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NEWS RELEASE

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Pension guidance auto-enrolment will help create new 'social norm', says new report from Just

As MPs launch an inquiry into the success of pension 'freedom and choice', new research highlights widespread support for requiring pension savers to accept guidance before choosing how to access their benefits.

From age 50 people considering accessing pension money should be automatically enrolled into a free Pension Wise guidance session, according to new research from Just that highlights the policy inconsistency between enforced mortgage advice and the pension free-for-all.

With the success of pension 'freedom and choice' now under scrutiny by the House of Commons Work and Pensions Committee, the research highlights broad support for the creation of a default pathway into guidance or advice for pension savers considering taking benefits.

Specialist financial services company Just said the report - ***Lighting pension pathways: guiding pension savers through 'freedom and choice'*** - reinforces the case for new rules that aim to make taking pension guidance the social norm.

Currently only about one in 10 people accessing pension money use the government's free pension guidance service, Pension Wise, while almost all mortgage borrowers are required to take advice. This is despite people knowing more about mortgages and being more confident making mortgage decisions than they are for pensions.

Only four in 10 felt pensions were easy to understand, compared to nearly two-thirds (63%) for mortgages. Nearly seven in 10 (68%) said they were confident making mortgage decisions compared to just over half (52%) making pension decisions. Almost double the number (23%) said they were not very confident making pension decisions, compared to mortgage decisions (12%).

Given greater uncertainty around pensions than mortgages it is a "glaring contradiction" that mortgage borrowers are required by law to take professional advice but pension savers are left to sort out their own support or advice said **Stephen Lowe, group communications director at Just.**

"We know that support does work because people who took guidance or advice reported higher than average levels of confidence when making either mortgage or pension decisions," he said.

"Three-quarters of those questioned supported making pension guidance or advice a requirement, a figure rising to nearly nine in 10 of those who had themselves used Pension Wise.

"As noted recently in a House of Lords debate on reforming financial guidance, Pension Wise is working exceptionally well but only for the very small number of people who use it. Providing a default pathway into guidance will encourage far higher levels of engagement."

He said the research suggested those with smaller pension pots, who expressed the lowest levels of knowledge of pensions and confidence in making decisions, have the most to gain from making guidance a natural part of accessing pension benefits.

Just believes that receiving pension guidance before accessing benefits should become a social norm and is making three key recommendations:

- **Increase awareness of the value of Pension Wise guidance – to address widespread ignorance of what it is and who it can help**
- **Start communications to engage with guidance from age 50 – to give time to reflect on guidance provided in advance of being able to access pension benefits**

- **Automatic enrolment into pensions guidance – this needs to be built into provider sales processes to encourage high levels of engagement and discourage opt outs**

"The government has given people more freedom and choice and must now ensure they help people to mitigate far more effectively the risk they are exposed to by making guidance a social norm," said Stephen Lowe.

"Many people have worked and saved hard for 40 years or more to build up their pension pots. Expecting them to accept a 40 minute guidance session, helping them decide how to make their savings work hard for what could be another 40 years, feels a wholly appropriate and proportionate policy response."

Ends

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Notes to Editors:

Research:

More than 2,000 savers aged over 54 with defined contribution pensions were questioned for the research. Just over half had accessed pension benefits, and the sample was controlled to ensure half had used Pension Wise to understand how useful they had found the service.

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- De-risking solutions for pension scheme trustees who want to remove the financial uncertainty of operating defined benefit pension schemes;
 - Individually underwritten retirement income products delivering a guaranteed income for life and flexible pension plans offering customers the options to blend secured and unsecured income;
 - Long term care plans that provide those people moving into residential care with peace of mind by knowing a regular payment will be made to the care provider for the rest of their life;
 - Lifetime mortgages for people who want to safely release some of the value from their home; and

Professional services:

- Regulated financial advice and guidance services for individuals wanting help in using their pension savings and/or releasing some of the value from their home; and
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