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NEWS RELEASE

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More than four million within a decade of pension access are oblivious to free government-backed guidance service, Just Group research reveals

Millions of pension savers nearing the age they can start taking pension benefits are unaware of the free, impartial and independent guidance available to help them understand their retirement options.

Research by **Just Group**¹ found that four in five (81%) of 45 to 54 year olds with defined contribution pensions did not know they will be entitled to receive free guidance from Pension Wise, equal to more than 4 million people^{2,3}.

Only 19% said they knew about the service and awareness levels were about half as high among women (12%) as men (20%)*. Recognition is low despite providers being obliged to promote the guidance entitlement to their customers in the run-up to age 55, the age when customers may first access their pension benefits.

“The pension guidance message is not cutting through,” said **Stephen Lowe, group communications director at Just Group**. “How can we expect people to use Pension Wise, which helps them make better choices if they don’t know about the service?”

The 2015 pension reforms had two key planks – pension ‘freedom and choice’ and the ‘guidance guarantee’. Pension Wise has an enviable record of helping people to understand their options, make better choices and avoid becoming victims of the growing number of scams.

“Pensions are widely seen as complex and confusing,” said Stephen Lowe. “Recent government figures revealed under half (49%) of those aged 45-54 felt they understood enough about pensions to make decisions about saving for retirement⁴.

“The promise to make impartial guidance available to all those with defined contribution pensions was made in recognition that pension decisions are not easy and that freedom and choice can only work if people are equipped to make informed decisions.”

He said that the low awareness figure for free guidance, and the benefit it provides, was evidence that expecting people to ‘opt in’ was never likely to achieve the take-up required, particularly among vulnerable groups and those with lower levels of financial capability.

Instead he advocates a switch to an ‘active opt out’ system where the guidance appointments are automatically part of the process of accessing cash for everybody, but individuals who don’t feel a session will help them can choose to opt out of attending.

“Receiving guidance must become the norm, just as auto-enrolment has successfully made saving in a workplace pension the norm,” he said.

“This year a record 940,000 people will celebrate their 55th birthdays² which means more people will be able to start taking pension cash than in any previous year and many are unlikely to be aware of the free help available.

“The Financial Conduct Authority is looking at ways to increase take-up of guidance. We really need the regulator to act quickly and decisively if hundreds of thousands more pension savers are not going to miss out on guidance and be more vulnerable to bad decisions and scams.”

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. ONS, MYE1: Population estimates: Summary for the UK, mid-2019:

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland>

3. FCA, Financial Lives Survey, Weighted data table 1 Main, Table 296, 55% of 45-54 year-olds have an accumulating DC pension: <https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults>

4. ONS, Early indicator estimates from the Wealth and Assets Survey: Pensions (see: tab 3.1):

www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/earlyindicator estimates from the wealth and asset survey pensions

* Gender splits refer to the whole UK population, rather than just those with a DC pension

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- De-risking solutions for pension scheme trustees who want to remove the financial uncertainty of operating defined benefit pension schemes;

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- Individually underwritten retirement income products delivering a guaranteed income for life;
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 - Lifetime mortgages for people who want to safely release some of the value from their home.

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