

11th June 2014

Freedom and choice in pensions – no industry own goals please! eValue’s response to the Budget consultation

- *Consumer communication is the key challenge to prevent poor decisions and outcomes*
- *Consumer engagement is vital and learnings from behavioural economics and gamification will be needed together with stochastic forecasts to show realistic comparisons between different retirement options so that informed decisions can be made*
- *The Government should stimulate competition in the provision of guidance so that standards are driven up by encouraging different types of organisation to become involved including product providers (subject to safeguards)*
- *IFAs are best placed to provide impartial guidance since this will facilitate access to advice for those consumers who need it*
- *The regulatory environment needs to be eased so that automated simplified advice can be made available at a low cost to the mass market since guidance alone will not be enough*

A substantial challenge lies ahead for the industry in the 10 months remaining to April 2015 – to effectively be able to communicate retirement options available and the associated risks.

Income drawdown is likely to be an option for a growing number of retirees but they will struggle to understand how to deliver a steady income for life from their pension savings. Furthermore there is limited capacity in the adviser market combined with relatively few advisers competent to advise in this complex and high risk area. This all means that a substantial effort will be required to “raise the game”.

Fortunately there are some potential solutions. The work of behavioural economists and the use of “gamification” can be used to engage and educate consumers. Stochastic forecasts are uniquely effective in helping consumers understand the relative merits of different retirement income products and, in particular, the implications of not buying an annuity.

“Although there is a lot we can do to make guidance as effective as possible, many consumers will still need advice which will not be available at a price they can afford unless the Government and FCA together made Simplified Advice workable” says Bruce Moss, eValue’s Strategy Director. “Currently the regulatory environment makes the provision of Simplified Advice unattractive”.

The Budget has presented the industry with a considerable opportunity and challenge. Competition in the provision of guidance is essential to encourage innovation, consumer testing and putting in place continuous improvement programmes i.e. monitoring usage, outcomes and identifying improvements. Only through competition will standards be driven up.

The removal of most of the restrictions on how pension savings can be used will foster a sense of ownership and this should result in a greater willingness on the part of the public to save for retirement. Nevertheless, with freedom comes the risk that some unwise decisions will be made resulting in hardship for more retirees in later life, so the sooner recommendations are put in place, the less likely the industry has in scoring an own goal!

Better outcomes for all: Good for the consumer. Good for the industry

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Note to editors:

This press release relates to eValue’s response to the Freedom and choice in pensions consultation paper (attached)

About eValue

eValue (www.eValueIS.com) provides market leading financial planning tools that enable advisers and consumers to understand the potential risk and return from different investment choices. Our tools and solutions are designed on a single piece of software. This means that they can be used either as a standalone or an integrated as part of a multi-channel offering to enhance the consumer/adviser experience. Over 80 per cent of all UK financial services institutions and more than half of the adviser market have access to eValue's tools and solutions. Our heritage originates from Towers Watson, a leading global risk management and HR consulting group. The business now operates as an associate company of FE (Financial Express Holdings).

Advisa Centa is a subsidiary of eValue and comprises a powerful suite of easy-to-use and intuitive tools designed to support the financial advisory process, from engaging consumers on the need for advice to analysing individual portfolios and products with a view to enabling full optimisation of existing assets. Regular upgrading of tools on the basis of emerging trends and customer feedback, means that they are continually refreshed. Through its highly configurable offering, Advisa Centa also enables advisers to quantify and demonstrate their added value to clients.

Moneybee (www.moneybeeonline.com) is a subsidiary of eValue and comprises a powerful suite of easy-to-use and intuitive solutions designed to support the investor decision making process in a practical way. Our dynamically engaging solutions illustrate the potential outcomes from using different investment strategies, from engaging consumers on the need for advice to analysing individual portfolios and products with a view to enabling full optimisation of existing assets. Regular upgrading of the solutions on the basis of emerging trends and customer feedback, means that they are continually refreshed. Through its highly configurable offering, Moneybee can be used to help consumers understand the associated financial risks and ramifications related to major financial decisions that affect their futures.