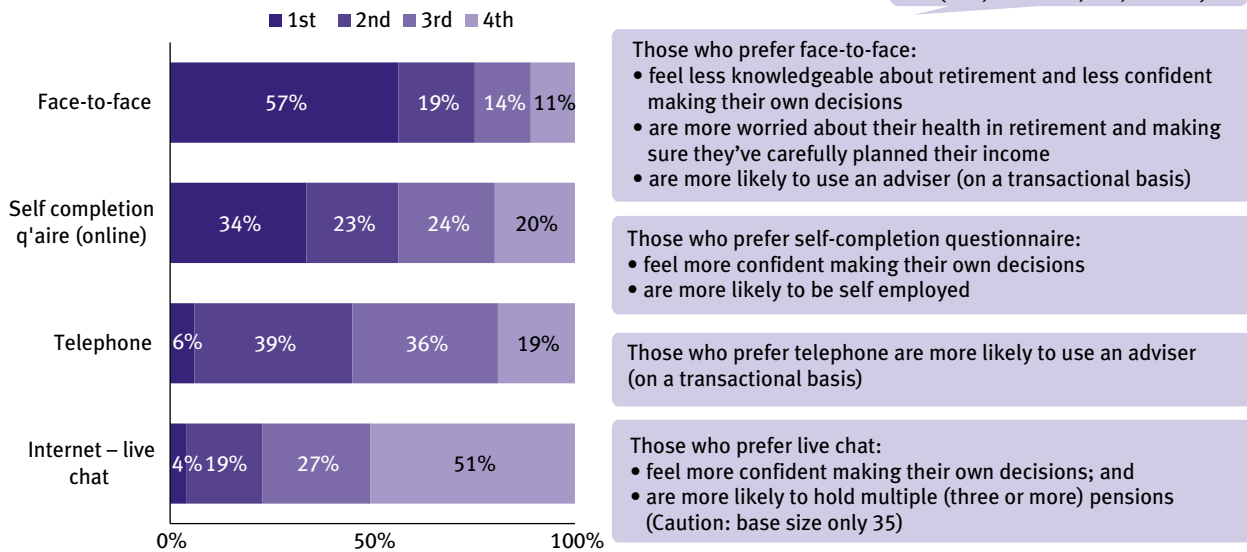
(£51,000–£100,000, London)

14 What is relevant personalisation? continued

Figure 11: While face-to-face sessions are the overall first preference, there is a link between channel preference and degree of confidence/concern

Face-to-face sessions are more frequently mentioned by those who feel less confident/have concerns about their retirement future while online channels are more likely to be preferred by those more confident making their own decisions.

A face-to-face session is reassuring.
(£51,000-£100,000, London)



It is important that GG meets both the emotional and informational requirements. Mode of delivery, and not only content, will carry weight.

Base: All respondents (1,000)

Q13. How would you prefer to receive the guidance itself? (Please rank in order of your preference)



Our final area of focus was to investigate the relative attractiveness to consumers of subsequent customer paths following the receipt of GG.

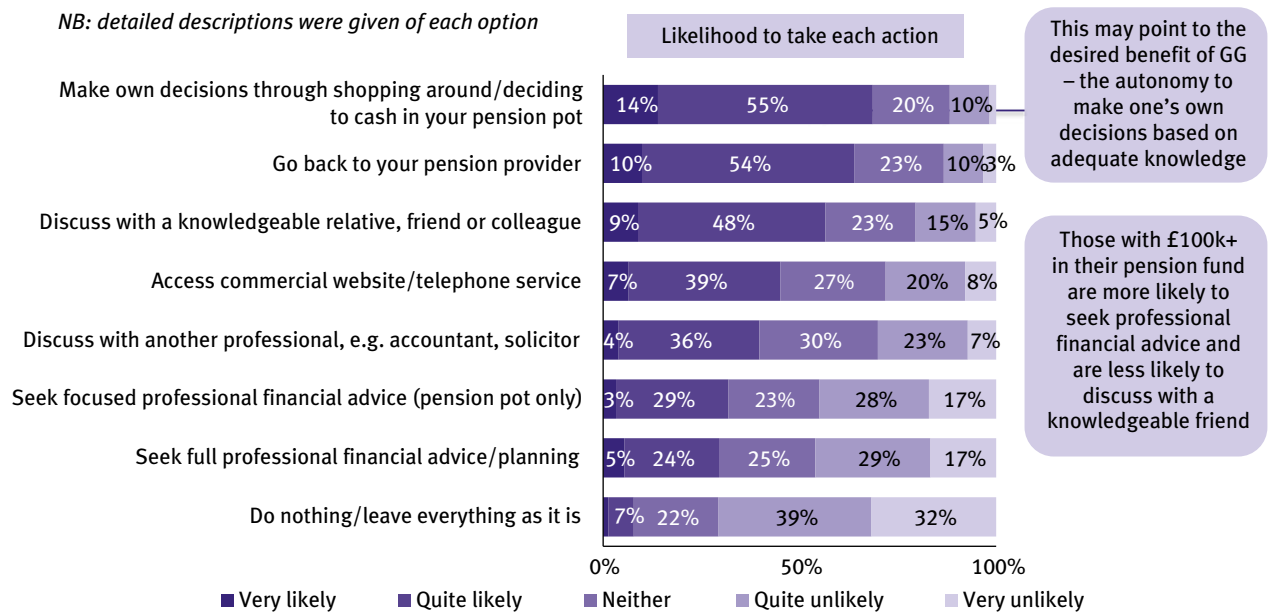
Earlier we have shown that consumers refer to a number of different sources of information as they try to equip themselves to make their retirement finance decisions. This pattern is repeated when asking them about what they see themselves

doing subsequent to their GG session as is shown in the following graph of likelihoods.

It is worth noting that this is *indicative* rather *predictive* as the research can only ask them to envisage what they might do rather than simulate them having undergone a GG session.

Figure 12: The great majority of consumers are likely to carry out a number of follow-up actions

These could include shopping around and making their own decision and consulting a number of other sources of information.



Base: All respondents (1,000)

Q25a. How likely would you be to undertake each of the following after receiving this guidance?

16 Follow-up actions after GG continued

Respondents were then asked to choose their *most likely* follow-up action as set out in the graph below.

'Making own decisions' now becomes much more dominant with a third (34%) choosing this and a further quarter (24%) would choose professional financial advice. Going back to their pensions provider drops now to just 7% suggesting that it does not figure highly as a preferred purchasing option.

The overall pattern that emerges is that whilst a significant minority of a third would see GG as enabling them to make their

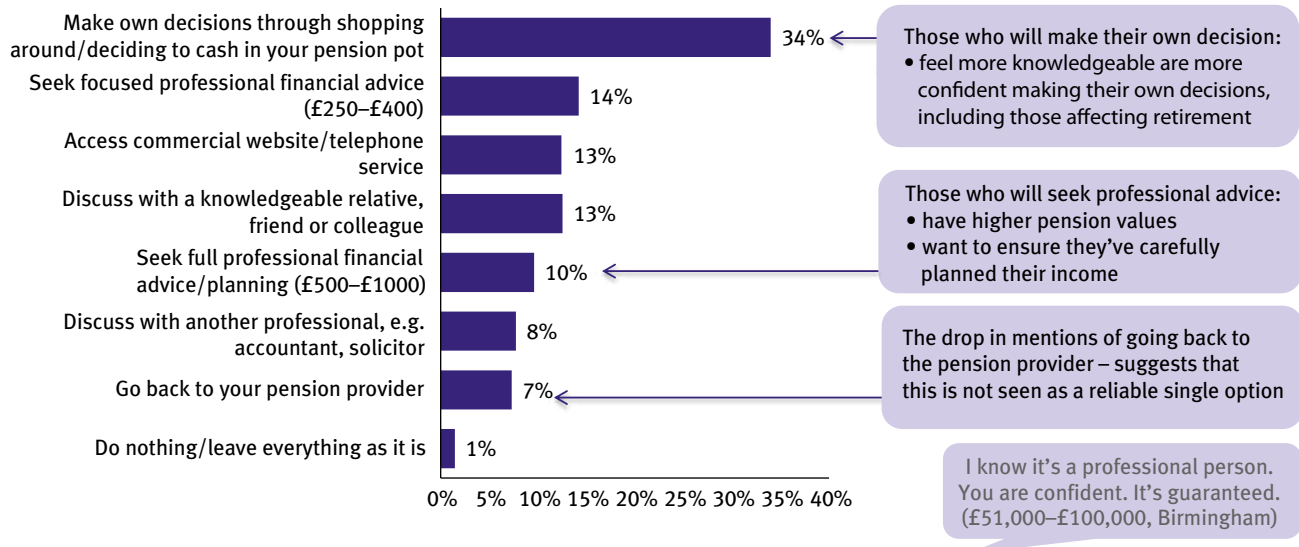
own decisions, the balance sees GG as merely one of a number of sources of information.

This might also support the desire for a follow-up opportunity as consumers seek to formulate and check their conclusions drawn from these multiple sources and give them an extra nudge to turn their decisions into actions. GG will need to be careful that it meets this need without being drawn into implicit recommendations so as not to stray over the regulatory 'perimeter'.

Figure 13: When asked to choose the single most likely follow-up action, consumers believe that they would opt to 'make their own decision'

However, around 1 in 4 believe that their next step would be to seek professional advice. The interest in professional advice was also a very strong finding from the qualitative phase.

NB: detailed descriptions were given of each option



This suggests that the majority expect GG to be an additional (not definitive) source of information.

Base: Those likely to take any actions (956)

Q25b. Which of these would you be most likely to do after receiving the guidance?



One other area we looked at, alongside our three key areas of focus, was how consumers would expect to hear about GG.

Much of this flows from the themes of ‘engagement’ and ‘personalisation’. Whilst consumers envisaged an integrated campaign to publicise GG – with half (52%) expecting advertising in press, TV and radio, 61% expected personalised communication by mail/email and 42% direct mail brochures or leaflets. A preference was expressed by 46% for the personalised communication to come from the Department for Work and Pensions (DWP) with 31% expecting this from their pension provider. Consistent with their views on timing of receipt of GG, consumers expected to hear about GG between 6 months and 2 years before they retire. Again there was a possible appetite for those further from retirement to make GG available earlier.

These are important findings for the design of the communications strategy. The current proposals focus on the use of provider ‘wake-up’ packs to communicate GG. Whilst this will be a helpful component of the communication, the research suggests that this would not be sufficient by itself to get the

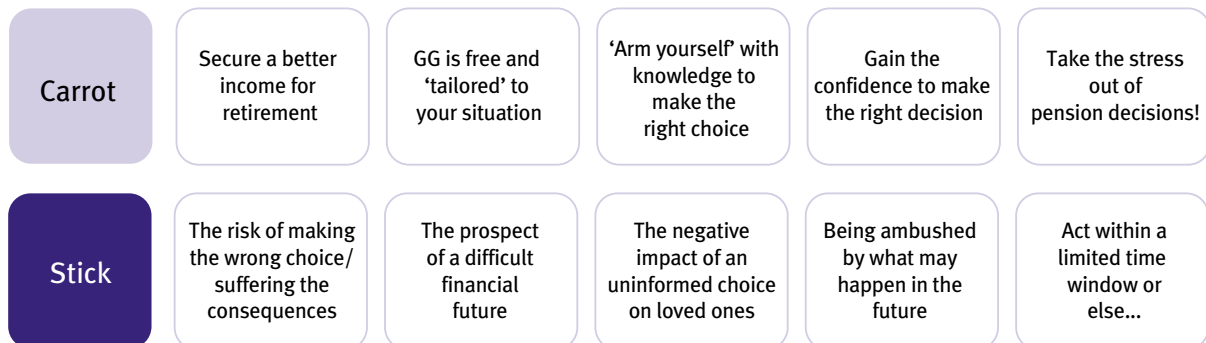
majority of consumers engaged. The preference for communication from DWP and from other sources would point to the need for a wider, integrated communications process and with some earlier direct and personalised communications – prior to the ‘wake-up’ packs – from DWP and employers, for example.

We also asked about what was likely to be the effective ‘nudge’ to encourage consumers to take up the offer of GG. A strong finding was that taking up GG could improve their financial situation, would encourage them to use GG. But positive recommendations from the different parties consumers associate with their retirement finances – pension provider, friends/colleagues who have used GG, the Government, professional adviser and their employer – could also play a useful part.

From the research, we were also able to build a picture of the messages that would have most resonance with the target group. These reflect both the hopes and fears for retirement and also their emotional and informational needs in the form of emotional ‘hooks’ summarised in the slide below.

Figure 14: Communications about GG should use emotional ‘hooks’ using both ‘carrot’ and ‘stick’ messages

This will leverage the strong emotional component of pension decision-making and resonate with top-of-mind hopes and fears.



Communicate about GG via

- Above-the-line media campaigns and, where possible, direct or personalised communications
- Direct or personalised communications to be sent out between one and two years from the consumer’s retirement date
- Reminders from relevant third-parties, e.g. employers, pension providers, Government, etc will be effective triggers to setting up a GG appointment.

18 Overall findings and implications

The fundamental question we set out for this research is whether customers would make use of the Government's proposed Guaranteed Guidance? The evidence from our survey strongly suggests "yes".

Before settling on the conclusions, it is worth reiterating that we went through considerable lengths to ensure the robustness of the survey:

- we appointed a respected external consultant, Nick Hurman, to lead the project and NMG Consulting to undertake design and delivery, both with well-established and recognised experience in the field of pensions and advice issues and research;
- for the research, we carefully filtered down the targeted respondents to those for whom the policy is designed to address;
- after filtering, we created a statistically robust sample of 1,000 respondents for the quantitative survey;
- we undertook focus groups followed by a survey approach to first explore the attitudes of consumers in depth and then to assess how representative these attitudes are of those expected to use Guaranteed Guidance; and finally,
- to maximise the integrity of the online survey approach, NMG Consulting carried out a separate short face-to-face survey to verify that the on-line survey had not introduced significant bias.

With that in mind, we can focus our attention on the three main questions we set out to ask:

1. What is most likely to trigger engagement by target consumers with GG?
2. What 'relevant personalisation' is likely to be most effective? Finally,
3. What is the relative attractiveness to consumers of subsequent customer paths following the receipt of GG?

1. Most likely engagement triggers

92% of respondents saying they would probably or definitely use it, the research supports strongly the perceived need for GG amongst the target group – remember this is specifically those without a regular adviser relationship and with pot sizes (and other investable assets) under £100,000.

It fits with their concerns about:

- Their own lack of knowledge and understanding
- A financial industry they do not wholly trust and
- Government announcements that may 'move the goalposts' in the future.

But for GG to be successful in meeting these needs, it must overcome two barriers, namely:

- **impartiality** (whether those giving GG have a vested interest) and
- **expertise** (whether they are appropriately qualified).

The proposals announced by Treasury and FCA in July in response to consultation, go a good way to addressing these concerns. But some scepticism remains amongst respondents that insufficient resources and time will be devoted to recruit and train enough knowledgeable staff to deliver GG.

Implications

We believe that whilst the research shows GG seems already to have struck a chord with target consumers, it will still be vital to make personal approaches to consumers, as well as general publicity, to encourage them to take up GG.

Consumers see official correspondence specifically from the DWP as the lynch-pin to this communication – it would underline the impartiality and expertise that consumers require to engage with GG. But the research also points to the reinforcing effect of reminders and endorsements from all of the different parties that consumers deal with in connection with their pensions – including, but not just limited to, their pension provider.

There is a clear need for DWP to develop such a consumer outreach plan co-ordinated with pensions providers, other government departments, financial advisers and employers to ensure that target consumers are nudged into taking up the GG offer.

Recommendations

- There should be timely communication with retiring consumers between 6 months and 2 years prior to their intended retirement. This is near enough to retirement for it to be relevant to them but with sufficient time to work through their options.
- In addition to amending provider information packs to customers approaching retirement, the Government should also, as a priority, develop a personal outreach plan led by DWP, preferably involving suitably coloured official correspondence to attract consumer attention and prompt action.
- The Government must ensure that the offer of GG is not compromised by an insufficient number of competent and experienced staff offering GG.

2. The most effective "relevant personalisation"

The research also confirms that GG will be of value delivered as a generic advice service – sitting outside the boundary of regulated advice. Most will find this guidance an aid to editing their choices, navigating the relevant information and markets and building their confidence to make good decisions.

Implications

The key to this utility is sufficient personalisation, both in the content and delivery of GG. It needs to meet both consumers' informational and emotional needs.

Face-to-face is the overall preference for the delivery channel for the majority (57% placing this first) with only 6% placing telephone first. But a third of the target group – who are more likely to be confident about making their own decisions – place a self-completion questionnaire on-line as their first choice.

Apart from reinforcing the importance of expertise, these findings query as to whether a service primarily delivered by telephone will be successful. Further research is urgently required to establish clearly whether delivery by telephone would have sufficient utility for the target group given the channel preferences expressed.

The research points to the importance placed by consumers on face-to-face interaction, especially for those least knowledgeable and confident. But it also highlights the potential attraction of an on-line solution for those who are more confident.

Recommendations

- The Government and FCA must ensure that GG delivers to consumers a 'tailored' offer with:
 - a list of the relevant options based on their circumstances;
 - a thorough understanding for consumers to formulate the right questions to ask providers and advisers to better equip them to engage on more equal terms;
 - tax information relevant to their circumstances;
 - provider information – giving them tools and data to assess providers' expertise and quality; and
 - a written summary of what was discussed in the session.
- The service should be offered using a mix of face-to-face, telephone and on-line channels.
- Further research is needed to explore in more depth the role of face-to-face versus telephone channels to different types of consumers.

3. The customer's onward journey after Guaranteed Guidance

GG could be a powerful policy tool to equip consumers to achieve better outcomes in the market. The research shows that consumers will use a number of sources of information to help them decide how to use their DC pension pot – on average four. These include 'going back to your pensions provider' and 'discussing with a knowledgeable relative, friend or colleague' as actions the majority say they are likely to take.

But when forced to choose their most likely follow-up action, a third say 'make their own decisions through shopping around' and a further quarter say they would seek professional financial advice. This should present good opportunities for financial advisers to engage positively with these potential customers.

Implications

The open question is whether GG will be able to force this choice. The data suggest that if it does not, consumers may get lost in a variety of different possible paths and inertia could take over. We need to be mindful that the majority expect GG to be an additional – not definitive – source of information. But the better GG is able to give consumers the information and confidence to make choices – particular to work out the questions they personally need to ask and signposts to the places where they can be answered – the more likely it is to empower them to make good choices. The finding of a desire for a follow-up session from consumers is another indicator of their need to further ensure they can make a good choice.

We believe that above all GG needs to give consumers the confidence to take follow-up action that best suits their circumstances. So an important success measure for this service's effectiveness will be the actions users take.

Recommendation

The Government should undertake work on success measures particularly consumer follow-up activity after GG as soon as possible after implementation.

20 Who to contact

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