

Supporting DC members with defaults and choices up to, into, and through retirement

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Complexity of decision making at retirement (T2R First Report)

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- Decisions around DC savings are amongst the most challenging of financial decisions and are becoming more complex
- Cohort aged 50-SPA today expected to reach SPA with median DC pots of £19,400; 60% < £27,500; 80% < £68,000
- Groups most at risk of making a poor decision had DC pots between £20-£50k and little or no DB entitlement
- Correlations between heavy reliance on DC savings as a source of income in retirement and low levels of financial engagement, numeracy, and use of financial advice

Around 40% of those aged 50-SPA expected to be in “at-risk” groups

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- May want more than just a cash lump sum – but not typically the target for financial advice or income drawdown solutions.
- Their retirement outcomes likely to be dependent on:
 - **Guaranteed Guidance service** – and nudging towards other retirement planning tools and independent, trusted guidance and advice services
 - **“Defaults” being in place** – either new defaults deliberately designed by pension schemes and providers or the “de facto” defaults / paths of least resistance

Can effective defaults be designed to support members with their retirement choices?

- Two stages to the research:

i) Qualitative research with DC savers approaching retirement – are default solutions in retirement likely to appeal to savers, and is there enough commonality for them to be designed?

i) How can the different options for DC savers at retirement be communicated and compared – what tools, visuals and rules of thumb that might help savers to benchmark the different options? (Summer 2015)

Methodology and Objectives

- Ignition House carried out in-depth qualitative interviews to explore key policy questions around the potential demand for, and design of, default solutions into and through retirement.
- New insights should inform policymakers, industry employers about the *range of circumstances* and *likely preferences* of DC savers approaching retirement.
- Provides the foundation for further design work around default strategies into retirement.
- Illustrates where DC savers are likely to have misperceptions and where they may need most support with making trade-offs about their options.

Panel Discussion

**Alistair Byrne, State Street Global
Advisors**

**Geoff McKenzie, Vodafone Group
Services Ltd**

Paul Todd, NEST Corporation

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Questions and discussion