

# Consumer financial advice and guidance for high risk DC savers

Pensions Policy Institute

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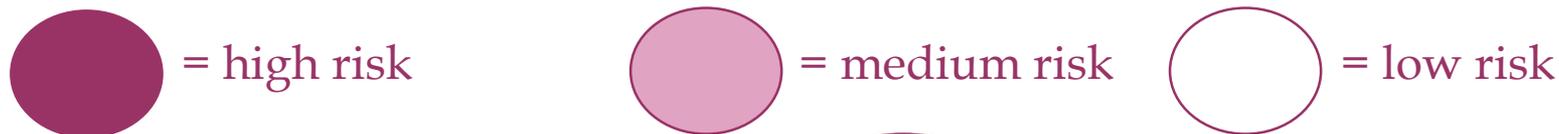
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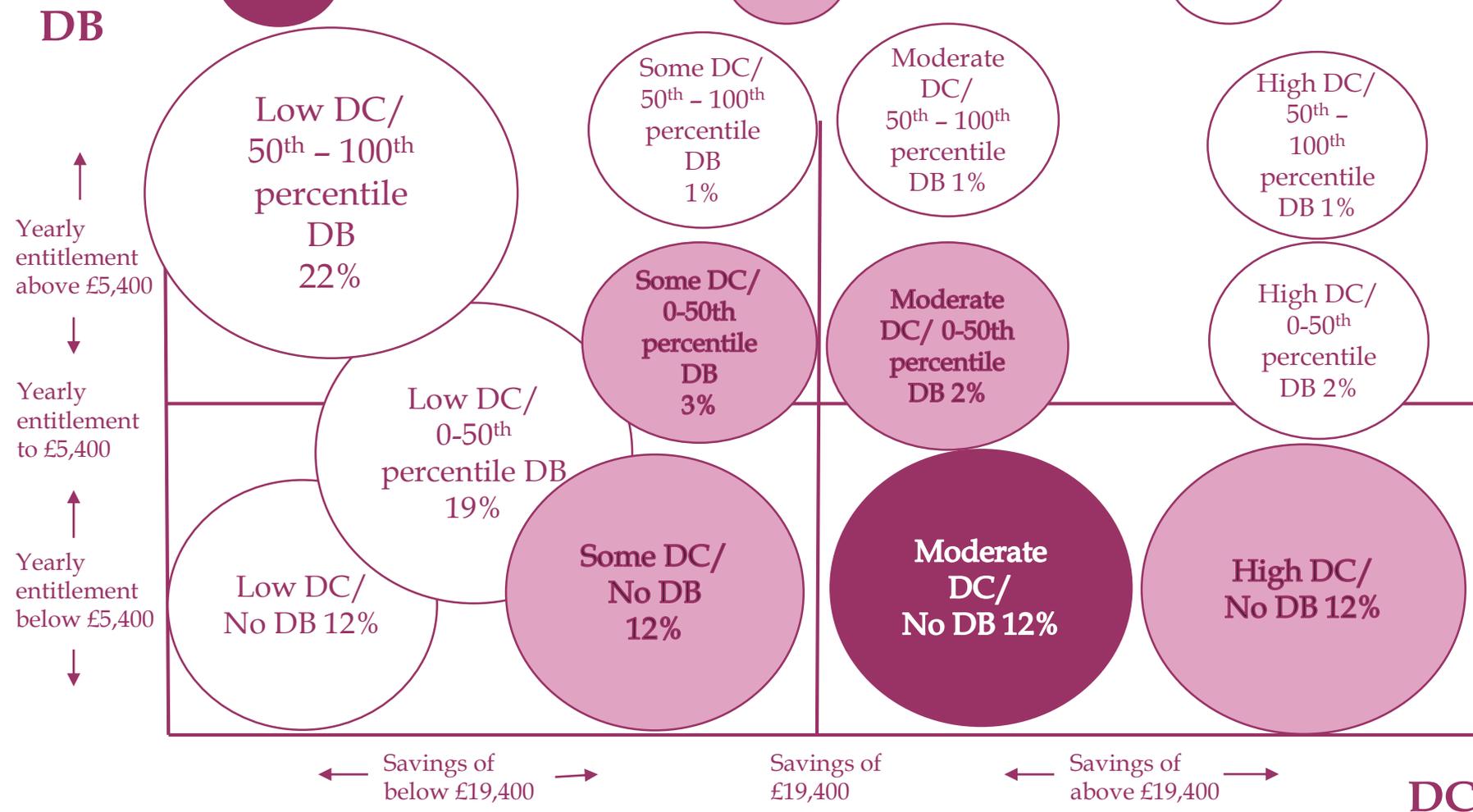
# Since the Retail Distribution Review:

- Decrease in the number of financial advisers
- Increased focus on wealthier individuals
- A gap between advice and guidance provision, and take-up
- Decisions about DC pensions have become more complex

# People with DC savings and low or no DB entitlement are most “at-risk” of making poor decisions



**DB**



**DC**

# Barriers around accessing financial advice include:

- Lack of awareness that advice or guidance is available
- Inability to afford advice or unwillingness to pay for advice at its current cost, including a perception of the cost of advice as a loss
- Lack of trust in financial services
- Lack of understanding of the benefits of financial advice
- Feelings of powerlessness or helplessness around issues related to finances
- Absence of an event that might trigger individuals to seek financial advice

# Approaches that could address demand include:

- Increasing awareness of Pension Wise
- Introduction of greater numbers of employer-sponsored financial education programmes

# The use of scalable solutions, such as robo-advice is emerging

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- To date focused on accumulation phase
- Emerging tools help individuals to assess their position with regards retirement, make plans and execute these
  - Enable them to assess options around how to draw down retirement funds
  - Typically they enable the whole of an individual's circumstances to be taken into account
  - There is typically a run-through with a financial adviser before execution of any options takes place

# Considerations around robo-advice and guidance include:

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- The use of fully-automated advice may still be subject to behavioural barriers that cause a reluctance to seek or take advice
- Any robo-advice solution will need to be sufficiently robust to deal with current market concerns around the risk of mis-advising, and the potential for scamming

# The cost of advice to the individual may be reduced by the introduction of a voucher scheme

## Potential advantages include:

- Raising awareness of financial advice
- Normalising financial advice
- Providing individuals with the right contacts if they require financial advice in excess of the voucher value

## Risks include:

- Fraud
- Customers incurring unexpected costs
- Provision of low quality advice

# Default strategies in retirement may also be considered

- Used in accumulation phase
- May be alternative or complement to advice or guidance

# Questions

- What developments in the advice market are expected?
- What might different elements of industry do to take forward this issue?