



THE PENSIONS REPORT

CONSUMERS ARE DISENGAGED FROM CONVENTIONAL PENSIONS

I guess it shouldn't come as any surprise to me after all the year I've spent in the pensions business but I have recently completed some new qualitative and quantitative consumer research in pensions which shows that we have got some mountains to climb re-engaging people with retirement planning.

The Pensions Report www.thepensionsreport.co.uk covers much else besides, but coming at us loud and clear from consumers are some pretty comfortless conclusions for the pensions industry. Let's take a snapshot of what they are saying.

1. We don't trust product providers at all. With the Equitable debacle, pensions mis-selling, falling fund values since Y2K and With Profits under-performance, we should probably not be surprised.
2. Increasingly, we don't trust employers to provide pensions. The bad press associated with high profile scheme failures is starting to have an effect.
3. We also don't trust government, either.
4. Financial Advisers are also seen in a bad light – except, of course, for the one they deal with personally. The “commission” issue is surfacing as a major negative.
5. All this explains why the pensions market is flat in absolute terms over the last few years, with little new money coming in.
6. People are making other arrangements for retirement, in a range of different ways, but they are not putting money into pension plans.
7. There is very low understanding of choices at retirement – income drawdown is almost unknown as a concept, and an annuity barely so.
8. Current product charging structures are incomprehensible to consumers.

All this paints a gloomy picture, reinforced by a dislike of the current structure of pensions in this country. Forced annuitisation is deeply disliked, which has potential implications for the success of NPSS and suggests that a more “root and branch” reform may be needed for people to re-engage with pensions.

However, amongst the gloom, there are signs of light.

People are aware that retirement saving is a big issue and they DO want to do something. They just don't want to do it with the existing crop of providers, advisers or the existing pension regime.

There seems to be an opportunity for a new brand, with new thinking, to enter the market and turn it on its head.

And the concept of self investment appeals to a segment of the market that is financially confident, although most report that they want LESS choice, rather than more, and simpler products.

But it's still a big mountain.....

Malcolm Small
Managing Director