We’d like to thank...

For sponsoring this series
The evolving retirement landscape

• Why is the retirement landscape evolving?
• What are individuals doing with DC savings?
• How do the needs of retirees affect decisions about retirement income?
• How are combinations of savings and assets evolving?
Why is the retirement landscape evolving?

• Future retirees are likely to:
  - Live longer
  - Take their State Pension later
  - Reach retirement with a greater reliance on DC savings as opposed to DB entitlement
  - Have near total flexibility in accessing savings

• The evolving retirement landscape:
  - Changes in the wider pensions landscape: DC on the rise
  - Legislative changes: Pension freedoms and Automatic enrolment
  - Demographic changes: increasing longevity
  - Changing transitions into retirement: no longer a single decision

• Future retirees will face more complex decisions
The evolving retirement landscape

• Why is the retirement landscape evolving?

• What are individuals doing with DC savings?

• How do the needs of retirees affect decisions about retirement income?

• How are combinations of savings and assets evolving?
What are individuals doing with DC savings?

• On average, pots are being accessed at younger ages, and in many cases before retirement
• Pot size can influence retirement income decisions
• Decisions may also differ by age, although full withdrawal is the most commonly used option across all age groups
• However, most pots have not yet been accessed
The evolving retirement landscape

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How do the needs of retirees affect decisions about retirement income?

- Many people have not given much consideration to how they will access their retirement savings.
- There are low levels of understanding and engagement, even among people who have already accessed their pots.

Financial Lives Survey

- Pots accessed for the first time since October 2015 (FCA Retirement income market data)
• Why is the retirement landscape evolving?
• What are individuals doing with DC savings?
• How do the needs of retirees affect decisions about retirement income?
• How are combinations of savings and assets evolving?
Individuals with moderate to high levels of DC savings and no or low DB entitlement are most at risk of making decisions that can have a significant negative impact on their retirement outcomes.
The average ‘at risk’ individual

80% - 100% are homeowners
Around half of homeowners own without mortgage

Non-pension savings above £155,000: 50%
Non-pension savings below £1,000: 16% 25% 10%

Mod. DC No DB  High DC Some DB  Mod. DC No DB  High DC Some DB

Levels of non mortgage debt are around average - £8,000
How are combinations of savings and assets evolving?

• These ‘at risk’ groups are currently relatively small, but they will grow in the future

• There will be an increasing number of people reaching retirement faced with decisions that have the potential to have a significant negative impact on their retirement outcomes
Tim Fassam
Director of UK Public Affairs
Prudential
Mark Rowlands
Director of Customer Engagement
NEST
PPI - Evolving Retirement Landscape

Mark Rowlands - Director of customer engagement
8 May 2018
NEST’s current member base

Total base: 6.5 million

- 3.8 (m) active
- 2.7 (m) inactive
- 1.0 (m) registered

<table>
<thead>
<tr>
<th>Metric</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total members</td>
<td>6.5 million</td>
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<tr>
<td>Active members</td>
<td>3.8 million (59%)</td>
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<tr>
<td>Registered members</td>
<td>1,014,063 (16%)</td>
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<tr>
<td>Retirements processed</td>
<td>36,474 (1%)</td>
</tr>
<tr>
<td>Opt-outs</td>
<td>595,355 (8%)</td>
</tr>
</tbody>
</table>
NEST member demographics

Other pension schemes held by NEST members

Whole of NEST

NEST ONLY:

53%

Over 45’s

24%

Under 25

25 to 34

35 to 44

45 to 54

55 to 64

65 plus

- NEST pension only
- 1 other
- 2 others
- 3 or more
- Not sure but more than 1

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NEST member expected outcomes - what they currently expect

- 34% expect NEST to pay them a regular income
- 6% will use the money in their pension pot to buy something from elsewhere
- 31% don't know - haven't really thought about it
- 9% don't know - don't really understand the options
- 20% don't know

6% will shop around, 1/3 expect income from NEST, 2/3 don’t know

Over 60’s - 68% don’t know
What members would like from a retirement solution..... income for life and flexibility

How important do you think it is that NEST offers the following types of solution?

- A service that provides regular income for the rest of your life: 15% Important, 32% Very important, 48% Essential
- A service that is flexible meaning that you can change your mind during your retirement without penalty: 19% Important, 37% Very important, 38% Essential
- Online tools and resources to help guide you through your retirement choices: 24% Important, 36% Very important, 32% Essential
- A service that gives you the ability to access cash lump sums throughout your retirement: 27% Important, 34% Very important, 25% Essential
- A pension that limits complexity and automatically evolves as you get older meaning that once you make an initial decision NEST does everything for you: 29% Important, 33% Very important, 21% Essential

Base: All.
Just under two thirds of members think they’ll feel concerned when making decisions at retirement

How concerned do you think you’ll be when it comes to deciding what to do with your pension pots at retirement?

- 45 plus:
  - Very unconcerned: 5%
  - Fairly unconcerned: 13%
  - Fairly concerned: 36%
  - Very concerned: 26%

- Upto 44:
  - Very unconcerned: 4%
  - Fairly unconcerned: 11%
  - Fairly concerned: 40%
  - Very concerned: 24%

- Total:
  - Very unconcerned: 4%
  - Fairly unconcerned: 12%
  - Fairly concerned: 39%
  - Very concerned: 25%
Education vs nudges - a false conflict?

The ‘old’ way - informed choice

The challenge
Low financial literacy / asymmetries of information

The solution
Education and information create active consumers acting in their own interest

The ‘new’ way - behavioural finance

The challenge
Behavioural biases

The solution
Defaults and other nudges use these biases to encourage ‘good’ behaviours

... but are these approaches really in conflict?
The need to change behaviours

More comms ≠ More awareness

More awareness ≠ Changed behaviour
Changing behaviour: the Fogg model

Core motivators

Current motivations
Barriers to motivation

Engagement in long-term saving

Behaviour triggers
Spark (increasing motivation)
Facilitator (increasing ability)
Signal (reminders for those already motivated and able)

Simplicity factors

Current ability
Barriers to ability

High motivation

Low motivation

Low ability

High ability
Guided Retirement Pathways

- sustainable income
- manage investment risk
- manage inflation risk
- spend pots
- longevity protection
- offer flexibility
- good value
- strong governance
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Panel discussion and Q&A

- Michelle Cracknell – Chair
- Lauren Wilkinson – PPI
- Tim Fassam - Prudential
- Mark Rowlands – NEST
- Jeremy Speechley – TPR
Thank you for coming

Please join us for refreshments