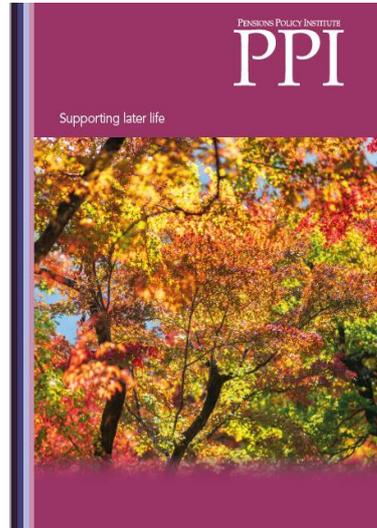


Supporting later life

Launch write up

The Pensions Policy Institute (PPI) held a policy seminar on 22nd October 2019 to launch *Supporting later life*, sponsored by Age UK, Department for Work and Pensions (DWP), The People's Pension and WEALTH at Work. The event was kindly hosted by Legal and General. Supporting later life is the second of two reports looking at the challenges facing people in achieving the best possible later life.

Over 50 people representing a broad range of interests within Government, the pensions industry and the third sector attended the seminar.



Simon Chinnery, Head of DC Client Solutions, LGIM and PPI Governor, welcomed the attendees.

Michelle Cracknell, PPI Governor, chaired the event.

Lauren Wilkinson, Senior Policy Researcher, PPI, presented the key findings of the research: As people move through the stages of later life, from independence to dependence, they will face a number of complex later life decisions about their finances. However, in general people are underprepared for this. There is also significant wealth inequality in retirement and people will require differing forms of advice and support at different stages and depending upon their resources. While there are steps in the right direction in the form of investment pathways and regulation, there is also a lack of ongoing support throughout later life, and little engagement with people in lower wealth groups.

Panel discussion and Q&A

There followed a Panel discussion and question and answer session, held under the Chatham House rule, chaired by Michelle Cracknell and comprising;

Chris Brooks, Senior Policy Manager, Age UK

Gregg McClymont, Director of Policy, The People's Pension

Jonathan Watts-Lay, Director, WEALTH at Work

Lauren Wilkinson



The following themes of discussion emerged during the panel. They do not necessarily reflect the views of the Pensions Policy Institute or all panellists.

Challenges to people planning for later life

- People find it difficult to project themselves forward into later life or understand the potential impact of decline on their lives. There is a natural aversion to negative thoughts about the future self, especially about cognitive decline, meaning that decisions can be delayed.
- Old age is abstract, it happens to other people, and people often ignore the signs of their own aging, quite possibly until the optimal time for action has passed, as people's ability to take decisions can decline with age.
- People are unwilling to face up to the possibility of future ill health or disability, and the care needs they may have. There is also a general view of 'care' as meaning residential care, with less awareness of alternatives.

Guidance and advice are necessary but not always to hand

- People don't really understand the options that are available to them, and don't know where to get help.
- Pension Wise has been shown to be useful, but people need to know how it can help before they use it.
- Pensions dashboards may also help people engage with their retirement decisions, but like Pension Wise, they will not be a solution in themselves.
- There is an ongoing role for Government to encourage more engagement, and Money and Pensions Service could be an engagement vehicle.

- Pension providers should develop products and initiatives that provide information on retirement options.
- Employers also have a role to play in helping people to understand their options, but they will need to increase their own knowledge base if they are to offer information. Smaller employers will have fewer resources to draw on. There is also a need for more comprehension about pensions and retirement in the workplace.
- There might be value in introducing pensions as part of the school curriculum, making them a part of a whole life story.
- A key message that people should understand is that the decisions they make about their retirement today will make a difference in later life.

Safety nets may be needed as people may have low retirement incomes

- Automatic enrolment (AE) and Freedom and Choice may see people without sufficient income in retirement. Will there be a need for state support for people finding themselves in such a position?
- The current safety net of the State Pension and Pension Credit is often inadequate and poorly understood. More should be done to increase uptake of key age-related benefits.
- People may make suboptimal choices and end up with inappropriate retirement products, or they may end up overspending in early retirement only to find themselves facing hardship in later life.
- The future cost of social care will also likely play a role in increasing personal costs at a time when income is diminished.

Decision-making in retirement is not static or predictable

- Freedom and Choice, together with increasing life expectancy and longer working lives will mean that people will reach retirement with a wider diversity of experiences, and with very different expectations and needs in later life.
- As people age, their behaviour may change, and they may move from concentrating on their own needs and wants and look more at bequests. There is evidence that people spend less on themselves as they age, possibly as a result of diminished capacity. This is likely to have an impact on the equity release and lifetime mortgage market.
- Financial decisions can often be motivated by emotions rather than facts or evidence.
- Money and expenditure are not static, especially for people on lower incomes, where they may not have savings for larger one-off expenditures, such as replacing domestic equipment or in an emergency.
- People with larger pots can be more flexible in their expenditure, but they are also more cautious when financial news is poor. Those with smaller pots are, by default, more likely to maintain levels of expenditure.

Products and services in retirement will need to be flexible and easily accessed

- Advice and guidance in decumulation can be fractured and hard to access. While the proposed default investment pathways may help, the market remains young and providers will continue to develop products.
- It is important that any new products or services are designed with the needs of the customer as the paramount consideration, and that there is no one-size-fits all solution.
- There is a disconnect between the pensions world and people's everyday lives. Pensions should be seen as a part of everyday life, and seen in the wider context of personal finances.
- There is also a disconnect between the passivity of saving and the need to make active financial decisions in retirement, and this may only become more prevalent due to automatic enrolment, where passivity and people with multiple, often small, pension pots will become the norm. Retirement can be a cliff-edge in terms of financial decision-making.
- The sheer size of automatic enrolment will mean that engagement patterns and products will need to change.
- There may be a need for stricter default product pathways in retirement as people lose capacity in later life. Evidence suggests that on a large scale, nothing succeeds more than defaulting people.
- The current thinking is too focused on age rather than on life stages, and targeted engagement for people experiencing life changing events would allow for greater understanding of the types of advice and support needed by people at specific times.

Technology alone is not enough

- Technology is constantly being developed that can help people access financial information quickly and conveniently, and pensions are becoming part of this world. Future generations will be more open to using apps and digital technology, but there is a need for human interaction.
- People still want face-to-face advice, at least in part. If the use of digital platforms can be explained in person, they may seem less remote and more comprehensible.
- In tech terms, pensions information should be moved to sit alongside other financial information, and presented in similar, more readily comprehensible terms.
- Lessons can be learned from open banking, allowing people to see and understand practical examples and options that are relevant to their everyday lives. Products that can help are already out there, but they can seem abstract and confusing.