

At-retirement financial advice in the workplace

The Pensions Policy Institute (PPI) and LV= held a round table on 20 September 2016 to launch the report “At-retirement financial advice in the workplace”. The report was sponsored by LV= and reflects bespoke qualitative research conducted with employers by Bdifferent, a company specialising in financial services research, and desk research conducted by the PPI.

The qualitative research gauges employers’ attitudes to the provision of financial advice in the workplace. It considers how the provision of financial advice would sit in terms of employers’ current pension provision and explores employers’ expectations around levels and extent of take-up of financial advice by their employees. Specifically it investigates employers’ reactions to the following tax measures currently being explored by HMT:

- Increasing the tax-exemption around employer-arranged pensions advice from £150 to £500
- Introducing a Pensions Advice Allowance which allows DC savers to withdraw up to £500 from their DC pension funds without incurring a tax penalty, provided that this amount is used to purchase pre-retirement advice.

Chris Curry, PPI Director, chaired the seminar welcomed attendees and made introductions.

Teresa Roux, Founding Director, Bdifferent presented the findings of the research.

Melissa Echalié, PPI Senior Policy Researcher, outlined some questions for consideration during the round table discussions.

Philip Brown, Head of Policy, LV= responded to the research findings:

- LV= is supportive of the pension freedoms and has invested in automated advice in this context in order to lower the cost of advice.
- Automated advice may work to enable individuals to access financial advice provided that they have additional contact points, such as telephone support.
- The provision of low cost advice is key to enabling access; LV= currently provides automated advice at a cost of £49.

- There are some warning signs around the willingness of smaller employers to become involved in the provision of access to advice. In this context, there is a potential role for NEST.
- There will be support for employers through the provision of guidance, as outlined in the Financial Advice Market Review recommendations.
- The pensions dashboard, with the prototype due in March 2017, should provide some guidance for pension savers.

The following points were raised during the question and discussion session with the panellists and the audience. They do not necessarily reflect the views of the PPI or the PPI seminar speakers:

Employer's attitudes to advice provision

- The priority for smaller employers remains the generation of profits. Even larger employers remain nervous around any liabilities that may arise from providing access to advice to employees.
- Micro-employers are unlikely to provide access to financial advice to their employees on a voluntary basis.

The scope of the new initiatives

- Discussion of the provision of guidance or advice to individuals at age 50 concluded that this should be holistic and not centred solely on retirement options.
- Holistic advice can refer to advice on pensions that takes into account the entirety of an individual's circumstances or, alternately, advice on the entirety of an individual's financial situation. It is important that any initiatives are clear around the scope of advice.

The level of employer-provided financial advice/the Pensions Advice Allowance

- During discussions around the level of Pensions Advice Allowance the following points were raised:
 - This might be targeted at large pots as guidance might be sufficient for pots up to the value of £50,000
 - £500 might not be sufficient for drawdown
 - £500 might be sufficient for initial advice but would not typically cover follow-up advice.

Considerations for advice provision

- The provision of back-up telephone advice is critical.

- There are some groups who will not use automated advice for issues related to financial services, typically those aged over 55. However, future cohorts may be comfortable with accessing financial advice in this way.

Consumer protections

- There are concerns that unscrupulous financial advisers would charge employers for guidance that they could have received free of charge from Pension Wise. It is important that pension savers are protected from this type of risk.
- It is important that the Pensions Advice Allowance should be restricted to authorised financial advisers.

Practical considerations

- HMT clarified that their approach to the Pension Advice Allowance is to leverage the existing adviser charge system.
- There is a question around how the advice allowance might work with multiple pots.
- LV= is currently looking into the practicalities of how schemes can take a payment from an employer in order to pay for regulated advice.
- There is an issue around the availability of products that are appropriate for individuals with smaller pots.
- Trustees of trust-based DC pension schemes may limit the proportion of a pension pot that a member can spend on advice, and may select the adviser on behalf of members.

Measuring outcomes

- Questions were raised around measuring what action pension savers take further to receiving advice, and what good outcomes might look like in the context of freedom and choice.