

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 fill you in 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.

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:

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1. WHERE NEXT FOR RETIREMENT PLANNING?

There's been huge growth in the retirement income advice market since the introduction of Pension Freedoms. The retirement landscape has become more varied and complex, with retirees facing far greater choice around how and when to retire and, in particular, how to secure the income they need to sustain them in retirement. This creates opportunity for advice firms who can understand and adapt to the changing landscape.

Aegon's recent adviser research highlights the shifting priorities and needs of retirees. And, following the huge growth in the use of drawdown, we look at where retired investors are putting their money and how they're currently walking the tightrope between risk and return to sustain their income through a long retirement period.

It's worth remembering too that this new landscape remains in its infancy. Most retirees still have Defined Benefit pensions, and the numbers relying exclusively on Defined Contribution pots remains relatively small. In addition, the recent Retirement Outcomes Review will usher in a further round of industry change. We'll discuss the likely future trends in a part of the market that will provide the greatest opportunity and the biggest challenge in years to come.

Expert: Shaun Kirtley, AEGON

2. 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 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've 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 as to how they are used; 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 are their options to get there and making it happen. So you will need them on your side and thinking outside the box.

3. WHICH GENERATION IS SAVING THE MOST FOR THEIR RETIREMENT? ARE YOU PAYING ATTENTION TO YOUR CLIENT BASE?

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 they 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% worry about money all the time and 33% sometimes go without to provide for the rest of the family. Let us talk with the experts to see if we can shed some light on the generational attitude towards saving.

Expert: Kathy Ellison, Savanta

4. WILL YOU STILL LOVE ME WHEN I AM SIXTY FOUR?... HOW ABOUT A REVIEW OF LONGEVITY TRENDS

- Why does life expectancy matter in managing retirement income?
- How is life expectancy calculated, and how does it vary for different individuals?
- How has life expectancy been changing, and what is the outlook for the future?
- The uncertainty in individual lifespans. How thinking about longevity helps clients prepare for retirement

Expert: Douglas Anderson, Club Vita

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

Early work in FS has focused on training front line staff to manage vulnerable customers, but is this enough?

We will discuss the need:

- To understand existing as well as new customers
- To be pro-active not just reactive
- To measure and communicate vulnerability in an objective manner not just subjectively
- How we may communicate customer vulnerability between organisations and departments
- The positives of understanding vulnerability – i.e. personalisation
- Practical ways to get started

Expert: Andrew Gething, MorganAsh

6. 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?

Expert: Robert Marshall, Foot Anstey

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

The science of retirement has changed. Pension freedoms introduced great opportunities to a growing population of retirees and an ageing population has become more reliant on their savings and for a longer period. Complex regulations and solutions have increased the need for advice.

Complexity brings new challenges for our businesses. A single solution will not meet every client's needs and as businesses develop so must the approaches we use.

Technology is being used by successful firms to deliver their promises. Our session considers how firms:

- Address segmentation and review
- Engage clients in more effective conversations
- Support effective Guidance and Advice
- Manage initial advice
- Track goals

Expert: Max Maxwell, Iress

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 is getting older. There needs to be a mortgage market that assists their requirements, especially if they can demonstrate affordability through 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 pensions regulations, but with 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).

Expert: Tony Crane, Bank of Ireland

9. DB TRANSFERS – LESSONS LEARNED SINCE PS18/06

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).

- Current guidance from the regulator
- The effect on firms' advice processes
- The TVC in context
- The importance of cashflow
- Outstanding issues

Expert: Fiona Tait, Intelligent Pensions

10. INVESTMENT STRATEGIES AND THE ROLE OF CASH

The FCA are consulting on new measures to stop consumers losing out on pension 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 do with their savings in the future. What happens with all those who don't know what to do?

Expert: John Lester, Square Mile Research

11. CONFRONTING THE RETIREMENT INCOME CONUNDRUM

In the new world of Pension Freedoms, and the enhanced flexibility in your pension savings, it is difficult to know where to be invested and at what time. With life expectancy on the rise and the challenging yield environment still present, many argue the case for equity holdings throughout retirement, but with this comes the management of risk. It is important to not overlook the simple, traditional sources of fixed income throughout market cycles, and the stability a fixed interest investment can add to a retirement portfolio.

Legg Mason will discuss the current market environment and outlook for retirement investing. The presentation will address the income conundrum, considerations for retirement portfolios, as well an introduction to a creative but simple, low cost solution that aims to meet requirements for those approaching and entering retirement.

Expert: Legg Mason

12. THE SUSTAINABLE WITHDRAWAL CONVERSATION - 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% in a day before the average drawdown investor becomes nervous and moves their money. Of those who have an adviser relationship, 18% said they would move to cash if markets fell, and 66% 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. The research also found that almost two fifths of drawdown consumers are taking out tax free pension cash only to deposit it in low interest cash accounts.

Let us discuss successful Withdrawal Strategies for UK Retirees.

Expert: Ian Woodhouse, Orbium