Future Focus: decumulation and later life issues

Challenge Pack

The 2030 challenge:
how can we get 5 million more people understanding enough to plan for, and in, later life?

#UKFinancialWellbeing
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Money & Pensions Service

Contents

Future focus / decumulation and later life: the five key points everyone needs to know

- It is still early days for pensions reforms, so many people still receive a guaranteed income in retirement in the form of a defined benefit pension or an annuity. However, these types of pensions will decrease as a proportion of retirement wealth, to be replaced by defined contribution pension products.
- More and more people will have to make complex decisions during the later stages of their saving/ spending lives: whether to continue earning, how much to save, where to invest, and how and when to access their savings.
- Retirement can now last 30 years or more. Unlike earlier life stages, one event is certain (death) and one or more of a series of uniquely difficult financial events, such as losing a partner, is likely.
- These uncertainties make timely access to guidance and advice essential, yet many people do not access guidance or advice when making complex financial decisions. And in many cases they will put off making any decision, or opt for what appears to be the easiest solution. It is important that people find it easier to engage, and helped to navigate products and options.
- Being in control and financially well in later life require similar skills and support as at other times, but decisions take place against a backdrop of cognitive decline and ill health. Financial and legal challenges are often experienced for the very first time.

Money and Pensions Service – an overview

Financial wellbeing is good for individuals, communities, businesses and the economy. But poor financial wellbeing, affecting tens of millions of people, is holding the UK back. 11.5m people have less than £100 in savings to fall back on. 9m people often borrow to buy food or pay their bills. 22m people say they don't know enough to plan for their retirement. And 5.3m children do not get a meaningful financial education.

According to the Organisation for Economic Co-operation and Development, figures like these put the UK well down the rankings of G20 countries, behind France, Norway, China, Indonesia and many others.

The 2018 law that set up the Money and Pensions Service (MaPS) gave it the role of co-ordinating a national strategy to address this vital issue in the UK.

MaPS's vision is for **everyone to make the most of their money and pensions.**

Over the past 12 months, MaPS has been working with over 1,000 partners across the UK to develop a UK Strategy for Financial Wellbeing. The Strategy is a roadmap, setting out how different individuals and organisations can work together over the next decade to help millions of people make the most of their money and pensions.

The Strategy was published in January 2020. MaPS is now looking at the Strategy's priority areas in detail, creating specific delivery plans, and setting milestones for the ten-year journey towards better financial wellbeing.

The UK Strategy is about putting financial wellbeing on the map as a part of a national conversation, leveraging existing funding and drawing in new funding, encouraging collaboration and working with the private sector, third sector, regulators, government and others to build a movement to improve financial wellbeing across the UK.

MaPS is an arm's-length body sponsored by the Department for Work and Pensions (DWP). It is committed to providing access to the information and guidance that people across the UK need, to make effective financial decisions over their lifetimes. The organisation also engages with HM Treasury on policy matters relating to financial capability and debt advice.

MaPS brings together the free services that were previously delivered by the Money Advice Service, the Pensions Advisory Service and Pension Wise. MaPS offers customers guidance and appointments over the telephone, online and in person.

As the largest single funder of free debt advice in England, MaPS works alongside partners across the UK to make debt advice easier and quicker to access when and where people need it, and to improve standards and quality across the sector.

The body is responsible for delivering and overseeing pensions dashboards to help people access their pensions information online, in partnership with the DWP.

MaPS leads innovation by managing an extensive programme of research and evaluation, which consumers can use to make decisions regarding their financial wellbeing.

For further information visit the Money and Pensions Service website www.moneyandpensionsservice.org.uk

Overview of the UK Strategy for Financial Wellbeing

Financial wellbeing is about feeling secure and in control. It is about knowing that you can pay your bills today, can deal with the unexpected, and are on track for a healthy financial future. In short, it is about being confident and empowered.

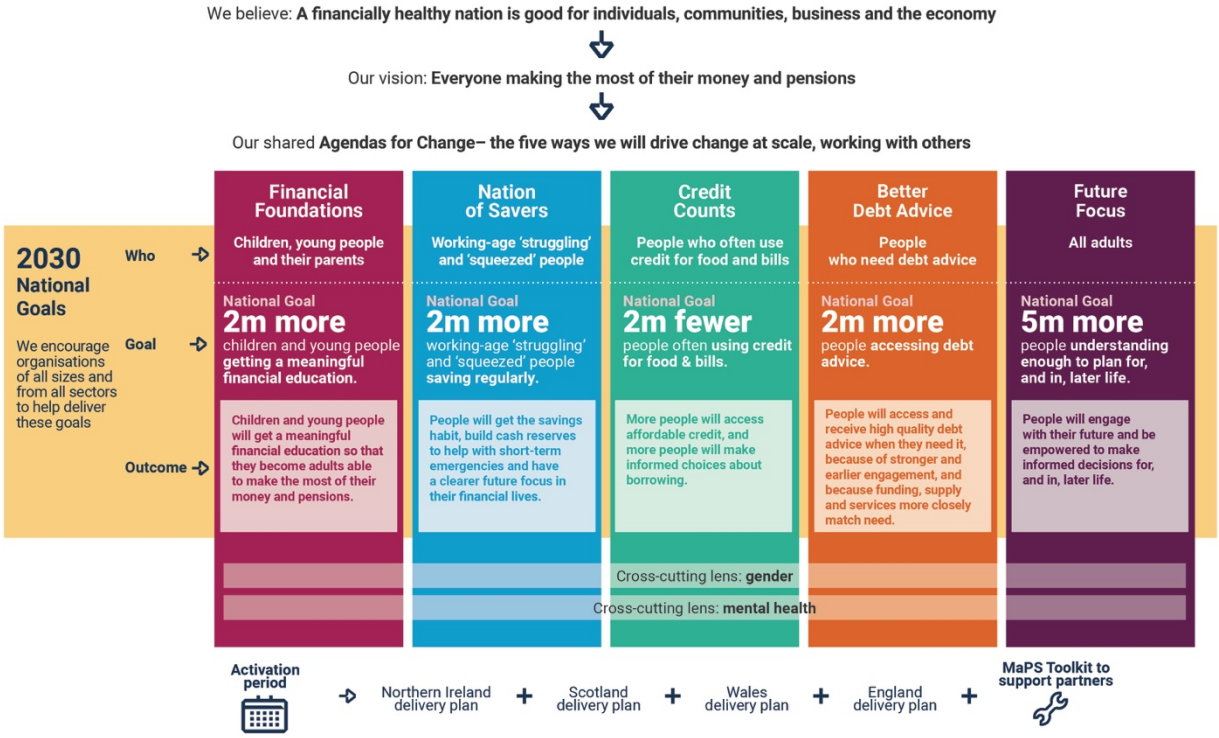
Financial wellbeing matters for all of us – a financially healthy nation is good for individuals, communities, businesses and the economy.

The new UK Strategy for Financial Wellbeing is formed around five agendas for change:

- **Financial Foundations –** more children and young people getting a meaningful financial education;
- **Nation of Savers –** helping working-age 'struggling' and 'squeezed' people to save regularly;
- **Credit Counts –** working to ensure fewer people need to rely on credit to buy food or pay bills;
- **Better Debt Advice –** increasing the supply of debt advice; and
- **Future Focus –** helping people to understand what they need to know to plan for later life.

Across these five agendas for change, the UK Strategy will have an additional focus on women and people with mental health problems, as our research has shown they are particularly susceptible to financial detriment.

The UK Strategy will also establish delivery plans for each of the four nations of the UK to ensure that the specific requirements and policy context of each nation is fully taken into account.



Future Focus: Decumulation and Later Life Issues Challenge Group

Retirement can last as long as working life. It has never been more important for people to plan for later life, to understand the options and make informed choices. The focus of the Decumulation and Later Life Issues Challenge Group is how to encourage people to actively engage in planning for their financial wellbeing in later life. The group will make recommendations to address the National Goal of getting five million more people to understand enough to plan for later life.

Overview

Behavioural research shows that people live for today and find it hard to decide between spending now, establishing and maintaining a savings buffer, building their savings and planning for later life.

Retirement can last as long as working life and, like a first job, is a key point of transition. Decisions made at the start of retirement have far reaching implications and it has become increasingly important to understand how much to save, where to save, how to use those savings and how to prepare financially for later life. These choices can often be extremely complex, and people need to engage effectively with their options. It requires guidance, protections for those consumers who do not (or are unwilling to) engage, and easy-to-understand products and services.

The pensions landscape has changed considerably over the last decade, with the closure of most private sector defined benefit schemes shifting people to defined contribution schemes, the introduction of automatic enrolment, and a new State Pension in 2016. Pension freedoms introduced in 2015 now give more options and flexibility. To get the best out of long-term saving, people need to know more and be confident making choices. As such a shift towards more active engagement must take place.

MaPS wants all adults to focus on their future and be empowered to make informed decisions before and during later life. However, the figures below show that many people don't feel they know enough to plan for retirement, including those at an age when they might want to make decisions:

- 66% of 18–24-year-olds;
- 64% of working-age women; and
- 48% of those approaching retirement age (55–64).

In addition, there are 12 million people aged 65 and over, the fastest-growing part of the population. Among them, 5.4 million are 75 and over. Going forward these people will have to grapple with managing their pension pot alongside other issues most will not have faced before. In the early years of the strategy, the primary focus should be on people aged between about 50 and 70. MaPS wants all of these people to have the support they need to make informed decisions for, and in, later life.

The Decumulation and Later Life Challenge Group is tasked with developing recommendations that address the National Goal to get five million more people to understand enough to plan for later life.

Outcome

The outcome we want is for more people to be engaged in their future and be empowered to make informed decisions for, and in, later life.

This means arming them with appropriate levels of both knowledge and confidence. This will come from understanding what they need to consider (especially over the age of 75), what options are available to them, and by putting later life financial and health choices in writing while they still have the physical and mental capacity to do so.

Key questions for the Future Focus: Decumulation and Later Life Challenge Group to address:

1. How can the National Goal be reached by 2030?
2. What should MaPS do in support of the National Goal?

Other considerations

3. What can be done by 2021? And what will take longer (up to 2024; and between 2024 and 2030)?
4. How can new funding be drawn in to increase the scale of delivery?
5. How can the distinct needs of England, Northern Ireland, Scotland and Wales be addressed?
6. How can we build on knowledge of what works?
7. How can the distinct needs of women and those experiencing mental ill health be addressed within our recommendations?

Working with other groups

The Activation Phase of the UK Strategy involves 11 groups like yours addressing all the essential challenges of the Strategy. MaPS will work around and between these groups to connect their thinking at all times, and a Challenge Chairs' Board will review the emerging recommendations to ensure that they complement each other. After the Challenge Groups have made their recommendations, MaPS will develop delivery plans for England, Northern Ireland, Scotland and Wales, including weaving in initiatives that will be pursued at a UK level or are directed at more than one of the National Goals.

The Future Focus Agenda for Change is being addressed by two Challenge Groups. The first is looking at **long-term savings** (including, but not limited to, savings into pensions for all adults, but especially those of working age). It is chaired by Emma Douglas of Legal and General. This Decumulation and Later Life group then looks at later life financial wellbeing, including decumulation of those pensions savings.

What do we know about the issues? What are the current policy and regulatory issues?

The pensions landscape has changed considerably over the last decade, with 10 million people now saving for retirement through automatic enrolment, the introduction of pension freedoms in 2015 and the new State Pension in 2016. Understanding and using a pension is just one of many financial decisions people will need to take in later life. Women face particular challenges in later life

The summary graphic on the next page gives an overview of how different later life issues cluster and divide according to age, life circumstances and the types of retirement products held.

Decumulation

The shift from defined benefit pensions to defined contributions

The burden of risk has shifted towards individual employees. There has been a move away from defined benefit (DB) pension schemes, which provide a guaranteed income in retirement, to defined contribution (DC) schemes, the income from which relies on the amount of money saved, how long the money is invested for, and the performance of the underlying investment.

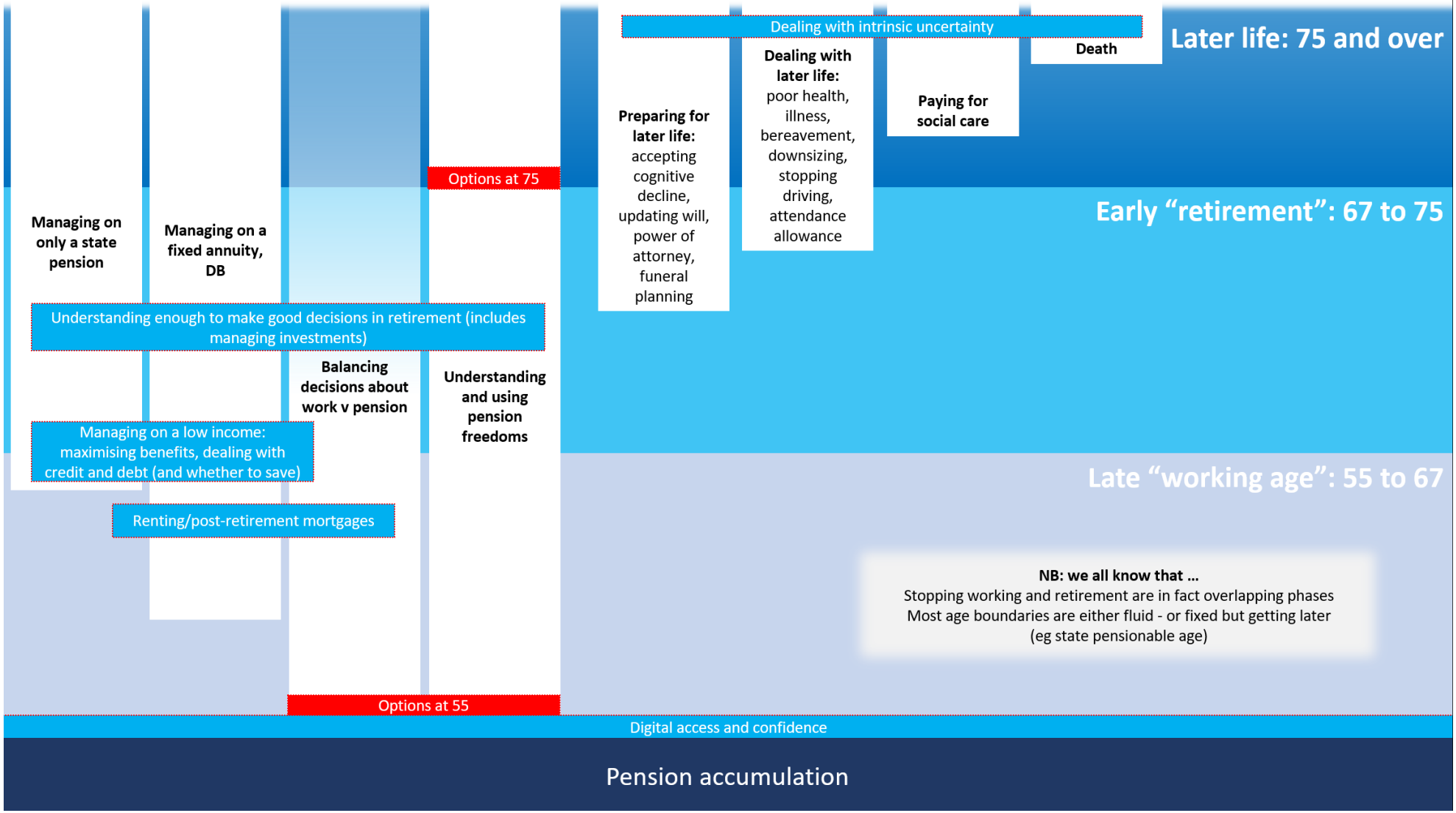
Pension risks that were previously managed by institutions – an employer, the State or financial services providers – are increasingly the responsibility of individuals. People now need to have a greater understanding of how much to save, where to save and how to use those savings. These choices can often be extremely complex and require people to engage effectively with their options. It needs protections for those consumers who do not (or are unwilling to) engage, and easy-to-understand products and services.

Pension freedoms

Pension freedoms, introduced by Government in 2015, gave people aged 55 or over access to their DC savings. This has created a cohort of people who may not necessarily be experienced investors having to make potentially complex choices about their pension.

The FCA (Financial Conduct Authority) found that that consumers have welcomed the pension freedoms. Over one million DC pension pots have been accessed since the reforms. In most cases DC pots accessed have been small (64% under £30,000) compared with the value of the state pension (worth about £200,000) but the market is still developing. DC pension savings are expected to become an increasingly important source of income for later life for future generations: by 2030 it is estimated that workplace DC schemes will hold £1.7tn, five times the £340bn held in 2015.

Later life issues needs and issues map



The pensions gender gap

There is a pensions gap between women and men. Women currently enter retirement with just half the pension wealth of men. One key driver is the gender pay gap – women contribute less to their pensions because they often earn less than men. This is compounded by disrupted working patterns over the course of a career. When it comes to investing money more generally, women report lower financial confidence than men and are less likely to seek financial advice.

People in later life

People are living longer than ever before. People aged 85 and over are currently the fastest-growing segment of the UK population. In 2016 there were 11.8 million people 65 and over in the UK. This number is forecast to reach 15.7 million within the next fifteen years and by 2040, nearly one in seven people are projected to be over 75. However, improvements in life expectancy are not being matched by improvements in healthy life expectancy, which means that people aged 65 and over are likely to spend more years in ill health.

Later life can present a complex set of money decisions which includes day-to-day money management, ongoing investment decisions and decisions about long-term care, equity release, property downsizing and inheritance planning. These are all complex decisions, and many are irreversible, potentially leaving people vulnerable to poor financial choices and poor outcomes.

Needs in later life are difficult to predict, making planning difficult and something people tend to avoid. We know that fewer than three in ten people at retirement age have a plan for how they would manage their finances if they were to suffer ill health.

In much later life, declining abilities can present particular challenges in making the complex set of money decisions described above. Evidence shows that the number of people aged 85 and over needing 24-hour care is projected to double between 2015 and 2035. Without plans in place, older people will have fewer choices and potentially poorer outcomes. Meeting potential care needs in much later life is a major and unpredictable cost. Funding care needs, and the wider health and care system, can be complicated and difficult to navigate. Many people wrongly assume that they are already paying for future social care needs through tax and National Insurance.

We also know that other financial actions or products that can make later life easier, like granting power of attorney, are still far from universal and can involve significant inter-family issues. While some people over 65 have made plans, a significant minority have done nothing.

Extent of planning for later life among people aged 65+

Activity	Not done anything	Thought about it	Talked to someone	Started doing something	Have it
Know how they will pay funeral costs	9%	6%	2%	1%	**83%**
Have an up-to-date will	12%	16%	7%	2%	**67%**
Have power of attorney	**38%**	19%	7%	1%	36%
Considered cost of long-term care	**43%**	**43%**	18%	5%	*Not Applicable*

Day-to-day money issues in later life

One in six pensioners in the UK is currently living in poverty. Approximately four in ten people in retirement (42%) are not satisfied with their financial circumstances and 26% find keeping up with their bills or credit commitments a burden[1]. Nearly one million people aged 65 and over have had to cut back on food shopping to cover the cost of utility bills.[2]

People in retirement can struggle with money issues but do not always claim the benefits they are entitled to, with a total of £3.8 billion of pension credit and housing benefit going unclaimed in 2015/16.[3] It is estimated that 39% of people in retirement who are eligible for pension credit, and 19% who are entitled to housing benefit, have not claimed and are missing out on additional income. We know that it is both a lack of awareness and attitudinal barriers that prevent people in retirement claiming their full benefit entitlement.

A minority of older people still need to service debts Those who retire with a mortgage still to pay (around 6% of those aged over 65) or with significant unsecured debts can face particular problems because their income is fixed, and lower than when they were working.

Housing equity

Housing equity is likely to grow in importance, helping more people retiring on modest or low pensions to maximise their income in retirement. The passage of the 2014 Care Act led to a greater debate about the role of equity release to help meet care costs, and Age UK[4] would like to see this spur further innovation and improvements in equity release products.

However, for Age UK, there is a broader question around ensuring that older people have access to the housing options they need – it needs to be recognised that there are significant inequalities in housing wealth, which means that in some regions the choices open to older homeowners are very limited. They lack the resources to make downsizing or retirement housing viable, whilst at the same time struggling to maintain or adapt their existing home.

The gender gap in later life

In addition to the pension gender gap, women tend to live longer than men and are likely to need longer stays if they enter social care homes. When combined with the gender pensions gaps, many women face significantly harder financial wellbeing challenges in later life than their male peers.

People are vulnerable to scams

Barriers to engagement and the complexity of choices and products can increase the risk of financial abuse and scams. In 2018, victims of pension scams lost £91,000 on average each to fraudsters. Precise figures on the total scale of fraud are a challenge, but Action Fraud has aggregated a total loss to date of £600m.[5]

Older people and those with impaired cognitive function are vulnerable to financial abuse and scams. Evidence shows that 48% of people in retirement do not feel confident about protecting themselves from financial scams and approximately 130,000 people over 65 who live in the UK have suffered financial abuse. More than £43m of people's retirement savings has been lost to fraud since the pension freedoms were announced in 2015. [6]

Digital exclusion

Many older people are digitally excluded. Women who are over 75 and those on lower incomes are among the most digitally excluded.[7] Going online can help people access information and guidance and get better deals by shopping around. It also provides a channel to monitor banking and make payments from home. It can help people retain an element of control of their money, in situations where they would instead have to rely on others. However even if digitally connected, there is a step up from using the internet for information to using it for financial transactions.

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[1] Financial Capability Survey 2018 – MAS, 2018
[2] Pensioner Poverty Data (analysis of Family Resources Survey) – Joseph Rowntree Foundation
[3] Income-related benefits: estimates of take-up year 2016/17 – DWP, 2018
[4] Financial resilience in later life Age UK 2014
[5] Types of fraud: Pension Scams Action Fraud
[6] Older People, fraud and scams, Age UK 2017
[7] Digital Inclusion Evidence Review – Age UK, 2018

Feedback from MaPS's Listening Phase with external stakeholders

Listening Phase stakeholders emphasised the changing nature of retirement, the difficulty of much of the product language associated with pensions, and the importance of addressing the needs of the pensions freedom generation without leaving behind those who have different money challenges, especially pensioners in poverty.

Between April and June 2019 MaPS carried out an intensive 'Listening Phase'. This involved engaging a range of stakeholders across the UK, with roadshows and policy roundtables on a number of topics. MaPS also received nearly 40 written responses. Feedback from the Listening Phase has been a vital ingredient in developing the UK Strategy for Financial Wellbeing and MaPS's own Corporate Strategy.

A consistent message from the Listening Phase was that money, pensions, debt and financial education are not separate topics – people's lives don't work like that. Both the UK Strategy and MaPS's Corporate Strategy needs to offer support across the whole spectrum of money issues people face, when and where they need it.

The Listening Report, published in January 2020, sets out the results of the Listening Phase. Feedback of particular relevance to this Challenge Group includes:

- Engagement planning for retirement is seen as a long-term project, requiring focus and repeated interaction on the part of pension providers, the wider financial services industry, government and guidance providers.
- People need to be enabled to make active choices and get help at the right time and different life stages. They also need to be able to access the services and products they need when they need them
- The barriers which prevent people from making decisions and taking action need to be removed.
- Standardised simple language in consumer-facing communications would help understanding and engagement. Some stakeholders even questioned whether the word 'pension' does more harm than good because of its complex and negative associations.

Stakeholders generally agreed on the issues relating to people in later life.

- The nature of retirement is changing significantly. Pension freedoms mean that people will have to make financial decisions later in life where they have not secured a guaranteed income with their pension savings.
- People are living longer, but this also means more people in residential care, more dementia and more financial challenges.
- There is also a psychological challenge around accepting mortality. Most people don't want to think about issues associated with ageing and dying.
- There was a general acceptance from stakeholders that the specific needs of people in later life should be addressed through the UK Strategy, but no clear view on what the best guidance or support solutions would look like.

What do we know about the target customers for this challenge?

There are two reasonably distinct audiences within this challenge group: those approaching or negotiating decumulation, and those in much later life. The task of this Challenge Group is to recommend how to make financial wellbeing in later life a smoother and more integrated journey for millions more people.

Decumulation audience

There are around 13 million people in the UK aged between 50 and 64. Some of these have no private pension provision and will rely on the state pension. Whilst those who do have a pension can receive guidance from 50 many don't engage with decumulation until they are 55 or over. As such the audience in practice is nearer to nine if not eight million. Retirement is no longer a cliff-edge. Increasing numbers of people are working beyond state pension age and/or reducing their work commitments prior to reaching it: 8% of people over 65 are still working, and 28% of those aged 50–64 are not in work.

Only around half of those eligible to access their pensions think they understand enough to make decisions about retirement.

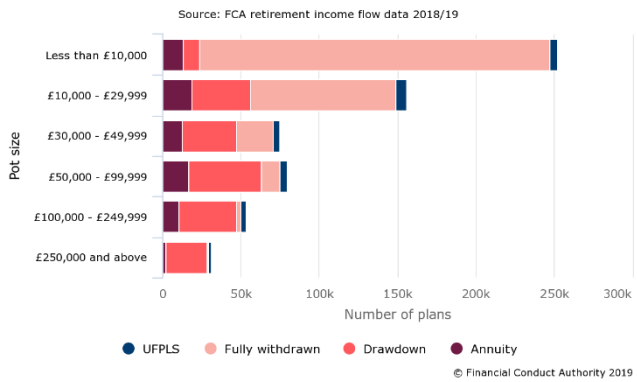
Most data sources suggest that this level of confidence is lower among women, those living in lower income households, those not in work, those in rented accommodation, those who are single, those in the Struggling and Squeezed MaPS segments and those of non-white ethnicity.

Pension freedoms allow people to access all or part of their pension from age 55. FCA data suggests that a steady 600–650,000 defined contribution pension pots are accessed each year. Data on how many individuals this equates to is not currently available i.e. some people may access multiple pension pots.

What are people doing with pension freedoms?

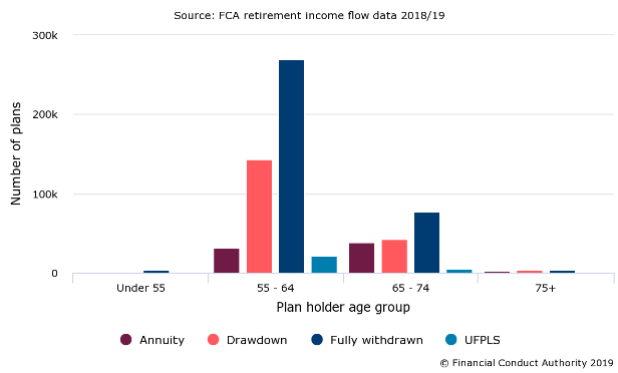
People accessing their pensions are not a homogenous group. The data collected provides insight into what is happening to a pension pot but does not give a view of the individual's situation. People may have multiple pots and /or income from defined benefit pensions. It is therefore difficult to assess the impact of decisions made on an individual's overall financial situation.

The size of the pension pot influences how it is used. Many of the pots being fully withdrawn are of lower values, which may suggest either that people have other income, or that the pot isn't significant enough to consider as an ongoing income stream.

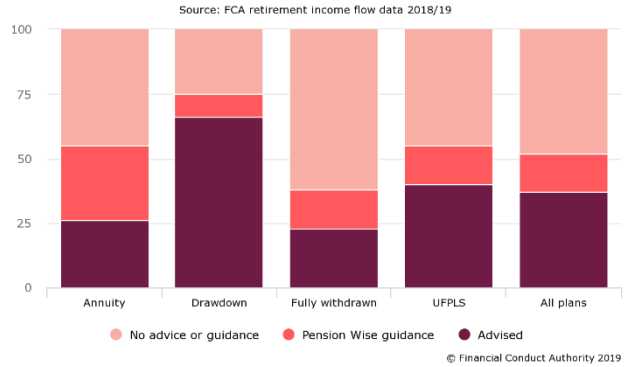


Many people are accessing pension pots before state pension age. More than seven out of ten of the pots (466,500) accessed had plan holders aged 55–64. Most of these were either fully withdrawn (269,400) or put into drawdown (143,100).

Fewer than 2% of plans were accessed by plan holders aged over 75. Annuities were more likely to be purchased by older plan holders, with 55% taken out by plan holders aged 65 and over. This compares to just 23% of plans for the other withdrawal types.



Almost half (48%) of plans were accessed **without** regulated advice or guidance being taken by the plan holder. Of the remainder, 37% of plan holders took regulated advice and 15% of plan holders didn't take advice but did receive Pension Wise guidance.



When it comes to regular withdrawals, 40% were taken at an annual rate of 8% or more of the pot value. This is considered unsustainable if the pension pot is to last until death. However, individuals may have other sources of income or be using income to bridge a gap until other pensions become payable. As pension freedoms were introduced in 2015 there is no data on long term withdrawal rates.

Pension providers covered by this FCA data return received 57,000 defined benefit to defined contribution pension transfers.

Later life audience

- There are currently around 12.2 million people in the UK over 65. And in each of the next five years, another three-quarters of a million or so will turn 65. Looking further ahead it is projected that the size of the 65-79 year old age group will expand by 35% in the twenty years to 2036.
- Within this population, the oldest age cohort, the 80+, comprises 3.3 million people and is projected to increase by over 70% by 2036
- There is a lack of research among this audience, not least because of some of the practical differences of reaching and engaging with them such as cognitive decline or living in care.
- It is important to note that this is not a homogenous group. There are significant variations in income and wealth, as well as health and overall wellbeing.
- Of those aged 65 and over, 16% live in relative poverty (1.9 million). This proportion is higher among single women, those aged 80 or over and particularly among Black and Asian groups.
- Cognitive decline is common among older age groups and particularly so among those aged 75 or over. In the UK, 850,000 people have dementia, and this is projected to increase to 1.6 million by 2040. Many more will be living with some form of cognitive impairment
- At age 65, men can expect to live another 19 years on average, ten of those without disability. Women will average another 21 years, again ten of those without disability. More than a third of men (36%) over 80 need help with daily living activities, compared to nearly half of women (49%).
- Bereavement is necessarily common among this age group: 14% of men and 35% of women over 65 are widowed.

Understanding enough to make later life decisions

- The goal for the Future Focus challenge has been defined as whether people think they understand enough to make decisions about retirement/ later life.
- Whilst there is data for the working-age population, there isn't any for those aged over 65.
- MaPS has conducted some preliminary research relating this question specifically to later life. This suggests that a large majority (81%) do believe that they understand enough to plan their finances for later life.
- However, this needs to be qualified by the significant proportions who have done little or nothing about a power of attorney for example (see table on p.10)
- That said, there are still groups who are more likely to admit that they don't feel they understand enough. For example, only 64% of those in the two lowest social grades or 73% of the digitally excluded agree.
- MaPS plans to undertake further research during the Activation Phase.

What do we know about what works?

There was a general acceptance from stakeholders during the Listening Phase that the specific needs of people in later life should be addressed through the UK Strategy, but no clear consensus on what effective guidance or support solutions would look like. The evidence is clear that when people access advice or guidance about their retirement options they are more confident in their choices, but many people don't seek advice.

Pension Wise – decumulation guidance

MaPS provides guidance on pension freedoms through its Pension Wise service. The latest evaluation report covering 2018/19 showed continuing high satisfaction and advocacy levels among its customers, and that service users:

- have increased levels of confidence and preparedness;
- feel informed about their pension options and confident about avoiding scams;
- have greater factual knowledge around pensions options; and
- take more positive steps in their pension access journeys, for example reading around the options, looking into how long they need their money to last, and considering charges and how much tax they would pay.

We estimate that currently up to 100,000 people access defined contribution pension pots worth £10,000 or more each year without regulated advice or guidance. These people are likely to derive the most benefit from an appointment with Pension Wise.

Later life

There is less guidance available looking at the holistic financial issues people face once they reach later life. And there is also a lack of high-quality interventions targeting older people, and even less evidence on the effectiveness of programmes for improving the financial wellbeing of those over 65.

A recent review by the International Longevity Centre, working with the Money Advice Service concluded that

- Financial capability interventions have a stronger quantifiable impact if they address specific issues, for example increasing savings or uptake of pension credit.
- Financial capability programmes that are immediately applicable, or 'just in time', have a stronger impact since the effects tend to dissipate over time.
- Financial capability interventions should exploit peer effects. This can be achieved by encouraging participants to discuss what they learned with their colleagues, friends and relatives to maximise potential impact.

- While simplified language and the elimination of jargon are more than welcome, they don't necessarily equate to education. For the most complex financial decisions, assistance assessing options, for example from an independent financial adviser, will remain necessary.
- Coordination is key. Delivery needs to focus on involving older people and several agencies, including but not limited to charities, local authorities and product providers.

The What Works Fund (WWF) administered by the Money Advice Service found that whilst older people were interested in trainer-led group sessions to help them maximise their income be that through checking benefits entitlement or switching utility providers, there was a reluctance to engage with sessions on planning ahead, although some did take action around wills or power of attorney.

One challenge identified by WWF projects is that older people often self-report high levels of knowledge and skills before an intervention. As such, there can be limited room for improvements in mindset and ability. Projects also found that some audiences, such as those with English as an additional language, may initially suffer a loss of confidence after an intervention.

Online skills sessions engage older people, but they don't necessarily use their new online skills to manage money differently. The challenge is how best to move the conversation onto money management.

What are the devolved considerations?

Financial wellbeing in later life cuts across reserved matters (pensions) and devolved matters (health, social care and broader social policy). The individual policy drivers and the support infrastructure in Northern Ireland, Scotland and Wales are therefore highly relevant to any solutions this Challenge Group might propose.

Northern Ireland

In Northern Ireland, financial services, financial markets and pension policy are reserved matters and therefore not addressed by any NI Executive policy. However, the NI Executive said in *New Decade, New Approach* that they will deliver an 'active aging' strategy. The Commissioner for Older People in NI has also prioritised tackling financial abuse of older people.

Scotland

Scottish Government published *A Fairer Scotland for Older People: Framework for Action* in April 2019. One of the key strands of this work is financial security, because older people want action to ensure they have access to:

- flexible employment opportunities;
- measures and initiatives that promote their financial security (including pensions, benefits, meeting funeral costs and avoiding fuel poverty);
- support for planning for life changes; and
- measures to address the issues raised by the rising retirement age and the implications it has for older people's caring responsibilities and volunteering opportunities.

Figures released by Age Scotland show that over 200,000 over-65s in Scotland are struggling financially, despite an estimated £292 million in pension credit and housing benefit going unclaimed each year.

Scotland's Financial Health Service provides information relating to life events including retirement, bereavement and funeral planning, and illness and being a carer. There is also a strand to help older people claim the financial support they are entitled to.

Financial Scam Prevention

Research by Age Scotland in 2017 found that 400,000 older people in Scotland were targeted by scammers that year.

The average loss for scam victims aged 75–79 was £4,500.

- Seven out of ten people who are targeted by a scam do not tell anyone about it including friends, family or the organisation being impersonated.
- Scammers often target people who are isolated and disconnected from their community or others. Age Scotland research has highlighted that 200,000 older people in Scotland go at least half a week without a phone call or visit from anyone. This is the equivalent of at least two people on every street.
- Around 900,000 people in Scotland live alone. This accounts for nearly one-third of Scottish households.
- Over the next 20 years there will be a 50% increase in the number of people in Scotland living with dementia, rising to over 120,000.

The MaPS Scotland Forum has representation from Age Scotland.

Wales

The *State of the Nation Report* from the Older People's Commissioner says that in 2017/18, the population of Wales was estimated to be 3.1 million, 830,000 (27%) of whom were 60 or over. By 2030, it is projected that there will be over one million older people in Wales, 33% of the total population. Workers aged 50–65 make up over a quarter of the workforce in Wales.

Data shows that older people tend to have lower incomes than those under the age of 60, and that women are likely to be poorer than men. Although a narrative has emerged in recent years that presents older people as being more well off than other age groups, around one in three people aged 60–74 in Wales have incomes of less than £200 a week, or £10,400 a year. Women are often poorer, with almost half of older women having a personal income of less than £10,400 a year, compared to less than a quarter of men. In contrast, almost four in ten (37%) older men have a personal income of at least £20,800 per year, compared with less than 15% of older women.

Only some of the factors that influence financial security are devolved to the Welsh Government. Nevertheless there are social policy levers and actions that can be taken from within Wales to support people to maintain decent incomes in later life. In the *Strategy for Older People in Wales*, the evidence shows that older people are among those at highest risk of financial exclusion and least likely to claim their financial entitlements. Three-quarters of older people report having no savings, just one in five has savings of up to £20,000, and only 2% have savings of £20,000 or more.

The Social Services and Well-being (Wales) Act 2014 was fully implemented in April 2016 and is the main legislation that covers the social care system in Wales. The cost of care is handled differently in Wales to other nations.

Scams

The Wales Against Scams Partnership (WASP) is a partnership of organisations that are committed to fight against scams and fraud. WASP was founded jointly by Age Cymru and the Older People's Commissioner for Wales with the aim of making Wales more hostile to those who would scam older and vulnerable people. Its members includes Trading Standards, Scambusters, Get Safe Online, Welsh police forces, the Welsh Local Government Association, the Information Commissioner's Office and MaPS.

A Ministerial Advisory Forum on Ageing (MAFA) was set up in 2004 to coincide with the publication of the *Strategy for Older People 2003*. In order to take forward the Welsh Government's commitment to supporting everyone in Wales to age well, MAFA members agreed to form five working groups. The Money Advice Service had a seat on and participated in the working group 'Preparing for the Future'.

A representative from the Older People's Commission for Wales sits on the MaPS Wales Forum and previously MAS work was referenced in the *Ageing Well in Wales Impact and Reach Report*.

What is MaPS already doing in this space?

MaPS provides pension guidance through Pension Wise and the Pensions Advisory Service. Its money guidance services, available both online and through call centres, may apply to those in later life but MaPS does not currently provide services that uniquely target later life issues.

Current propositions and services

The online pensions calculator

The MaPS pensions calculator is its most widely used pension tool, attracting more than 650,000 users in 2019. It allows consumers to establish a target retirement income and combine current and past pension entitlements and state pension to establish whether the projected income in retirement is enough.

A quarter of the traffic to the pensions calculator flows from the MaPS workplace pension contribution calculator, used by more than 250,000 people in 2019. This demonstrates that having established how much pension contribution they will pay, consumers want to understand what this might mean in terms of retirement income.

Updates to the calculator in 2020/21 will allow customers to understand the effect of career or pension saving breaks on their pension pot, and the integration of the Pension and Lifetime Association's retirement living standards.

Income drawdown comparison tool – investment pathways

The Financial Conduct Authority (FCA) is concerned about the number of consumers who, at the point of accessing their pension, enter drawdown without taking guidance or advice or comparing pension providers. The FCA has introduced new rules that will bring investment pathway drawdown products to the market in August 2020.[8] These products will have more structured investment options based on what consumers are planning to do with their money.

MaPS is developing an investment pathways comparison tool, which will be the first impartial tool of its kind and will enable consumers to make a meaningful comparison of products. The FCA will require firms that do not offer investment pathways to signpost to the MaPS comparison tool.

Pensions guidance (The Pensions Advisory Service)

The TPAS pensions guidance team provides free guidance on all pensions-related matters to members of the public across a range of different channels, and through outreach events with partners across the United Kingdom.

The majority of customer contact comes via the helpline, which has always been the heart of the service. The webchat service continues to increase in popularity. The team also takes pride in responding to technically challenging questions via written enquiries. The latter two channels are particularly helpful for customers who may be vulnerable because they experience anxiety over the phone or are hard of hearing.

[8] Retirement Outcomes Review: feedback on CP 19/5 and final rules and guidance – FCA, 2019

During 2019/20 there has been a vast increase in demand for the service, with a record number of customers every month. There has been a 64% increase in demand since 2015, demonstrating the steep growth in need for information and guidance on pensions matters over recent years.

TPAS also offers three dedicated appointment services for specific issues. These include:

- Pensions and divorce, with distinct appointment content catering for both English and Welsh and Scottish Law. These appointments help customers going through divorce to understand the different ways in which pensions can be shared.
- Self-employed midlife pension review. This is a severely under-pensioned group and the review helps people to see how saving into a pension can fit in with and benefit their work and family life.
- Post-scams. These appointments help some of the most vulnerable customers see how they might rebuild their pension savings, whether they may be able claim anything from the Financial Service Compensation Scheme, or even file a complaint against their adviser with the Financial Ombudsman Service. This goes hand-in-hand with TPAS's work supporting initiatives such as Project Bloom to help fight pension scams.

Pension freedoms (Pension Wise)

Pension Wise was launched in March 2015 and provides people over 50 with free, impartial guidance on their options following the introduction of the pension freedom reforms.

The guidance is available online or by free appointment, either over the phone or in person. Pension Wise provides tailored help and highlights the options available but does not give specific product or provider recommendations.

Face-to-face and telephone appointments are delivered by the Citizens Advice network across England, Northern Ireland, Scotland and Wales. The in-house MaPS Pensions Guidance (TPAS) team delivers the majority of telephone appointments. There are around 210 specialists who deliver the appointments nationwide.

Improving our pension services

Stronger Nudge Trials

Trials are also underway to assess the best way to persuade people to take guidance from Pension Wise before accessing pension savings.

This research, being conducted with the MaPS Behavioural Insight Team, is trying out two different ways of directing savers towards Pension Wise when they first access their pension savings or call to discuss their options. The trials are being carried out with three providers: Aviva, Hargreaves Lansdown and Legal & General.

The research will consist of 4,300 conversations and will test the effectiveness of these approaches against the existing signposting to Pension Wise, which is prescribed by rules and regulations.

The evidence will help both the FCA and Department for Work and Pensions deliver on the commitment made in the Financial Guidance and Claims Act 2018, to develop stronger nudges towards pensions guidance at the point people apply to access or transfer their pension savings.

Defined benefit to defined contribution transfers

MaPS is assessing whether to implement a DB to DC transfer triage service. There is great appetite both from customers and industry for MaPS to expand its existing guidance provision in this area through a dedicated appointment service. The experiences with both the British Steel and Carillion pension schemes demonstrate that the service would be an opportunity for MaPS to further fulfil its statutory objective to help vulnerable customers most in need of guidance.

Pensions dashboards

MaPS is developing a pension dashboard which, once the data and security architecture is available, will show people their pensions investments and state pension in one place. MaPS is also considering the customer journeys and guidance interventions that will be required based on potential consumer behaviours when this becomes available.

Later life

A 'People in Retirement' steering group was established by the Money Advice Service in 2015 to take forward an initial action plan for the later life theme. It was formed from an 'older people' working group that had been supporting the development of the 2015 Financial Capability Strategy through the consultation phase. The group was a mix of charities (Age UK, Tax Help for Older People, Alzheimer's), financial services organisations (Barclays, Society of Later Life Advisers) and policy influencers (International Longevity Centre).

An evidence review and deep dive into the 2015 Financial Capability Survey were produced to support the work of the group. The group supported the development of the People in Retirement Outcomes Framework, part of the suite of evaluation tools available on the fincap.org.uk website. The What Works Fund Stream A invited bids from projects either supporting older people through key life events, to integrate financial capability and digital inclusion, or supporting people to avoid scams.

In response to MAS work on the *Building Blocks of Financial Capability* (2016), the People in Retirement group identified a need for deeper understanding of the financial capability aspects of planning ahead for those who had retired. The Building Blocks analysis used the 2015 Financial Capability Survey, although it had a strong working-age focus and only asked one unique question to those over 50.

Age UK undertook qualitative research to explore what good financial resilience looked like for those already retired. This informed the development of a new and improved set of questions for over-65s in the 2018 Financial Capability Survey.

Despite the good work of this group, MaPS's understanding of the landscape in which older people can improve their money management skills is less developed than for other life stages. MaPS has strong links with stakeholders including experts in the guidance and advice landscape, product providers, regulators and organisations that support older people. MaPS believes there is much more to do to decide the focus of its work in this area, and what outcomes it could measure and seek to change.

What else is already going on in this space?

There is a great deal of focus on reviewing pension freedoms and improving people's engagement with pensions and retirement, but MaPS has a limited understanding of policy and interventions specifically targeting later life financial issues. One of the tasks of this Challenge Group is to expand that knowledge.

FCA retirement outcomes review

In 2018, the Financial Conduct Authority published their *Retirement Outcomes Review Final Report*, setting out how consumers and pensions providers are responding to the 2015 pension freedoms.

The key findings were:

- the retirement market is still developing;
- pension freedoms have been popular, but decisions are now more complex;
- consumers aren't really shopping around;
- most people buying drawdown products haven't taken advice or guidance;
- one in three consumers in drawdown are unaware of where their money is invested;
- consumers have the potential to pay too much in charges; and
- drawdown charges can be complex, opaque and hard to compare.

The key recommendations are:

- 'Wake-up' packs which will now be sent to consumers from age 50, and every five years thereafter until their pensions pot is accessed. These will include risk warnings.
- The development of 'investment pathways' for consumers entering non-advised drawdown. These products will have more structured investment options based on what consumers are planning to do with their money; ensure that consumers entering drawdown will only invest in cash if they take an active decision to do so; and firms will be required to send annual information on the costs and charges of these products, expressed in pounds and pence.

Simplified annual benefit statements

The idea of a simpler, standardised annual benefits statement is not new. This would be a shorter statement, written in a way that is easy to understand with figures that are easily comparable across different statements.

In 2017, a two-page annual benefit statement was developed by Ruston Smith, Quiet Room and Eversheds-Sutherland as an example of what good might look like in terms of brevity, engaging design and simple language. This has been available for all providers and trustees to use should they wish to do so, and a simpler statement and accompanying technical guide were created to comply with existing regulations. Voluntary adoption has so far been limited.

The government welcomed the development of this simpler statement as an example of what good could look like and at the end of 2019, the Department for Work and Pensions consulted on simplified statements, seeking views on:

- introductory statements – if these would be principle-based or more prescriptive;
- how consistency could be achieved and what information the statement could contain;
- the advantages and disadvantages for schemes and members; and
- the possible impact on consumers.

MaPS responded to the consultation and will seek to be closely involved in this work in future.

Social Care Green Paper

Social care funding is complex and is difficult for people to navigate. The issue of how to provide social care for the UK's ageing population has been an issue for successive governments.

In the March 2017 Budget, the Conservative Government led by Theresa May promised a Green Paper on social care. This followed its decision in July 2015 to defer the introduction of a cap on lifetime social care charges and a more generous means-test that had been proposed in the Dilnot Report and accepted in principle by the then Coalition Government. These changes have since been postponed indefinitely.

The publication of a social care Green Paper has been delayed several times. It was originally due to be published in summer 2017. The latest position, set out in September 2019, is that it will be published 'in due course'.

The original rationale for a Green Paper was to explore the issue of how social care is funded by recipients, and a number of policy ideas have reportedly been under consideration including a more generous means-test, a cap on lifetime social care charge, an insurance and contribution model, a Care ISA, and tax-free withdrawals from pension pots.

Age UK

Age UK provides money and legal factsheets and guides covering a wide range of financial topics relevant to those in retirement.

Age UK's national website had 6.6 million visitors. Of those, 5.6 million were looking for information and 234,000 people used the benefits calculator to find out what they were entitled to.

In 2018/19, Age UK's advice line team answered 200,476 calls and emails from older people, their families and friends. The most popular topics continued to be the services which the Age UK network can offer, benefits and personal care. The fact that older people's needs continue to become more complex translated into longer calls. Age UK found that 96% of callers were satisfied, very satisfied, or highly satisfied with the service, rating advisers very highly for their politeness, listening skills, and understanding of their needs. Over three quarters (77%) said they received all or most of the information or advice they needed, and 45% reported that they'd taken action as a result. People said they felt more 'in control', better about their situation, and more confident and empowered.[9]

Local Age UK services include options for face-to-face advice.

[9] Age UK

What are some possible game-changing ideas?

During MaPS's listening phase, a list of "game-changing ideas" was gathered from various sources, including a deep-dive workshop held in June 2019.

MaPS is making the list of ideas that emerged from this process available to all the Challenge Groups, as a stimulus to your creative thinking.

These are presented as a single consolidated list, so not all the ideas will be obviously relevant to your Challenge. But ideas can be stretched and adapted, so do consider how they might be re-shaped to fit your audience and your challenge.

By gathering this list together, MaPS does not necessarily endorse (or repudiate) any of these ideas. Part of the purpose of presenting this list is for you to consider the ideas themselves. But just as important is to stimulate thinking in your Group about the scale of innovation and disruption that may be needed, over a 10-year period, to make an impact on the National Goals.

Some of the ideas imply quite radical shifts in Government policy and/or changes in the law. Again, neither MaPS nor its governmental sponsors should be seen as endorsing these ideas, but should you consider them undesirable or infeasible, the intention is that they will stimulate your own best thinking.

G1	**Rent Flex rollout**	This idea focuses on the social tenant space, and involves rolling out Rent-Flex across the UK, to help tenants take more active control of credit and manage their money, and to help landlords manage the risk their rents. The Rent Flex concept involves a combination of tenants having options to spread their total annual rent bill, by paying more rent in some months and less in others, rather than the same amount each month. This flexibility is conditional: recipients must take up a face-to-face guidance offer on general money management skills before they have access to Rent-Flex.
G2	**Public sector collections practices**	This idea could involve the Government encouraging / mandating better credit practice in its own collection activities, as well as setting a good example for creditors in other sectors.
G3	**Money companion app/Debt-free You**	This idea involves a central, neutral entity (possibly but not necessarily MaPS) aggregating data from financial services firms, including from open banking, and turning the insight obtained into guidance which is given back to customers through their own personalised app. The guidance provided could be tailored to the individual and therefore could be very close to the regulatory boundary for advice. It could include offers, tips and suggestions relevant to individuals, and could help them save money. It could ultimately be linked to the Pensions Dashboard, to encourage people to think about the long term as well as day-to-day. It could also include a "Debt free You" function which could aggregate people's debts and show the date when they will be rid of them, as well as options for bringing that day forward.
G4	**Take guidance / advice, save tax**	This idea involves offering employees tax deductions for any money they spend on guidance and regulated advice, with the view to stimulating market demand for both. Employers could offset investments they make in providing their staff with financial advice or financial training against employer NI contributions; employees could offset money spent on financial advice/training against their employee NI contributions. Both employee and employer could have aligned incentives and this could grow the market (demand) for both guidance and advice.
G5	**Longitudinal evidence bet**	This idea involves a central, neutral entity (possibly but not necessarily MaPS) investing in obtaining compelling, quantified and independently validated evidence about the benefits of improved financial capability over the medium-to-long term, in order to convince many sectors of society (employers, health authorities, children's services) of the cashable advantages of having financially confident employees, citizens and pupils.

G6	**Campaigns**	This idea involves a central, neutral entity (possibly but not necessarily MaPS) investing significant sums of money (up to £100m per year) in running regular consumer campaigns. Examples of possible campaigns include: • The Great Save. A goal of £500 in savings for everyone in the country, with a multi-layer campaign, TV show etc to mobilise it. • Live on Your Pension Week – designed to get people to engage with their pension and take action much younger, bringing home the reality of how much they will – or won't – have to live on. Access would be via an app, so that people can estimate how much money they will have after housing and energy costs. This app could offer hints and tips for the week. The Week could be integrated into the Talk Money Talk Pensions Week. It could need an advertising campaign linked to social media, PR and activity by a range of partners. It may be possible to get support for a large push behind this when the Pensions Dashboard goes live. • Work Longer campaign – getting people to design a more financially sustainable later life plan. • Child Trust Fund – aimed at young people who are accessing their fund at 16 (with their first tranche in 2019) and at 18 (first tranche in 2020). Many of the other ideas in this list could be linked to this campaigns idea.
G7	**Discount aggregator**	This idea is to work with employers to deliver against all the national goals that apply to working-age people, through a discounted offer working with an aggregator site (eg moneysupermarket or one of its competitors), thereby attracting employees to a guidance offer. A central, neutral entity (possibly but not necessarily MaPS) could negotiate mass bulk discounts for employers that opt into the scheme. For an employee, they could have access to 1) all of the aggregator site's products at a 4% discount, 2) a guidance session that helps them choose discerningly between the linked financial products, and 3) more general guidance and tools that help them to consider the linked choices around savings, credit, debt and pensions. The discount could increase employee engagement, and the guidance could be useful to the employees, to help them make best use of the discounted products.
G8	**Automatic sidecar savings**	This idea involves lobbying for legislation that could put sidecar savings on a similar footing to auto-enrolled pensions, enabling employers to include staff into payroll saving schemes by default.
G9	**Employers' charter**	This idea involves setting out a range of highly desirable corporate behaviours and offers that employers could sign up to, which (if implemented by many large and small employers) could build towards a more financially capable workforce.
G10	**Work and health programme**	This idea builds on the work and health programme: as it is rolled out, DWP and accountable Local Authorities could mandate the supply chain to improve the financial capability of their clients, and assess their financial resilience through their monitoring frameworks.
G11	**Credit balance on utilities**	This idea involves Ofgem working with the big energy firms to provide regulatory space for, and co-ordination of, an intervention in which unclaimed credit balances on utilities above a certain sum could go by default into an interest-bearing savings account.

G12	**Superlabs**	This idea involves scaling up the MaPS Financial Capability Lab in terms of size, ambition and funding, so that it becomes a continual hunt for game-changing products, services and interventions, with significant seed funding to commercialise them. Ideas that are selected and prioritised in the Lab could then be delivered by public, private or voluntary sector organisations. The Labs approach could be applied to all customer groups and outcomes.
G13	**Challenge prizes**	This idea involves creating a challenge prize with significant funding on offer for game-changing initiatives and interventions in relation to each of the National Goals. The challenge prizes could be structured so that the ideas generated are as ambitious, specific and outcome oriented as possible. An example of a challenge could be "how can you treble the savings rate of children in a given cohort?"
G14	**Income Max**	This idea could involve reaching the most vulnerable people by providing highly knowledgeable, effective and active local workers who specialise in maximising income – not just from benefits, but from all possible community sources. The Income Max experts would also know how to help people who want to (eg) sell unwanted possessions on eBay, and who are serious about taking up money-saving tips to turn their lives around. Rather than focusing on managing money problems as the engagement offer, the offer could be the prospect of having more money.
G15	**Franchised Pension Wise**	This idea involves MaPS commoditising and licensing the Pension Wise guidance offer so that a range of financial service providers can deliver it through their own staff, increasing supply and bringing the service closer to the point of contact with the customer.
G16	**"Cigarette packet" warnings**	This idea could involve the Government allowing "harmful" financial products (eg payday loans over a certain APR) to exist in the market, but requiring them to be labelled with much more negative messaging – following the lines of what has happened with cigarette packets.
G17	**Intergenerational money mentors**	This idea involves mobilising civil society and leveraging a largely untapped cohort of older volunteers who have some good financial life lessons to share and who are willing to volunteer. These older people could be connected to children and young adults in an institutional setting (e.g. schools, parenting classes). A skilled facilitator could ensure that the class delivers useful knowledge that was appropriate and relevant to the target group. 1-2-1 sessions could also be available, in which older people could mentor younger people (this could include pointing them towards more detailed / specific financial guidance and advice).
G18	**Money first aiders**	This idea involves offering relevant professional development for people who meet and interact with working age people on a daily basis (e.g. around supported housing, offender management, mental health or parental wellbeing). The relatively light-touch training could enable these professionals to have conversations about financial topics, to identify / diagnose issues, and to refer to appropriate organisations so that the working age people they work with can get the financial information, guidance and advice they need.
G19	**Save money, save the planet**	This idea aims to leverage momentum and interest behind the environment / sustainability agenda, and to link this to financial behaviours (the rationale being that what is good for the planet is good for your wallet too). This idea could include a range of initiatives, including sustainability hubs (e.g. a repair/swap service for broken white goods, reduced council tax depending on the amount that is recycled, partnerships with recycling apps, or campaigns with influencers such as Marie Kondo).

G20	**Tax incentivised investment scheme for first 10 years of employment**	This idea aims to encourage young people to invest early: young people who may have the funds to do so, but may feel that investment isn't for them, and so risk their (mainly cash) savings being eroded due to inflation etc. It could involve investment accounts that are used during the first 10 years of employment attracting tax incentives. This could be executed via employers through the payroll, and could be subsidised by the Government.
G21	**Volunteer army + syndicated webchat**	This idea could involve a collaborative guidance offer delivered via webchat. A central, neutral entity (possibly but not necessarily MaPS) could syndicate webchat buttons on websites of financial services providers. The webchat guidance sessions could be provided by practitioners from across the financial services sector who volunteer to deliver webchat sessions, offering expert but impartial guidance. The rationale for focusing on the webchat channel is its efficiency, and ease of insertion into places where customers go for financial information, guidance and advice. Volunteers would not need to travel to a destination to be available for webchat.
G22	**Discounted financial advice**	This idea could involve employers offering their employees heavily discounted (e.g. half price) financial advice with trusted and FCA authorised financial advisors. A gateway guidance service could be provided by MaPS.
G23	**Financial "driving licence"**	This idea could involve consumers having access to free self-service financial education that enabled them to demonstrate a level of financial knowledge and skill, which could result in the issuing of a card or certificate.
G24	**Mandatory GCSE**	This idea could involve personal finance becoming a mandatory GCSE (or equivalent) qualification in all secondary schools across the UK, so that nobody could leave school without demonstrating that they knew how they should manage their money.
G25	**Early pension withdrawal for financial shocks**	This idea could involve a gated process whereby a proportion of a pension fund could be withdrawn if the person concerned had suffered an unexpected life event that led to significant and otherwise disastrous crisis debt.
G26	**Credit Unions Marketing Board**	This idea could involve establishing a body or centre of expertise that is funded to market the products and services of credit unions, in the same way that the Milk Marketing Board, Potato Marketing Board etc marketed products on behalf of all producers.