Retirement Matters

Tuesday 17 October 2023 – Royal College of Physicians, 11 St Andrews Pl, London NW1 4LE

Schedule of the Day						
Council Chamber	0830-0900	**Breakfast**	**Informal networking** over breakfast			
Dorchester Library	0900-0905	**Welcome**	**Introduction.** With **James Goad,** Managing Director, Owen James			
Dorchester Library	0905-0925	**Retirement Talks**	**Intergenerational Planning:** How advisers can add value to their clients' retirement plans, whilst also ensuring a tax-efficient transfer of wealth in the future. **Time Investments**			
			Charting the Golden Years: The Role of Financial Analytics in the Evolution of Retirement Planning. **Kidbrooke**			
Dorchester Library	0925-1005	**Keynote**	**In Later Life** - How we are planning and thinking about the future differently. **Dr Eliza Filby,** Historian of Generational Evolution			
Breakout Rooms	1010-1110	**Roundtable Session**	*Annuities – no longer quite 'so last year'…*	*Inheritance Tax. It gets a lot of bad press but is keeping it or ditching it such a binary decision*	*Support for vulnerable customers as the current increased cost of living is piling on the pressure*	*How much emphasis are you placing on your clients' attitude to risk these days?*
Council Chamber	1110-1130	**Coffee**	Grab a refreshment and catch up with your peers			
Council Chamber	1130-1200	**Networking**	**Structured networking** - An opportunity to meet some new faces			
Breakout Rooms	1205-1305	**Roundtable Session**	*The different investment approaches for the different stages of retirement*	*More defined contribution pension pots are being fully withdrawn*	*Are you doing your duty? A look at the FCA's Consumer Duty regulation*	*Leveraging the tech to communicate with your clients. how is it going? Might the metaverse play a role?*
Dorchester Library	1310-1340	**Keynote**	**Politics Analysed Differently.** Fresh perspectives on politics, polling and public opinion. With **Matthew Goodwin**, political scientist, bestselling author, pollster and public speaker			
Council Chamber	1340-1500	**Lunch and networking**	**Buffet lunch with networking**			

RETIREMENT MATTERS

ROUNDTABLE THEMES

Tuesday 17 October 2023, The Royal College of Physicians, London

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MONEY

1. MIND THE GAP! PLEASE LET US ADVISE YOU, WE MIGHT SAVE YOU SOME MONEY. ACCORDING TO THE FCA, MORE DEFINED CONTRIBUTION PENSION POTS WERE FULLY WITHDRAWN IN 2021/22 THAN IN ANY PREVIOUS FINANCIAL YEAR.

- This not only raises concerns that each month many thousands are being stung by unnecessary tax bills but one has to ask – how will they fund their retirement? The state pension is just not that generous.
- As the nation grapples with the cost-of-living crisis, accessing this money may become ever more urgent.
- According to FCA figures, 53% of those who accessed some 700,000 pensions for the first time in that period sought no professional help. (An 18% increase on the previous year.) Only one in three (33%) pensions were accessed after professional advice and one in eight (12%) after Pension Wise guidance.
- In April 2028, the age at which people can access their pensions will increase from 55 to 57. What is the logic?
- We need to get the message out there!

2. INHERITANCE TAX, A POLITICAL HOT POTATO. IT GETS A LOT OF BAD PRESS BUT IS KEEPING IT OR DITCHING IT SUCH A BINARY DECISION? HOW MIGHT A LABOUR GOVERNMENT TACKLE IT? WE SHOULD CONSIDER THE IMPLICATIONS FOR OUR CLIENTS.

- We are delighted to have the respected think tank, Demos, join the day to talk about their recent research into inheritance tax (IHT). For example, 55% of those polled said IHT should be completely tax free, whereas a significant minority felt it should be taxed in some instances e.g. if made up of higher amounts of money, second homes or financial assets,
- There was support for IHT when people are presented with certain framings e.g. where they are presented with a specific inheritance, where the inheritance hasn't been built up through work, and if the inheritance is framed in terms of who the inheritance is given by, rather than framed by who it is being given to.
- IHT receipts received by HMRC during the financial year 2021 to 2022 were £6.1 billion so it isn't an insignificant amount but would a "harsher" regime simply move money elsewhere?
- Another piece of their research considered how a more nuanced approach to IHT could impact the levelling up agenda. By transferring wealth "in-house" are we simply maintaining the status quo? Or could the money be used to drive a more equal society?
- A contentious subject but one we need to address as a Labour Government might well be more inclined to act.

3. ANNUITIES – NO LONGER QUITE 'SO LAST YEAR'...

- As interest rates increase so do bond yields and suddenly annuities are back in fashion. Well, there have to be some positives!
- Should they now become part of your client's portfolio? They are after all an attractive proposition for those with a lower risk appetite and a lower capacity for loss. The flip side is that they lack flexibility and don't take into account inflation. Still how much higher can that go?
- There is also the urgent need to shop around. Differentials can be as high as 16% according to Just.
- We seek an update on the pros and cons of a Guaranteed Income for Life.

4. RETIREMENT IS A RISKY BUSINESS. HOW MUCH EMPHASIS ARE YOU PLACING ON YOUR CLIENTS' ATTITUDE TO RISK THESE DAYS? A FINGER IN THE AIR EXERCISE OR PERHAPS SOMETHING A BIT MORE TECHNOLOGICAL?

- Before your clients can embark on building a practical road map to financial security, they need to understand five key risks that can potentially derail a lifetime income plan: longevity, health care expenses, inflation, asset allocation and excess withdrawal.
- We seek the tech to support you in gauging exactly how much your clients want to risk in terms of their investments… within reason obviously! Can they really afford what they want to achieve? How do you protect them from themselves?

5. WHAT ABOUT DIFFERENT INVESTMENT APPROACHES FOR THE DIFFERENT STAGES OF RETIREMENT? LET'S FACE IT, SOMEONE RETIRING AT 60 WILL HAVE A COMPLETELY DIFFERENT MINDSET TO SOMEONE AT 70 OR 80 AND AS SOME RETIREES ARE STAYING MUCH FITTER FOR MUCH LONGER, THEIR NEEDS VARY. SEPARATE IT OUT WHY DON'T YOU?

- Stock market investing is not particularly relaxing these days. Volatility is the name of the game but are investment managers playing it too safe with retirement funds?
- So how about different investment approaches for different needs? Not so much spreading the risk but taking a segmented approach to risk.
- A suggestion sourced from a recent report from Redington is to treat differing financial needs in retirement with different investment approaches. There are the day-to-day living expenses which need to be secured alongside a contingency pot and then again there is that desire for discretionary spending e.g. travel, home improvements, entertainment, and a legacy.
- It is a much more varied picture than pipes and slippers, and the regular round of golf topped off with a cruise.
- Maybe you should dig deeper and produce a more sophisticated segmentation strategy.

HEALTH

6. SUPPORT FOR VULNERABLE CUSTOMERS IS HIGH ON THE AGENDA AT THE FCA, ESPECIALLY AS THE CURRENT INCREASED COST OF LIVING IS PILING ON THE PRESSURE.

- According to the FCA, a vulnerable customer "is someone who, due to their personal circumstances, is especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care."
- The FCA views vulnerability as "a spectrum of risk". All customers are at risk of becoming vulnerable, but this risk is increased by having characteristics of vulnerability. These could be poor health, such as cognitive impairment, life events such as new caring responsibilities, low resilience to cope with financial or emotional shocks and low capability, such as poor literacy or numeracy skills".
- As a bit of background, there are about 4.2 million households composed of a single person aged over 65 which is about a million more than 25 years ago. And for some real gloom, low-income pensioner households are nearly three times more likely to be single women as single men.
- How do you assess whether or not your clients are vulnerable? And what strategy do you have in place to address the needs of vulnerable clients?
- Any firm that provides advice and guidance for those in later life is likely to have to deal with bereavement at some point, typically that of a client or a family member of the client.
- Providing support following a death can be key to ensuring that the lives of those bereaved can be rebuilt. How geared up is your firm to addressing this need?

TECH

7. LEVERAGING THE TECH TO COMMUNICATE WITH YOUR CLIENTS. HOW IS IT GOING? MIGHT THE METAVERSE PLAY A ROLE?

- ChatGPT anyone? Well, it would be fun to see it in action … but in the meantime, perhaps a more rounded consideration of how technology is improving your client communications would be useful. Apparently, there are some innovations around the annual review process which are aiding productivity. We will investigate.
- And then there is the metaverse. Imagine your clients being able to visualise how they want to live in retirement. Wouldn't that be a useful tool in the financial advice toolbox? Augmented reality and virtual reality visuals can be highly engaging and intuitively understandable. Using these immersive experiential technologies allows wealth management clients to explore and simulate various scenarios, making visualisation and planning easier.
- We will seek a tech firm operating in this space and see if we can persuade them to bring along a headset or two…

REGULATION

8. ARE YOU DOING YOUR DUTY? WE TAKE A LOOK AT THE FCA'S CONSUMER DUTY REGULATION TO SEE HOW YOU ARE FARING. AND WHILST WE ARE AT IT, WHAT ABOUT THE RETIREMENT INCOME ADVICE REVIEW? THE PRESSURE DOESN'T LET UP DOES IT?

Price is what you pay, value is what you get. Can the Consumer Duty help you differentiate your client proposition? Figuring out the right price to charge for your products and services is a fundamental consideration for anyone wishing to operate a profitable business. In the same vein, clients are always trying to assess whether they are being charged appropriately for the services they receive, particularly in these financially tough times.

The FCA describes Consumer Duty as:

- A new Consumer Principle that requires firms to act to deliver good outcomes for retail customers
- Cross-cutting rules requiring firms to act in good faith, avoid causing foreseeable harm, and enable and support customers to pursue their financial objectives
- Four Outcomes rules requiring firms to ensure consumers receive communications they can understand, products and services meet their needs and offer fair value, and the support they need

The Consumer Duty became a regulation at the end of July. It is essentially a revision of the FCA's Treating Customers Fairly (TCF) principles introduced in 2006. Yet the TCF principles don't include guidance on price and value while the Consumer Duty proposals do – and it's a core theme

- The Consumer Duty is ultimately about doing the right thing and being comfortable demonstrating doing the right thing. We suspect you are already well ahead of the curve.
- In tandem, we will provide an update on the FCA's Retirement Income Advice Review which will examine how the market is functioning. It will also focus on how firms are responding to changing consumer needs as a result of the rising cost of living. The results will also be an important indicator of how firms are implementing the Consumer Duty.