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FCA should aim for ‘three in four’ pension guidance take-up target, says Just Group

- New research shows 77% of DC pension savers aged 45-54 want free, independent and impartial guidance before retirement
- Lifting guidance take-up to appropriate levels will take more than a nudge by the FCA
- Three in four goal is ‘ambitious but achievable’ with an active opt out, says Just Group

More than three in four pension savers aged 45-54 want free, independent and impartial guidance to help them make sense of their options as they approach retirement, according to new research¹ that reinforces the scope for guidance take-up targets to be set to align with the levels wanted by pension savers.

The new research, published by **Just Group**, found that among those within 10 years of being able to access pension benefits, 77% said they wanted guidance to help them understand their options.

“Guidance is freely available but take-up is worryingly low,” said **Stephen Lowe, group communications director at Just Group**.

“For the first time this research provides an ambitious but achievable target for future take-up by revealing the significant majority who state they believe they would benefit from guidance.”

Pension guidance via the Pension Wise service was introduced in 2015 as the primary source of impartial help, support and information for pension savers facing more complex choices in the wake of the pension ‘freedom and choice’ reforms. Estimates suggest take-up ranges from between 3-15%².

“Evidence shows that savers who don’t receive impartial, professional support are more likely to make badly informed decisions, while those who do receive guidance often amend their original plan,” said Stephen Lowe. “The system works but too few are receiving their entitlement.”

He said that a major transformation in take-up could best be achieved by replacing the current ‘opt in’ with an ‘active opt out’ system, emulating pension saving where employees are auto-enrolled into pensions unless they feel they have a good reason to opt out.

“Auto-enrolment has created a new social norm for pension saving because it directs the course of action that is appropriate for the vast majority of people,” he said.

“Making it easier for people to receive guidance recognises that the majority have much to gain and nothing to lose. Those few who won’t – perhaps because they already have their own financial adviser providing more in-depth advice – can opt out.”

The Financial Conduct Authority is now considering ways to meet its obligations under the 2018 Financial Guidance and Claims Act which requires it to implement guidance ‘opt out’ rules.

“The Money & Pensions Service’s recent ‘stronger nudge’ research did improve take-up but to a limited extent and only among certain groups,” said Stephen Lowe. “If anything, it provides more evidence to the FCA that materially increasing the number of people who receive guidance is going to take more than a nudge.”

He said that recent government figures found less than half (49%) of those aged 45-54 said they understood enough about pensions to make decisions about saving for retirement³.

"This is the age group that will soon be making pension decisions they will have to live with for decades to come," he said.

"The FCA can now implement an ambitious solution to deliver a transformational increase in guidance take-up. We really don't want to be coming back in another five years wondering why so many people are shunning guidance and making badly informed decisions."

Enquiries

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Notes to Editors:

Research

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

2. FCA, Retirement income market data 2018/19, Figure 5, <https://www.fca.org.uk/data/retirement-income-market-data>

3. ONS, Early indicator estimates from the Wealth and Assets Survey: Pensions:
www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/earlyindicatorestimatesfromthewealthandassetssurveypensions

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