# Future Focus: long-term savings

## Challenge Pack

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

#UKFinancialWellbeing
maps.org.uk/wellbeing

Money & Pensions Service

# Contents

# Future Focus (long-term savings): the five key points you need to know

**There is a very strong link between people feeling that they understand enough and taking actions to monitor their pensions. There is a significant minority who are confident and engaged, but a larger group who are disengaged, lack confidence and take little interest in their provision for retirement.**

- Over half (22 million) of all working age people don't feel they understand enough to make decisions about retirement. This is worse for some groups, such as women, but it cuts across the working age population.
- Automatic enrolment has created millions of new pension savers. However, people are not actively engaged with the question of whether they are on track for the retirement they want.
- There is plenty of research insight analysing these problems, but a real lack of evaluation and evidence about what works to fix them.
- Defined benefit (DB) pensions will decrease as a proportion of retirement wealth, and will be  and external replaced by defined contribution (DC) pensions. With the introduction of pension freedoms, people will have to make complex decisions at every stage of their saving journey: how much to save, where to invest and how/ when to access their savings.
- Getting more people to engage with this challenge is a long-term project, requiring focus and repeated interaction on the part of pension providers, the wider financial services industry, government and guidance providers.

# 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.**

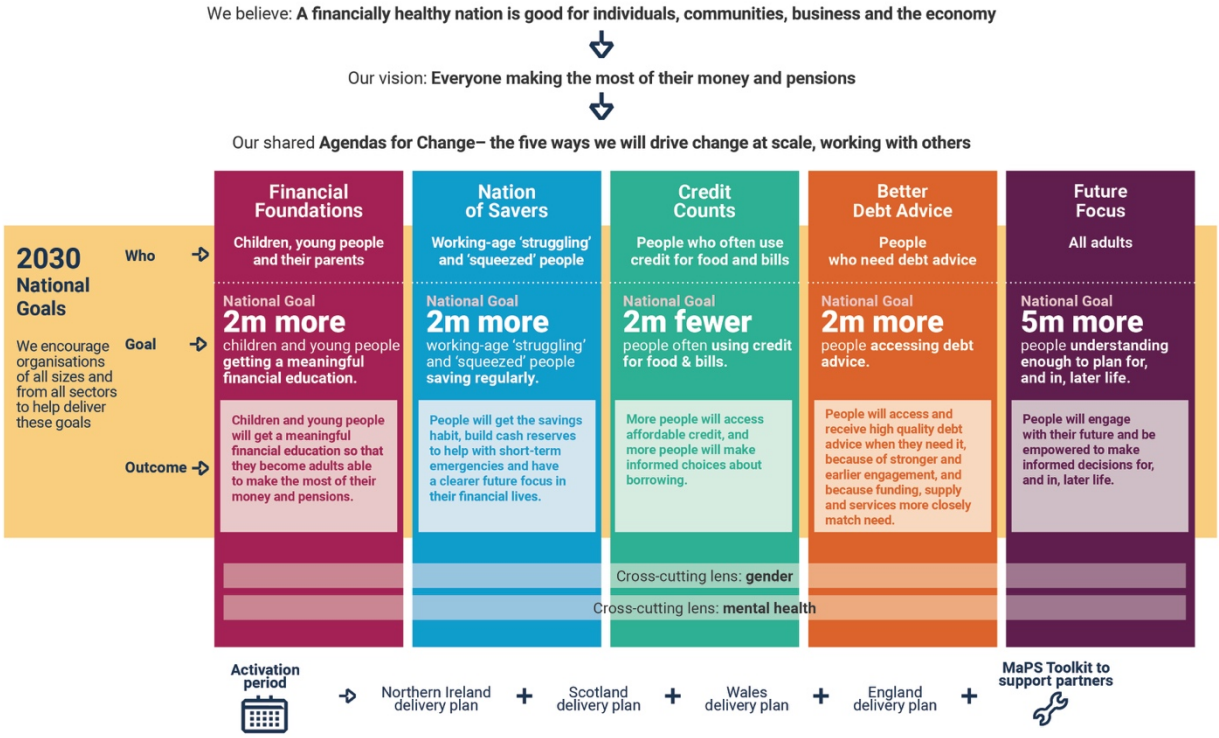
Financial wellbeing matters for all of us – a financially healthy nation is good for individuals, communities, businesses and the economy.

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 – Long-term Savings Challenge Group

**The National Goal relating to the Future Focus (long term savings) challenge is to get 5m more people understanding enough to plan for, and in, later life (from 23.6 million today to 28.6 million in 2030).**

## Overview

Behavioural research shows that people live for today, and that people find it hard to make trade-offs between spending now, saving for the short term, having safety-net savings and planning for later life.

Automatic enrolment has successfully created millions of new pension savers, through a passive approach. However, there are significant groups of people who do not benefit from automatic enrolment into a workplace pensions scheme. Pension freedoms 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, so a shift from passive to active engagement must take place.

We want all adults to engage with their future and be empowered to make informed decisions before and during later life. People need to know how much they will need in later life to live the lifestyle they would like, how much they need to save to achieve their goals, where to save and how to make a plan for later life.

## Outcome

People will be engaged in their future and empowered to make informed decisions for, and in, later life.

The aim is to bring about a cultural and attitudinal change in relation to long-term savings: making conversations about pension savings normal so that people take ownership of their pensions, and there is trust between consumers and industry.

## Key questions for the Future Focus: long-term savings group to address

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

## Other considerations

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

## 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, so 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 that are directed at more than one of the National Goals.

The Agenda for Change around Future Focus is being addressed by two Challenge Groups. The other group, chaired by Professor Dame Carol Black, is looking at later life, including decumulation of pensions savings, and the difficult and unique money, legal and wellbeing issues faced by people in the last years of their lives. This group is looking at the stage before that – the accumulation of savings, including but not limited to savings into pensions, throughout people's working lives.

# What do we know about the issues?

**The pensions landscape has changed considerably over the last decade, with the closure of most private-sector defined benefit schemes shifting people to defined contributions, the introduction of automatic enrolment, pension freedoms in 2015, and the introduction of the new State Pension in 2016.**

## The shift from DB to DC

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 investments.

Pension risks that were previously managed by institutions – an employer, the State, 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 it and how to use it. These choices can often be extremely complex, and require effective engagement, protections for those consumers who do not (or are unwilling to) engage, and easy-to-understand products and services.

## Automatic enrolment

The number of people saving into a pension is at a record high but the amount they are saving on average is at a record low. A recent report surveyed[1] 2,010 employed people aged 22-65 in the UK and found that there is a distinct gap between people's hopes for retirement and the reality they may be facing. Only a third of people (32%) are prioritising saving for their retirement, despite many saying they hope to travel, help their children and grandchildren financially, and even set up a business when they finish work. There is a gap between people's retirement goals and the reality.

*The Automatic Enrolment Review 2017: Maintaining the Momentum* found that automatic enrolment is making savings into a workplace pension the new norm for millions of individuals in the UK. However, current saving levels risk a significant proportion of the working-age population not meeting their retirement expectations.

The automatic enrolment rules mean there are gaps in coverage, in particular for those in low-paid part-time jobs and younger workers. Employers are facing competing burdens including the National Minimum Wage (NMW) and National Living Wage (NLW) costs. In addressing these challenges there must be a realistic and fair balance between the costs to employers, individuals, and the public finances.

A large proportion of people who are self-employed experience significant gaps in pension coverage and other savings for retirement. However, most self-employed people cannot be covered by the current design of automatic enrolment.

## Pension freedoms

Pension freedoms, introduced by Government in 2015, give people aged 55 or over access to their defined contribution (DC) savings, creating a cohort of people who are not necessarily experienced investors, but who have to make potentially complex

[1] Survey of 2,010 UK employed adults, aged 22-65, surveyed by Censuswide on behalf of Aviva in February 2018

choices about their pensions. People can access guidance to help them (e.g. Pension Wise) from age 50.

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

Whilst the issues around decumulation and later life are being addressed by another challenge group, it is worth noting this for the context of the increasing importance of DC pension savings.

### Gender and pensions

Women have historically received a poor deal from workplace pensions. Often they received no pension at all from work and, where they did, it was often less generous in retirement than those of men.[2] Automatic enrolment rules exclude many women by virtue of excluding the lowest paid, part-time workers, who are usually women. By the time a woman is aged 65 to 69, her average pension wealth is £35,700, roughly a fifth of that of a man her age, according to a study at the end of 2018 conducted by the Chartered Institute of Insurance (CII).

### Engagement

Individuals are beginning to save, but for multiple reasons do not actively engage with their pensions. The barriers to engagement with workplace pension saving - that led to the introduction of automatic enrolment – remain. Engagement alone will not address pension participation and savings challenges. However, improving awareness and understanding by delivering the right support in a simple way complements the role of automatic enrolment, and provides a better platform for voluntary saving and helps to build trust and confidence in the system.

> "A quarter of people aged 55 and over and who are retired say they do not know the size of their pension savings. Eight in ten people with a defined contribution (DC) pension have not given much thought to how much they should be paying into it to maintain a reasonable standard of living when they retire."

Financial Conduct Authority, Data Bulletin March 2018

There are many misconceptions about pensions that affect people's behaviour including :

- The belief that pensions are not their responsibility (they are the responsibility of the state or their employer).
- A perceived paternalistic element to schemes that ensures good outcomes.
- The belief that everything about pensions is tax-free (including pension incomes/ taking pension money).
- The belief that people won't live for very long in retirement.

These barriers to engagement, despite many interventions, have not substantially shifted in over a decade.

[2] *The Gender Pensions Gap: tackling the motherhood penalty* (2019) The Peoples Pension

## Lack of trust in the market

People perceive pensions as being higher-risk than ISAs and other savings, due to real or perceived market failures such as the financial crisis, mis-selling and high-profile pension scheme failures, as well as media coverage of pension scams.

Terminology used across the industry is often alien and obscure, further diminishing trust. For example, the term “uncrystallised lump sum”, which many people need to understand, is very far from everyday language.

Over half (52%) of the fully withdrawn pots since pension freedoms were introduced were not spent but were transferred into other savings or investments. Some of this is due to mistrust of pensions.

The constantly changing policy landscape has also created mistrust. There is a perception that the State Pension might disappear, that somehow the older age-groups might need to fund younger people through higher taxes/ lower benefits, and that the new freedoms might disappear.

# Feedback from MaPS's Listening Phase and external stakeholders

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

Between April and June 2019 MaPS carried out the intensive 'Listening Phase' of the UK Strategy for Financial Wellbeing. This involved engaging with a wide range of stakeholders across the UK, with 10 roadshows across the country, and a further 10 policy roundtables on a number of topics. MaPS also received nearly 40 written responses from stakeholders. The feedback during the Listening Phase has been a vital ingredient in developing both the UK Strategy for Financial Wellbeing and MaPS's own Corporate Strategy.

The Listening Phase Report, which sets out the results of the Listening Phase, was published in January 2020. 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.
- There is a need to enable people to make active choices and get help at the right time and different life stages.
- There is a need to remove barriers which prevent people from making decisions and taking action, enabling people to access the services and products they need, when they need them.
- Standardised simple language in communications would help understanding and engagement. There is a need for more consumer-facing communications and consumer-friendly language.
- More tailored and personalised guidance, possibly including digital pensions tools delivered via employers, could increase engagement and help consumers make effective decisions.

- Pension dashboards were widely seen as an important and positive development with the potential to be a 'game changer' in terms of engagement with pensions. Stakeholders also suggested that the implementation of the dashboard needed to be accompanied by an education and awareness campaign.
- Engagement, guidance and advice will only go so far in overcoming behavioural bias. Pension defaults, like automatic enrolment, are required for people who do not engage.
- Consideration needs to be given to the impact of the changing socio-economic context on the pensions and retirement planning landscape, in particular labour market uncertainty and its impact on work patterns, increased numbers of people in self-employment and the gig economy, and people working longer into later life.

"Whilst auto-enrolment has been a success, more needs to be done to ensure consumers are fully engaging with their pensions and decisions about retirement."

Barclays

"There is substantial potential for MaPS to improve financial capability by working closely with employers and workplace pension schemes."

Pensions and Lifetime Savings Association

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

## Of the 40 million people in the working-age population, 22 million say they don't know enough to plan for their retirement.

### Note on the MaPS segmentation

MaPS has developed a Financial Wellbeing segmentation model that is a useful way of looking at the UK population. It groups adults into Struggling, Squeezed and Cushioned segments.

Below is an overview of the segments that are the target group for this Agenda for Change.

**'Struggling'** This is the least financially resilient segment, comprising 13.4m people, or 25.4% of the UK adult population. The segment is characterised by low incomes, high rates of benefit dependency, poor provision for later life, little or no savings buffers in case of financial hardship, and high over-indebtedness.

**'Squeezed'** 16.7m people, or 31.8% of the UK adult population: this is a 'high risk' segment, characterised by high rates of dependency on credit, absence of savings buffers to cope with income shocks, insufficient preparation for later life, and people living beyond their means in many cases.

**'Cushioned'** 22.5m people, or 42.8% of the UK population: the most financially resilient segment, with some 'comfortable', and some 'affluent'. They have the highest levels of savings and investments, have better provision for later life, and demonstrate greater confidence in managing their money – but are not without risks, especially those caused by major life events.

The target group cuts across all segments as people in all segments don't feel they know enough to plan for their retirement.

However, solutions and interventions are likely to be different depending on how people frame their retirement goals:

- For the Struggling this may include understanding of what the State will
- For the Squeezed – most will have been auto-enrolled into a pension but beyond this they may be unengaged with retirement planning
- For the 'Cushioned' - understanding is a desirable retirement lifestyle, and the actions needed to achieve it.

While income levels clearly influence the level of engagement with retirement planning, we also find a very strong relationship between planning and people's attitudes – specifically, whether they know enough to make decisions and how confident they are in planning their future. In other words, if we want more people to plan better for their retirement, we need to find ways to improve their confidence. A feeling of not understanding the topic or what to do, combined with the sense that retirement is a long time away, means decisions get put off and people do nothing.

As a result, this Agenda for Change is focussed on whether people feel they know enough about pensions to make decisions about saving for retirement.[3]

This lack of confidence is widespread across the working population, although some groups score noticeably worse in terms of lacking confidence, e.g. :

- 66% of 18–24 year-olds;
- 64% of working-age women.

This is not just being driven by age : 48% of those approaching retirement age (55–64) feel they don't understand enough.

Confidence varies slightly by segment, but at least half of each segment feel they don't understand enough:

- 61% of Struggling
- 58% of Squeezed
- 50% of Cushioned.

It is likely that the Challenge Group will identify sub-segments that may require specific interventions within the MaPS segments, for example self-employed, low/ part-time earners and women.

[3] MaPS is also looking at whether it can produce a similar compatible measure to apply to planning retirement finances beyond the age of 65.

# What do we know about what works?

The notable exception to a lack of evidence about work works is the experience of automatic enrolment . AE has used inertia to increase numbers of people saving in workplace pensions (from 55% of eligible employees in 2012 to 78% in 2016)[4].

Similarly, the numbers of people in default investment strategies, rather than choosing their own investments, suggests that inertia is a powerful factor. Research for Age UK[5] found that many commentators note the inherent contradiction of relying on inertia to increase saving but requiring engagement to ensure that the best possible outcomes are achieved.

Most people do not take financial advice when planning for retirement, but there is evidence that guidance can help people make complex financial decisions. Starting in 2016/17, Pension Wise has undertaken an annual service evaluation through Ipsos MORI, and has maintained high customer satisfaction and advocacy ratings, alongside increasing customer knowledge and encouraging positive behaviours.

Anecdotal research suggests that employers can be a very useful channel to engage working-age adults, especially those who might not engage directly with financial services firms.

Whilst pension-specific research is limited, it may be worthwhile to look at what works in other areas of finance in terms of engagement and initiating action.

Extract from Financial Capability and Retirement, evidence review[6]:

"… there is a good body of research insight that strongly indicates retirement planning requires quite different abilities from those needed to manage money well day-to-day (although the two are complementary); and that it stretches many people's ability to the limits.

It shows that people can struggle to engage at all with aspects of retirement planning such as thinking about their pension or thinking about long-term care; and they either put off making decisions or make decisions that are not fully thought-through.

This can store up problems for the future, for example if they exhaust their pension savings early on in their retirement. The implication is that more people might benefit from help to plan for, at and in retirement.

**In contrast, there is almost no evaluation evidence about what that help might look like (in the broadest sense) or how it might be achieved."**

[4] The Automatic Enrolment Review 2017: Maintaining the Momentum

[5] Fixing the Freedoms, Age UK (2019)

[6] https://www.fincap.org.uk/en/reviews/financial-capability-and-retirement

# What is MaPS already doing in this space?

**MaPS provides pensions guidance across all channels, has highly developed digital propositions for people who want to engage with their pensions, and is helping to generate the non-commercial Pensions Dashboard.**

### Pensions Guidance (TPAS)

The pensions guidance team (The Pensions Advisory Service) provides free guidance on all pensions-related matters to members of the public across a range of different channels, and through outreach events with its partners across the UK. However customers choose to get in touch, TPAS prides itself on the technical accuracy and comprehensive nature of its service, going beyond simply answering a one-off question with a straight-forward answer. TPAS helps people to understand not just how their different options might work, but broader implications their decisions might lead to.

The majority of TPAS's customer contact comes via a helpline, which has always been the heart of its operation. Alongside that, it is the main provider of telephone-based Pension Wise appointments, while its webchat service continues to increase in popularity. TPAS also responds to some of its most 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.

2019/20 has seen a vast increase in demand for TPAS's services, with a record number of customers in each month and an overall increase in demand. Demand is largely seasonal, but the increase over the same period since 2015 has been 64%, demonstrating the steep growth in need for information and guidance on pensions matters over recent years.

The triggers for people contacting TPAS offer some insight into what engages consumers with their pensions.

| | Webchat | Helpline | Written/Online |
|---|---|---|---|
| 1 | Information/ quote request (4,564/ 17%) | Taking benefits (25,745/ 28%) | Taking benefits (2,423/ 20%) |
| 2 | Taking benefits (3,893/ 14%) | Information/ quotation request (12,526/ 12%) | Paying contributions (1869/ 15%) |
| 3 | Paying Contributions (3,851 /13%) | Paying Contributions (9,129 / 9%) | Transfer (1,396 /12%) |

2019/20 (April to December 2019)

TPAS also offers three dedicated appointment services, 45 minutes to an hour long, on discrete subjects. As TPAS deals with pensions-related matters every day via the helpline and other channels, these appointments do not involve entering a new area of guidance. But as with pension freedoms, experience teaches that these subjects are best dealt with by providing the conversation with a structure, and giving the pension specialist the time necessary to deliver guidance which is both tailored to the customer's circumstances and thorough in its delivery. These subjects include:

**Pensions & Divorce –** these appointments help customers to understand the different ways in which pensions can be shared.

**Midlife Review –** aimed at helping the self-employed (a severely under-pensioned cohort in society) to see how saving into a pension can fit in with and benefit their work and family life.

**Post-Scams –** these appointments help often vulnerable customers see how they might re-build their pension savings, and see whether they might be in a position to claim anything from the Financial Service Compensation Scheme, or even file a complaint against their adviser with the Financial Ombudsman Service.

TPAS also has plans to add a Defined Benefit to Defined Contribution Triage service in the coming months. There is a great appetite both from customers and from industry for MaPS to expand its existing guidance provision in this area through a dedicated appointment service. Experience with the British Steel and Carillion pension schemes shows that the service will present an opportunity for MaPS to further fulfil its statutory objective to help those vulnerable customers most in need of guidance.

## Pension Wise

Pension Wise helps people to consider decumulation (a key area for the other Future Focus Challenge Group). It was launched in 2015 alongside the implementation of the new pension freedoms, which expanded the options of people accessing defined contribution pension pots. Since then it has provided free and impartial guidance covering these new decumulation options, to help people aged 50 or over to better understand what they can do with their pot(s), and the things they should take into consideration when deciding which options to take.

The service, take up of which has expanded rapidly over its first four years, is provided face-to-face and over the phone, relying on valued partners to deliver it, and via a centrally administered website.

## Propositions

### The pensions calculator

The pensions calculator is MaPS's 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 (both DC and DB) and state pension entitlements, to establish whether projected income in retirement is in shortfall or surplus.

A quarter of the traffic to the pensions calculator flows from the Workplace Pension Contribution Calculator, which was used by more than a quarter of million people in 2019. This demonstrates that consumers, having established the level of pension contribution they will pay, are seeking an indication of what this might mean in terms of retirement income.

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

### Income drawdown comparison tool – investment pathways

The FCA is concerned about the number of consumers who, at the point of accessing their pension, are entering 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. 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 which will enable consumers to make a meaningful comparison of these products. The FCA is requiring firms that do not offer investment pathways to signpost to MaPS's comparison tool.

MaPS is working closely with pension providers and the FCA to make sure that the tool is fit for the purpose intended by the regulator, while also accurately reflecting the market and having buy-in from industry.

### Pension dashboards

MaPS is working collaboratively with the industry to drive forward and oversee progress to deliver comprehensive dashboards incorporating all of someone's pensions information. MaPS will also build a non-commercial dashboard. Once the supporting infrastructure and consumer protections are in place, and data standards and security are assured, most pension schemes should be ready to provide a consumer's information to them via dashboards within three to four years; the State Pension will also be available on pension dashboards.

Pension dashboards will allow people to see all of their pensions in one place. They are a starting point in the engagement journey; people will need help understanding what they are seeing and what actions they should take. MaPS will build customer journeys and tools around the dashboard to guide people through the decisions they may need to make.

## Research and evaluation

MaPS is piloting and researching pensions-related service design, but mostly with a focus on decumulation.

- **Stronger nudge –** MaPS is working with DWP, the FCA, industry and others to run behavioural trials testing how many more people can be encouraged to get the help they need when considering accessing their DC pension. As Pension Wise is available to people from 50, one of the aims is to get people to guidance sooner, in time to help them make a plan for their life when they have stopped work. A report on this is due in Summer 2020.
- **Innovation Lab smarter signposting pilot –** MaPS is working with the Behavioural Insights Team and Royal London to pilot how data science and behavioural science can be used to encourage more people to access pensions guidance or advice. Data is being used to identify people who may be heading towards a sub-optimal retirement outcome, and targeting tailored communications at these people to encourage them to seek guidance or advice to help them get back on track. The effectiveness of this 'smarter signposting' approach will increase understanding of how best to engage people to get the guidance or advice they need.
- **Reducing missed appointments using behavioural science –** MaPS has developed a new communication system (NCS) intervention, based on behavioural science, designed to reduce the number of clients missing appointments across the sector. This has been piloted in a debt advice context, and MaPS is looking to roll it out also for pensions guidance appointments.

# What else is already going on in this space?

**Some existing initiatives to help improve long-term saving behaviours are described below. They represent a mix of funding, influencing/ advocacy, products and services, and research and evaluation.**

### Nudges

- 'Sidecar savings', a two-year field trial at the R&D stage (alongside many existing payroll-savings schemes already in the marketplace).
- Retail banking providers, fintech providers and challenger banks offering – or testing – digital products and services using nudges to promote savings behaviours e.g. saving-goals-setters, round-up savings.

Both of the above are not designed to drive long-term savings, but there may be potential to take consumers further down the journey once they have a savings buffer.

### Products, services, regulation and legislation

- Simplified annual benefit statements: the idea of a simpler, standardised annual benefits statement has been floating around for a while – a shorter statement, written in a way that is easy to understand, with figures that are easily comparable across different statements. DWP consulted on the development of such a statement in 2019.
- Introduction of the LISA: the Lifetime Isa has been available since April 2017, and is an option for those who want to save up to buy their first home or build a retirement savings pot.
- New FCA rules mean that from November 2019, wake-up packs will be sent to consumers every five years from the age of 50 until their pension pot is accessed.
- The FCA is introducing new requirements primarily to help non-advised drawdown consumers who struggle to make investment decisions. The aim is to:
  - introduce 'investment pathways' for consumers entering drawdown without taking advice;
  - ensure that consumers entering drawdown only invest mainly in cash if they take an active decision to do so; and
  - require firms to send annual information on all the costs and charges paid over the previous year, to consumers who have accessed their pension.
- The Pensions Schemes Bill 2019, which has been brought forward by Government, is intended to:
  - provide more options for employers by introducing Collective Money Purchase schemes (also known as Collective Defined Contribution (CDC) schemes);
  - strengthen protection for consumers by giving the Pensions Regulator stronger powers, so that savers can be confident that their pensions are protected and that the Regulator will take action if pensions are put at risk; and
  - improve information for savers by providing a framework for Pension Dashboards, so that people can prepare for retirement with confidence.

# What are the devolved considerations?

**Pensions policy is a reserved matter. However, there are some modest cultural differences between the countries that will affect confidence about saving for later life (see table below), and there are some policy differences that will affect the successful delivery of any solutions in Northern Ireland, Scotland and Wales.**

| | Northern Ireland | Scotland | UK | Wales |
|---|---|---|---|---|
| **Do not feel that they understand enough about pensions to make decisions about saving for retirement (18-64)** | 61% | 54% | 55% | 57% |

### Northern Ireland

In Northern Ireland financial services, financial markets and pensions policy is a reserved matter. Whilst the NI Executive has indicated in its *New Decade, New Approach* that it will deliver an Active Aging Strategy, there are no specific policy agendas in this area.

### Scotland

Scotland has around 3.5million people aged 16-64; 74% are in employment. Around 82% of those aged 35-49 are in employment, and around 68% of those aged 50-64.

## Scottish Household Survey 2015

**Table 6.7: Whether respondent or partner has any savings or investments by sex and age of highest income householder**

| | Male | Female | 16 to 24 | 25 to 34 | 35 to 44 | 45 to 59 | 60 to 74 | 75 plus | All |
|---|---|---|---|---|---|---|---|---|---|
| **No savings** | 18 | 28 | 55 | 33 | 30 | 22 | 11 | 10 | 22 |
| **Has savings** | 74 | 64 | 43 | 63 | 65 | 70 | 80 | 76 | 70 |
| **Less than £1,000** | 14 | 17 | 21 | 24 | 22 | 12 | 12 | 9 | 15 |
| **£1,000 or more** | 61 | 47 | 23 | 39 | 44 | 58 | 68 | 67 | 55 |
| **Don't know** | 1 | 1 | - | 1 | 1 | 1 | 1 | 1 | 1 |
| **Refused** | 6 | 7 | 2 | 3 | 4 | 7 | 7 | 13 | 7 |
| **All** | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Column percentages, 2015 data

The Scottish Government published *A Fairer Scotland for Older People: Framework for Action* in April 2019 (older people being defined as being over 50). One of the key strands of this work is:

**Financial security –** 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.

## Wales

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 used in 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 have savings of up to £20,000, and only 2% have savings of £20,000 or more.

Successive Welsh Governments have taken a progressive and inclusive approach to ageing policy since devolution. In 2008 the Older People's Commissioner was appointed to the first such post in the UK. That appointment coincided with the second phase of the Welsh Government's Older People's Strategy, which focuses on mainstreaming older people's concerns across all policy areas, and was followed a year later by the UK's first wellbeing monitor for older people.

In Wales, workers aged 50-65 make up over a quarter of the workforce.

# 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:<br>• 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.<br>• 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.<br>• Work Longer campaign – getting people to design a more financially sustainable later life plan.<br>• 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).<br>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. |