

NEWS RELEASE

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Pension 'dipping' reaches record high but majority now taken without guidance or advice, FCA figures show

- DC pensions accessed for the first time rose to record 673,831 between April 2018-March 2019
- Most pots now taken without regulated advice or guidance, Pension Wise usage slips to 14%
- Only 1 in 25 would opt out of a free guidance session booked for them

The number of defined contribution (DC) pension pots accessed for the first time rose to a record 673,831 last year but more than half were taken without free, impartial, government-backed guidance or regulated advice, latest retirement market data shows¹.

Analysis of Financial Conduct Authority figures published this week shows a rising trend for people taking cash from a pension to go it alone rather than use free and independent guidance or regulated advice.

"Dipping into pension money is becoming more popular but most people are shunning the professional support that is available to help them make good choices, even when that support is free," said **Stephen Lowe, group communications director at Just Group**.

The FCA figures showed that 673,831 DC pensions were accessed for the first time in 2019/20, a rise of 3% on 2018/19. It is the highest number in the five years since the 'freedom and choice' reforms delivered greater flexibility to use pension savings.

DC Pensions accessed in 2019/20			
	Regulated Advice	Guidance	No regulated advice or guidance
Overall	36% (-1%)	14% (-1%)	50% (+2%)
Drawdown	64% (-2%)	9% (-)	27% (+2%)
Full withdrawal	23% (-1%)	14% (-)	64% (+2%)
Annuity	26% (-)	29% (-)	44% (-1%)
UFPLS	32% (-8%)	12% (-3%)	56% (+10%)

Brackets show changes compared to 2018/19

The number of pots accessed without guidance or advice rose by 8% or nearly 26,000. That took the overall number accessed without guidance or advice to 340,133 and the proportion to 50%, up from 48% the previous year.

"An entitlement to free, impartial and independent guidance was a key part of the 2015 reforms to help pension savers navigate the more complex environment, but usage remains far too low," said Stephen Lowe. "Guidance enhances people's understanding of the options available to them and develops confidence to make better choices and the insight to avoid scams."

“Last year overall Pension Wise guidance usage slipped from 15% to 14% for all DC pensions being accessed but it was less than one in 10 (9%) for pensions where some cash was taken and the rest of the pension money put into a drawdown plan.

“Around six in 10 drawdown solutions are sold by providers to their existing customers and using guidance would draw their attention to the need to shop around to ensure they are making good choices and receiving value for money.”

He urged the FCA, which is looking at ways to increase usage of Pension Wise, to switch to a system where guidance sessions are booked automatically for pension savers.

“At the moment guidance is offered at the point that the carrot of cash is hanging right in front of people,” he said. “It would be better to deliver the guidance earlier so people have a chance to think about the longer-term consequences.

“Our own research² found only one in 25 people aged 45-54 would opt out of a guidance session pre-booked for them. This approach would be especially helpful for groups with lower financial capability and less engagement in pension decisions who are currently at greater risk of making poorer choices.”

Enquiries

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Notes to Editors:

References

1 - FCA Retirement Income Market data 2019-20: <https://www.fca.org.uk/data/retirement-income-market-data>

2 - Research conducted on behalf of Just Group by Opinium with 1,000 UK adults aged 45-54 between 3rd and 10th August 2020

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