INVESTING IN RETIREMENT V

Tuesday 14 May 2019 at

The Royal College of Physicians, 11 St Andrews Pl, London NW1 4LE

The preparation:

In anticipation of Mindful of Investing in Retirement V which will take place on Tuesday 14 May, the following provides an illustration of how the day will run and the subjects being addressed.

This will be the fifth iteration of Mindful of Investing in Retirement. It is an opportunity for participants to immerse themselves in the most up-to-date thinking around this key area. The day will update you on the latest innovative products and solutions addressing the needs of the substantial number of people approaching and already in retirement as well as provide a review of the backdrop – demographic, economic and regulatory.

Over the next few weeks, we will be meeting with participants to ensure that the agenda is addressing those issues which are top of your list in terms of importance. The goal is always to enable you to do better business.

If you would like to input your thinking, we would of course be delighted to hear from you.

The day is a blend of **lectures** and **tutorials**. The lectures take place in the College auditorium. Picture yourself back at University – our 'lecturers' will address the big themes. The tutorials take place in private rooms. They will be more granular in nature and address a specific part of the market or an innovative solution.

Subject Matter:

1. IS YOUR RETIREMENT ADVICE TRULY HOLISTIC? WEALTH, HEALTH AND LIFESTYLE – IS IT RETIREMENT AS WE KNOW IT? OPPORTUNITIES TO HELP CLIENTS THINK OUTSIDE THE BOX AND SEIZE THE OPPORTUNITIES

Let us put things into perspective and have a good look at today's retirement market compared to four years ago.

It is true that a lot more work needs to be done before we have a retirement system that can be relied upon to deliver great retirement outcomes, but we must not forget how far we have come in a very short period of time.

It seems when people talk about retirement innovation, the focus tends to be on new products but the reality is that innovation should not be coming just from them but also from choosing the right mix for your clients, from your communication skills and from your relationship with the client and the trust they put in you.

It is about introducing your clients to a brand new world, helping them understand what they have to play with, what they will need, what their options are to get there and making it happen. So you'll need them on your side and thinking outside the box.

2. WHICH GENERATION IS SAVING THE MOST FOR THEIR RETIREMENT?

Brewin Dolphin's latest Family Wealth Report highlights how many Britons have given up on saving, and yes, especially the 'Millennials'. However it is not them that worry us at the moment, it is the 'Gen X' demographic (aged 35-54) with 37% saying they are 'making ends meet' and 19% admitting to 'struggling'. Out of those who are struggling, 70% of them worry about money all the time and 33% sometimes go without to provide for the rest of the family. Let's talk with the experts to see if we can shed some light on the generational attitude towards saving.

3. WILL YOU STILL LOVE ME WHEN I'M SIXTY FOUR?.. HOW ABOUT A REVIEW OF LONGEVITY TRENDS

- What can be done to help society shift to prevention strategies, and prepare for retirement in the age of longevity?
- Defining a new model for longevity risk - how do we come up with a useful model for de-risking longevity?
- How can we define breakthrough or trigger events to define longevity for the financial services industry?
- UK retirees are increasingly investing for longer during retirement. A slow growing economy, low interest rates and the looming threat of inflation are making it difficult to meet both income and risk management needs.
- So what does the happy halfway point look like? Any ideas?

4. THE VULNERABLE CLIENTS CASE

The Financial Conduct Authority (FCA) is taking an increasing interest in the fair treatment of vulnerable customers and is currently consulting 'on guidance for firms on the identification and treatment of vulnerable consumers'. They estimate that 60% of those aged over 65 are potentially vulnerable.

There's a will among FS companies to help vulnerable customers, but the practical difficulties of doing so might require a collaborative cross-industry approach.

What do you view as the biggest challenge of embedding effective vulnerability skills, knowledge and practice through training in your organisation? It's probably knowledge of what works on vulnerability and sustaining momentum/action after training. So let's talk best practice:

- Understanding the needs of vulnerable customers, improving relationships and building trust
- Using data efficiently and what to be aware of when sharing data - dealing with GDPR
- The importance of technology
- What are other industries doing?

5. PLANNING FOR THE UNEXPECTED - THE IMPORTANCE OF WILLS, POA AND ESTATE PLANNING FOR CLIENTS AND THEIR PARENTS

For clients, estate planning is arguably the least enjoyable part of the financial process. After all, addressing the subject of mortality can be tough. So much so, a recent study reported that only 1% of the UK population has a lasting power of attorney (LPA) in place.

But, it is crucial that financial advisers address the matter with their clients and highlight the importance of having a comprehensive estate plan in place.

Why do so few of us have an LPA in place? Is it because we simply do not know enough about them, what they really do or how relevant they are in the current climate of pension freedoms?

6. BEHAVIOURAL SCIENCE IN PENSION INVESTMENT AND COMMUNICATION

Big firms in the US such as UBS, Raymond James and Bank of America's Merrill Lynch announced last year that they are pushing their advisers to adopt a more goals-centric investing approach. We all know 'Goals-based investing is easier to say than to implement.'

Even behavioural economists agree that clients don't know what they will want in 30 years. Most young people cannot even imagine being old, much less think about what financial needs they would have. So it makes sense to form goals in stages (Richard Thaler, who won last year's Nobel prize in economics 2017)

But there is no denying that behavioural finance can improve the way we do things, even if we just focus on how we make decisions:

- Practical ways to spot cognitive biases and how they affect the decisions you (and others) make
- How to beat them, and how to help others do the same
- How to check your own and others behaviour to make better decisions, and communicate better. You'll each learn which biases most affect your thinking

7. THE SCIENCE OF RETIREMENT – WHAT DO THE LATEST ALGORITHMS AND RESEARCH SHOW US IS ACTUALLY GOING ON – IF YOU COULD MODEL 'WHAT GOOD LOOKS LIKE' WHAT WOULD THAT BE?

Artificial intelligence is changing the face of investing and will have profound impacts on how risk is priced and investment returns are achieved as we build up the capital to meet our retirement needs – and live longer lives.

In the US firms ranging from big Wall Street names to Silicon Valley start-ups are testing the waters to see how artificial intelligence can help consumers manage their money and plan for retirement. Is the UK up to speed or is there anything we can learn from the other side of the pond?

These are some of the questions we look to address in this session:

- What is the data telling us?
- How can these new technologies be applied to better manage clients' money?
- How is AI currently being used in the investment industry?

8. EQUITY RELEASE BEYOND PENSIONS, LET'S TALK LATER LIFE LENDING!!

Brewin Dolphin's report also highlights how many Britons now recognise that they are going to have to draw on other available assets to finance their retirement, particularly property. Our homes are an ongoing national obsession with around £3.9tn out of a total of £11.1tn of UK family wealth tied up in property, according to the Resolution Foundation.

Equity release… later life lending… lending into retirement. Today these are all well used phrases that capture the fact that with the UK population getting older, there needs to be a mortgage market that assists their requirements, especially if they can demonstrate affordability though pensions income and investments, etc.

This later life sector continues to grow aggressively. According to More2Life the size of the retirement lending market is estimated to increase from £86 billion in 2018 to surpass £142 billion in 2027; not only fuelled by the changes in pension regulations, but equity release becoming an increasing part of an overall retirement funding strategy.

In terms of changes to the market, we continue to see more innovation. This includes products offering borrowers assistance if they have an interest-only mortgage nearing the end of its term (RIOs).

9. DB TRANSFERS- CASHFLOW MODELLING PUTS THE A IN APTA!

Last October the FCA made some changes to what's required when advising on Defined Benefit (DB) pension transfers. They replaced the requirement to provide clients considering a transfer with a 'Transfer Value Analysis' (TVAS) report with the requirement to provide them with an 'Appropriate Pension Transfer Analysis' (APTA), part of which must be a 'Transfer Value Comparator' (TVC).

- But what exactly is an APTA, and how can you make sure your pension transfer analysis is 'Appropriate'?
- How have the new regulations changed firms' advice processes?
- Six months in, what are the lessons learnt?
- Are planners using an advanced cash flow system at an early stage to help a client decide whether or not to take full advice?

10. INVESTMENT STRATEGIES AND THE ROLE OF CASH

The FCA are consulting on new measures to stop consumers losing out on pensions' income when they access pension's freedoms.

The Retirement Outcomes Review found that full encashment is the most popular option among consumers. The vast majority of fully withdrawn pots (88%) continue to be relatively small (under £30k). As before, around 30% of drawdown sales are non-advised.

Now that defaulting to cash is not considered a good outcome for the customer in the context of retirement; what happens when we remove cash from the equation?

Is this a necessary measure or are clients beginning to show restraint in how they spend their retirement pots. According to data from HMRC, average pension freedom withdrawals dropped to a record low in the last three months of 2018.

- Will a cap on drawdown be the push the industry needs to develop some innovative products, is there anyone already ahead of the curve?
- The introduction of investment pathways creates an obvious alternative for those clients unable to make an investment choice but they will still need to identify what they plan to with their savings in the future. What happens with all those that do not know what to do?
- How are these pathways going to affect Asset Managers?

11. LET'S TALK TAX

How easily could a flat rate be adopted? Former Shadow Pensions Minister Gregg McClymont told politicians they must give Dukes and dustmen the same pension boost. Is this something we can expect in the next budget? How will this reduction affect your clients' and your planning?

For the time being we can only speculate but while we wait we could discuss how to make retirement investment more tax efficient.

- What do you think about tax-transparent funds that allow pension schemes to 'look through' the fund structure and reclaim withholding tax? These seem to be increasingly more popular with institutional investors. Should a similar product be made available to retail investors?
- What about equity income products for retirement. Are you looking at how to use these structures for retail retirement investors? If so, what are the legal, regulatory and operational challenges? And how can we overcome them?
- UK tax does not necessarily provide quite as many opportunities to exploit asset location as the US, but there might be something we can learn from our neighbours…

12. ESG AND SUSTAINABLE INVESTMENT FOR PENSIONS FUND

With ESG and sustainability now in the mainstream, the aim is to help you explore ways of integrating these requirements into everyday investment management and to explore whether doing so will improve or reduce investment performance. We will examine a range of strategies taking into account the risks associated with different investment approaches and practical implementation issues.

13. GETTING THE MOST OUT OF DRAWDOWN

A study by Canada Life has found that that the stock markets would need to fall by 7.5 per cent in a day before the average drawdown investor becomes nervous and moves their money. Of those who have an adviser relationship, 18 per cent said they would move to cash if markets fell, and 66 per cent said they would switch asset classes. The research suggests most people using drawdown to fund their retirements are sensibly taking a longer term view.

However, it's not all 'happy endings' in the drawdown market. A research done by Zurich with YouGov showed that potentially more than 115,000 consumers who have moved their pension into invest-and-drawdown to take tax free cash, are in the dark over how it works. Savers dipping into their pension for a 25% tax free lump sum are leaving their remaining pension running on "autopilot" – where it could veer off track; Also found almost two fifths of drawdown consumers are taking out tax free pension cash, only to deposit it in low interest cash accounts.

Let's have the Sustainable Withdrawal Conversation and discuss successful Withdrawal Strategies for UK Retirees.

14. ENGAGING CUSTOMERS THROUGHOUT THE RETIREMENT JOURNEY: THE POWER OF TECHNOLOGY

We have mentioned the Pensions Dashboard and touched on algorithms but there is so much more Technology can do for the pensions industry….

- How about the use of technology to improve reporting – it is all about providing brilliant client experience and outcomes
- From open APIs to robo: making the most of the opportunities ahead
- Open banking disruption: what are the greatest opportunities for pensions, savings and investments?
- Open, collaborative, agile: how can the mindset of a traditional industry be shifted?
- Bridging the advice gap: taking robo advice to its full potential
- Overcoming the hurdles: what stands in the way.