IndustryVoice

Analysis, commentary and trends for the UK mortgage and protection industry | Edition 17 Summer 2024

Retirement planning - Leaving no stone unturned

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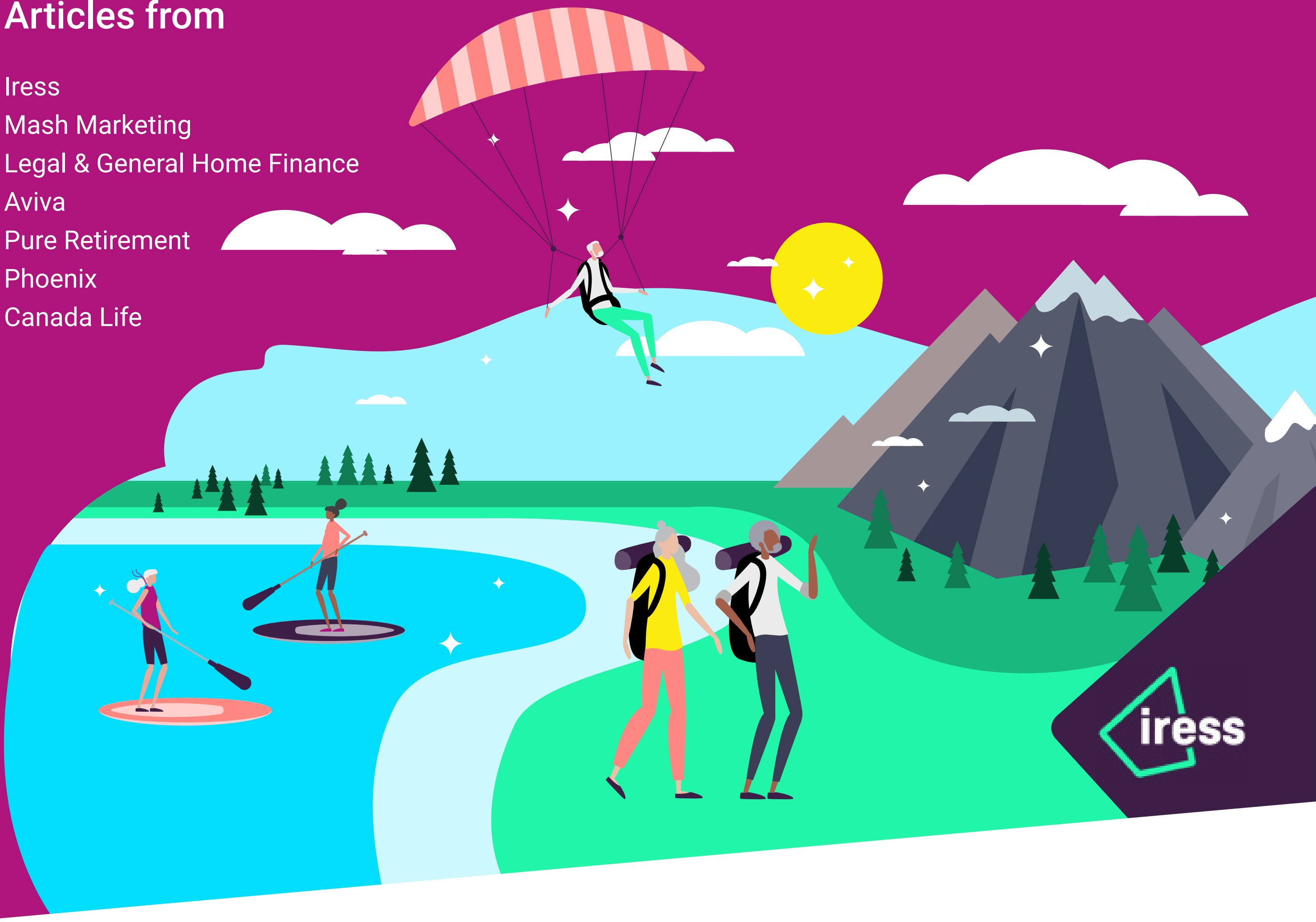

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Welcome

“Later Life – Leaving no stone unturned” is the theme for this edition of the Industry Voice and in this issue we’ve asked several leading providers for their viewpoints and what this means to them.

For this edition we look at the impact of Consumer Duty and how these standards are being upheld, the affordability of advice, vulnerability and we delve into the FCA thematic review on Retirement income.

A special thank you to our partners and contributors for sharing their thoughts about new plans, approaches and driving positive change to the relationships between providers and consumers.

If you would like to get in touch, please contact the Advertising & Sponsorship Manager, Neal Ray.

Visit: iress.com/industry-voice for more perspectives from our provider & lender partners about the issues affecting our industry.

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> We must ensure we are adequately identifying and supporting vulnerable clients. This requires diligent efforts to recognise different types of vulnerabilities and understand their impact on the approach needed."

With the evolution of the retirement landscape and changing demographics, it has never been more important to provide comprehensive advice and explore all available options to achieve the best possible outcomes for customers. This led to our theme of 'ensuring no stone is left unturned' when looking at options available. This presents challenges for Iress as a technology company, for product providers, advisers, and all others in the industry. At Iress, we are uniquely positioned with services across a broader range of product lines than any other software provider, and we recognise our role and duty in helping consumers achieve optimal results by obtaining the best advice across all options available.

We are looking at the impact of the themes of Consumer Duty, and considering how the standards are being upheld. Are all the products being presented and explained clearly enough for customers to fully understand? Are sufficient measures being taken to mitigate bias, especially considering the FCA's acknowledgement in their thematic review that adviser rewards vary significantly by product? Notable examples of differing rewards include drawdown versus annuities, and equity release versus retirement mortgages, noting differences in levels of expertise, and time taken to advise on these products.

Two other areas to consider are affordability of advice and vulnerability. The need for advice has increased considerably with retirement decisions and options being more complicated than ever, but the ability to afford the level of advice needed in this context remains an ongoing challenge. We must ensure we are adequately identifying and supporting vulnerable clients. This requires diligent efforts to recognise different types of vulnerabilities and understand their impact on the approach needed.

The recent FCA thematic review on Retirement Income has highlighted important themes and objectives, which will guide our continuous improvement efforts to enhance approaches and outcomes in the years to come.

Jacqueline Durbin, Global Head of Product - Life, Pensions & Mortgages, Iress

Advisers should leave **no stone unturned**

Robert Bowes
Senior Product Manager, Iress

Approaching a decade after pension freedoms and with the reduction in the number of defined benefit schemes, the days of being able to simply retire and receive a pension without having to make decisions or plan retirement is no longer an option for most people. Often there will be challenges in achieving the outcomes that people want, with some tough choices to be made.

Financial advisers must adopt a comprehensive approach to retirement planning, ensuring no stone is left unturned. This article explores the challenges and opportunities in the sector, highlighting the importance of holistic advice, the integration of pension funds and property wealth, and the pivotal role of technology in enhancing advisory services.

Affording financial advice

One of the primary challenges facing retirees in the UK is the affordability of financial advice. With the rising cost of living and increasing life expectancy, many individuals are finding it difficult to allocate funds for professional financial planning.

Based on the FCA Retirement Income data, where less than a third (32.9%) of pension plans accessed for the first time in 2022/23 were accessed by plan holders who took regulated advice; the majority are not receiving advice. Given the sizes of pension funds, affordability of advice is surely a key factor, though by no means the only one. This affordability gap underscores the need for advisers to offer cost-effective solutions without compromising the quality of their advice.

Holistic financial planning

Traditionally, retirement planning has focused predominantly on pension funds, but this level of focus is insufficient. Advisers must adopt a holistic view, considering all potential sources of retirement income. This includes not only pension funds but also property wealth, savings, investments, and potential inheritance (given many people now inherit from their parents in their sixties). For many retirees, property constitutes a substantial portion of their wealth. Advisers should be equipped to discuss options such as downsizing and equity release (alongside retirement mortgages and RIOs) to unlock this wealth effectively.

Needs may extend beyond a desired income profile throughout retirement, including helping younger relatives purchase a property or attend university, and a growing number of people are reaching retirement with a mortgage on their property which also needs to be factored in. According to the FCA, the proportion of mortgage customers over 67 is currently less than 2% of all loans; this is expected to rise to 5% by 2040 and almost 10% by 2050.

Covering all options

Retirement planning covers an extensive range of options each requiring deep knowledge, and as such advisers may only specialise in some areas and not cover others. As an example, the FCA Retirement Income Review highlights that only around 20% of firms advising on retirement income also sold lifetime lending products (and for the majority of this was a very small number of plans). It is important to ensure that advisers are aware of all options and have a way to offer them to customers, even if they do not advise directly on the products.

In these cases, advisers should consider cultivating a network of specialist advisers they can work with. This network may also include tax advisers, estate planners, and healthcare consultants, to provide comprehensive support for their clients. Collaborative relationships with other professionals ensure that clients receive well-rounded advice, covering all aspects of their retirement planning needs.

Holistic financial planning must also consider lifestyle and healthcare costs, which can significantly impact retirement savings. Long-term care insurance, health savings accounts, and potential healthcare expenses should be factored into the overall strategy. Advisers need to engage in thorough discussions with their clients about their expected retirement lifestyle, potential health issues, and how these factors influence their financial needs. Advisers also need to understand vulnerability and ensure this is properly considered when providing advice.

Enablement using technology

Technology can play a transformative role in addressing these challenges. By using the right software, advisers can offer more accurate and personalised advice. These tools enable advisers to assess various scenarios, forecast outcomes, and recommend strategies that are tailored to individual needs. Moreover, technology can enhance efficiency, reducing the time and cost associated with financial planning.

Technology can minimise the time needed to manage client data, carry out research and sourcing, freeing up advisers to focus on building client relationships and focussing on meeting their needs. This increased efficiency has the potential to reduce the cost of advice and increase the accessibility of advice to customers that desperately need it, but cannot afford it.

Technology facilitates better client engagement and education. Products can help clients visualise their retirement plans, understand the implications of different financial decisions, see the products available and the costs and features of these, and stay informed about their case progress. Enabling customers to understand their options will enable them to engage effectively and get the most from advice.

Continuous learning

As the retirement landscape continues to evolve, advisers must commit to continuous learning and professional development. Keeping abreast of regulatory changes, market trends, and new financial products is essential. Professional bodies and industry associations offer a wealth of resources, from certification programs to workshops and seminars, that can help advisers stay informed and competent.

In summary

The UK retirement market presents both challenges and opportunities for financial advisers. To serve their clients effectively, advisers must embrace a holistic approach to retirement planning, considering all potential sources of wealth and income, leveraging a network of other specialists where needed . Affordability of advice remains a critical issue, but technology offers promising solutions to enhance efficiency and reduce costs. By leaving no stone unturned and committing to continuous learning, advisers can ensure they provide comprehensive, high-quality advice that meets the diverse needs of today's retirees.

The importance of **holistic retirement planning**

Rachel Pease
Director, Mash Marketing Consultancy
(Later Life Marketing Services)

It's safe to say that there's a feeling of concern amongst those in later life when it comes to retirement planning.

In discussion with Let's Talk Ageing last year, consumers shared fears that they may need to work longer or perhaps never be able to retire at all. With the ongoing cost of living crisis, things haven't improved, and recent research from the Silver Marketing Association has revealed that the number one thing consumers are looking for is tangible support. Trusted support which will allow them the independence to enjoy their retirement in the way that they choose.

This trusted support must come in the form of reliable advice. Not advice that's disjointed or that focuses on just one area of retirement planning, but a holistic approach which examines the full spectrum of needs. Better conversations are needed to cover all eventualities, leaving no stone unturned when it comes to planning ahead. And this is something championed by the Society of Later Life Advisers (SOLLA), established to protect the rights of older consumers, knowing what a big difference the right advice at the right time can make for those in later life.

Unsurprisingly, vulnerability remains a big focus when it comes to ensuring the right client outcomes as part of Consumer Duty considerations. And SOLLA have created a bespoke training module for later life advisers, developed in collaboration with JUST, specifically concentrating on identifying and working with vulnerable clients and their families.

Vulnerability is a constant industry focus, with recent updates from UK Finance on the Vulnerable Victims Notifications process, first launched in 2021. Developed between UK Finance and Sussex and Surrey Police, it was designed to enable law enforcement to notify financial service providers of customer vulnerabilities which may make them susceptible to fraud. 18 regional police forces

> Funding for care remains one of the greatest concerns when it comes to the financials of later life."

and 14 banking brands have now signed up to the process, with more scheduled to start, and so far it has helped over 500 vulnerable customers, with 40 per cent of referrals flagging vulnerabilities that were unknown to the victims' banks. It's a real step in the right direction to help protect those who are vulnerable when it comes to the financials of later life.

Discussions about the provision of later life care are a huge part of holistic planning. With 1.4 million older people currently without access to the support they need, it's never been so important for financial advisers to be able to give their clients timely, relevant and trustworthy advice when it comes to adult social care.

There's a responsibility to demonstrate client understanding with adapted services and communications for those in vulnerable circumstances. Holistic and joined up care advice is essential to adhere to the cross-cutting rules, avoiding foreseeable harm and enabling customers to pursue their financial objectives, whatever their circumstance.

Technological innovations such as My Care Hub, recently launched by My Care Consultant, provide a real lifeline for advisers and their clients when it comes to managing the care journey as part of retirement planning. It's a digital care navigation service for financial advice firms to use with their clients and family members, providing them with an independent platform for care advice, while at the same time providing advisers support when it comes to approaching Vulnerability and Consumer Duty.

The care space is one which has certainly become a focus when it comes to holistic support for retirement. New companies such as RJ Advocacy have been established, specifically to provide those in later life with hands-on support for adult social care, offering advocacy and mediation services to provide the right support at the time when it's most needed. And funding for care remains one of the greatest concerns when it comes to the financials of later life.

Ultimately, customers are looking for a balance of support that allows them the independence they're looking for. For this to be effective, advice must consider the broad spectrum of needs, good and bad, when it comes to retirement planning. A siloed approach just won't benefit anyone, and as an industry, we need to maintain a wider perspective. Across our products, our services and our marketing approach, we need to keep in mind that there are so many moving parts when it comes to planning for the future, and customers will only engage with us if they're able to see those holistic benefits and the trusted, eyes-open support that they need.

The value of property and **good advice post-divorce**

David G Jones
Distribution Director, Legal & General

Divorce can have a huge impact on a person's life, costing them personally and financially. For divorcees aged 50 or over, the impact of divorce can be even more drastic, affecting their lifestyle and retirement plans.

More than half will consult a solicitor, but only 12% will get professional financial advice. The long-term wellbeing and security of your client could depend on getting the right guidance earlier in the process. There's a significant need for advisers to guide people through later life divorce and its consequences.

Planning for the future

We know that divorce could severely affect your client's retirement plans. Our research reveals that 21% of people who divorced over 50 see their retirement lifestyle negatively impacted because of their divorce, and 33% consciously downsized to control costs. When this life changing event happens at an older age, there is less opportunity to mitigate the impact.

Your role is to help your clients understand the bigger picture at what will be a stressful time for them. Decisions they make during a separation could affect their retirement plans or quality of life in the future, and your advice could make all the difference.

The value of advice

In practice, this means helping your clients consider often overlooked areas. As a mortgage adviser or broker, this could involve working alongside a financial adviser to look at the client's finances in greater depth. That includes both parties' pensions, savings and investments – not just the family home.

Decisions about the home also benefit from advice at the outset. You may quickly find you can give your clients options they may not have thought of. The emotional and practical upheaval of selling a family home could feel like the inevitable solution to your client. However, a later life mortgage, could allow one partner to buy the other out so that the family home doesn't have to be sold. Or the value of a pension asset could be offset against the value of the home.

> 21% of people who divorced over 50 see their retirement lifestyle negatively impacted because of their divorce."

Your over 50s clients may have paid off their mortgage or built-up substantial equity, so their property assets can be a major source of financial security. It's important for you to explain all their options. Or to direct them to someone in your network who has appropriate expertise.

Products to support you

Whether you're a later life lending specialist or considering getting qualified in equity release, the evolution of the later life lending industry can present more options for your clients.

For example, our Payment Term Lifetime Mortgage (PTLM) is an innovative addition to our range of later life mortgages. It can help borrowers access property wealth earlier - from age 50 rather than 55 - helping clients whose current needs are not being well served in the existing market.

While a lifetime mortgage isn't suitable for everyone, it can be an important consideration as part of a holistic approach to financial planning. As an adviser, you can give your clients the confidence to move on with peace and optimism following a separation.

If you have clients whose needs could be met with our Payment Term Lifetime Mortgage, learn more about the product today.

Visit our website here.

In recent times the equity release industry has experienced a number of challenges just at the point that many more customers were considering the benefits of the products fuelled by the low interest rates. However, there is now light at the end of the tunnel, the need for equity release has not changed but consumer confidence has been shaken and it is our role at Bower as Independent Advisers to ensure that all options open to a customer are discussed. Rates are important but the products are way more sophisticated than simply an interest rate. Tailoring solutions to customers' needs whilst keeping them fully informed, aware of risks and safeguards along with possible future changes takes a certain kind of adviser with the requisite skill set. Keeping abreast of changing regulations and compliance, along with awareness of client vulnerability, has to be central to any firm operating in this sector.

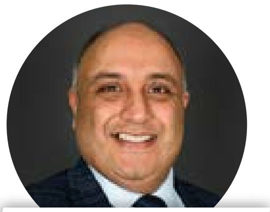
Geoff Charles, CEO, Bower

Annuities are no longer something the retirement income planner can ignore. With consumer understanding low, advisers are front and centre of the drive to explain how a guaranteed income for life, through an annuity, can be a suitable choice for later life income.

Tailoring the right solution for the individual is key: whether that be an annuity with capital protection through dependent's benefits, guarantee periods or value protection; using an annuity to meet fixed needs and drawdown to supplement everyday requirements; or a drawdown to flex income when needs are more variable and fix through an annuity later in life when needs are more predictable.

Helping your customers understand the building blocks available to provide income in later life and how to structure them to meet their individual circumstances, demonstrates the value a holistic retirement conversation can add.

Emma Watkins, Managing Director, Retirement & Longstanding, Scottish Widows



Today's later life lending market is rapidly evolving and we're seeing the development of more flexible and affordable options being brought to market. With the introduction of new innovative products, advisers are equipped with more options for their clients and are able to tailor solutions to their unique financial circumstances. Advisers play a crucial role in guiding customers through these choices, ensuring they make informed decisions that can significantly reduce their total cost of borrowing. By selecting a plan that aligns with their clients' current and future needs, they are able to achieve a better customer outcome. With a Horizon Interest Reward lifetime mortgage for example, clients can access a discounted interest rate and save themselves thousands in compound interest over the lifetime of their loan."

Sanjay Gadhia, Head of Sales, Standard Life Home Finance

Like many other announcements by the FCA recently, the thematic review also shone a light on practices in relation to vulnerable clients and the need for firms to do more in this area. For clients going through retirement this represents a significant shift in lifestyle, social engagement and personal worth, all facts that can have a significant impact on how resilient a person feels. Not all will be entering retirement with a sense of excitement, irrespective how large their pension fund is. Advisers need to be able to identify and support those who may experience vulnerable circumstances as a result of this change.

Jonathan Barrett, CEO, Comentis

Customers' needs are evolving, as the inevitable need increases for more people to carry housing acquisition debt into retirement, and it's pivotal the sector pushes forward with new ideas to reflect these changing lending patterns. The FCA's Consumer Duty makes it clear that consumer needs and positive outcomes are the ongoing priority, irrespective of an adviser-preferred business model.

The Flexi Payment Term Lifetime Mortgage represents more2life's ongoing commitment to making good on this duty. It was clear that some customers, unable to access higher LTVs on later life products, had sufficient affordability to meet the needs of a partial-interest product, but not that of a full-interest-served mortgage.

As an industry, our job is to engage in comprehensive conversations to assess the suitability of later life lending and identify the best route forward. Ultimately, later life lending products won't be right for every client, but it's important that customers understand the range of options available to make informed decisions about their financial future. Later life lending is no longer simply products of last resort; it's a key part of a new lending needs continuum.

Ben Waugh, Managing Director at more2life

In 2024, the equity release market has continued to evolve dynamically, reflecting significant demographic and economic shifts. Pressure on interest rates and LTV bandings have encouraged lenders to develop new products, where servicing interest can provide a higher level of borrowing or a lower interest rate, delivering a tailored solution to often diverse and complex borrowing needs.

However, arguably now more than ever, navigating the complexities of an equity release contract requires expert guidance, and this is where equity release solicitors play a pivotal role.

Independent legal advice is one of the core consumer safeguards in the modern equity release market and provides an invaluable layer of client protection. It is vital that clients spend time finding a suitably qualified lawyer who has experience of providing legal advice across the broad range of later life borrowing products that are available and can offer a technology driven, modern legal advice journey.

Matthew Taylor, Business Development Manager, Equilaw

Lifetime Mortgages: **Why health and lifestyle matters**

Neil Uttley
Retirement Key Account Manager, Aviva Home Finance

Assessing health and lifestyle information allows a provider to determine that the customer is likely to have shorter life expectancy than the average, because of that, some providers can therefore offer improved product terms, what is still sometimes misunderstood is that these improved terms can have two outcomes; qualifying customers could benefit from a higher LTV, a reduced interest rate, or sometimes both.

This pricing approach known commonly as "Enhanced Lifetime Mortgage" or "Medically Enhanced" has been around since 2011, but with this approach only making up 30% of Aviva's initial borrowing applications in 2023, this might indicate the feature is still being underused.

That 30% statistic is an increase from 15-20% in previous years, which on the surface is great that it's improved, however this period also coincides with LTVs in the market decreasing. This could indicate more advisers are asking medical questions to gain a higher LTV but may not be aware the customer's medical information could also reduce the interest rate on an Aviva Lifetime Mortgage.

Our belief is you should be asking the medical questions to every single customer that you meet, this not only allows you to see the true market picture of what's available for your customers, but also helps you meet the objectives under Consumer Duty to act in your clients' best interests and support their financial objectives.

The average customer taking a new drawdown lifetime mortgage is aged 68 years (the youngest seen since 2015) and the average customer taking a new lump sum lifetime mortgage is aged 68 years and 7 months (the oldest seen since 2015). According to the Office of National Statistics, "poorer" health starts on average for both genders between age 60 and 65, therefore if we look at the UK population today and the cohort of customers where a lifetime mortgage might be suitable, we know that:

- 60% of people aged 65+ have high blood pressure.
- 8% of males and females aged 65 -74, and 4% of males and females over 75 still smoke.
- Nearly 17% of those aged 65 to 74 have diabetes and this increases to 24% for those over 75.

In summary, there is a high likelihood of poor health in customers eligible for a Lifetime Mortgage in the UK today, therefore unless you gather the health and lifestyle information from every customer in each instance, you will not know whether they could have had improved product terms. This month, Aviva will be hosting a free CPD webinar that addresses this topic, including strategies for challenging customer assumptions and how to have these potentially difficult conversations regarding health and lifestyle information. Keep an eye out on social media to make sure you don't miss out.

In addition to our online support area you can also email erbusinesssupport@aviva.com to arrange a callback where our team of Business Development Managers can help you with any questions you have on this, or any other topic.

The post-completion customer journey: **how are standards being upheld in the later life sector?**

Suzanne Latimer
Head of Mortgage Servicing, Pure Retirement

According to our Q1 data there's been a rise in equity release customers from the younger end of the age spectrum. From 2% in 2023, those in the age 55-59 bracket now make up 4% of customers, while the 60-64 bracket has increased 3% year-on-year to now sit at 18%, and in total. In 2023, 40% of those who took out new equity release plans were under 70, which has risen to 43% a year later.

With customers now applying in higher levels from the younger age brackets, most discourse around the equity release customer journey has been around pre-completion advice and ensuring lifetime mortgages (and similar products) are right for them, especially following the implementation of the FCA's Consumer Duty. While it's undoubtedly essential that we, as a sector, ensure that those exploring later life lending are finding solutions that are right for them, it's similarly important that we don't lose sight of the fact that, in most cases, those who do take out a lifetime mortgage are entering into a multi-decade relationship with both lender and adviser.

Over that period, many will need to access key features of their lifetime mortgages or even potentially undergo a change of circumstances. The question is, how is the later life lending sector best serving those customers and helping them make informed decisions post-completion?

That was the question posed by the Equity Release Council a year ago as part of its working group looking specifically at formulating a post-completion customer communication framework, which we were proud to have been a part of. As part of the methodology, a detailed examination of the customer journey was undertaken, looking at the key touchpoints they'd likely experience once they took out a lifetime mortgage and suggesting appropriate literature from lenders to enhance their understanding further.

This ultimately included a guide at the initial point of completion laying out the lifetime mortgage features and processes customers can access, and how they work, alongside significant life events such as mortgage porting, redemption, and bereavement. The Council's framework aims to provide customers with the best experience, and one standardised across the industry so that applicants get a consistent journey.

The Council's recently launched guide to communicating clearly and simply, created in partnership with Fairer Finance, is a testament to our commitment to driving industry standards. This guide, aimed holistically across the sector for both advisers and lenders, underscores the crucial role of effective communication in shaping the customer's journey. From language guidance, through to font size and document structure, this new guide offers an easily digestible resource to help us all play a part in ensuring that later life lending is a customer-focused sector, delivering good outcomes through effective communication.

As later life lending becomes increasingly mainstream, it's more important than ever to think about the overall customer journey and acknowledge that customer relationships are long-term commitments. Over this time, how we communicate with them and the information we provide them to aid their decision-making will define their experience (and likely colour the opinion of those close to them, such as family). The guidance offered by the Council helps play a pivotal role in continuing the development arc that the market has undergone in recent years regarding improving standards.

Maintaining post-completion standards is a crucial part of consistently delivering for our customers over a prolonged period, whether through thoroughly reviewing our literature and communications to make sure they're fit for purpose or even holding customer focus days to gauge customer understanding. It's something we've all a responsibility to ensure we're meeting, and something we passionately believe in at Pure and will continue to remain committed to for the benefit of advisers and their customers alike.

How can advisers deliver **good retirement outcomes** in challenging conditions?

Claire Altman
Managing Director, Individual Retirement,
Standard Life (Part of Phoenix Group)

Just like those in many other industries, financial advisers have had a challenging time over the past few years. Some of the dilemmas they're facing are specific to advice, while others affect all financial services.

When it comes to clients' retirement planning, economic uncertainty and increased regulation are two of the bigger challenges, but we offer some ideas as to how they can be managed.

Economic uncertainty

In late 2022, UK inflation reached 11.1%, its highest level in over 40 years. Rapidly increasing consumer prices are, as we know, reflected in the still-prevalent increased cost-of-living crisis. Geopolitical events – like the global recovery from Covid-19 and the war in Ukraine, with its resulting supply-chain difficulties, have fed into inflation's surge and underpinned volatility in share prices.

Like other global central banks, the Bank of England stepped in to curb inflation by tightening monetary policy. To do so, it raised interest rates 14 times between November 2021 and August 2023. By that point, rates had reached 5.25%, their highest level since the global financial crisis . They were still at this level at the time of writing, although there are some signs that the Bank's monetary policy committee will start to lower them in the coming months.

Many clients felt reluctant to invest in these circumstances. Instead, they opted for what they viewed as the security and favourable rates offered by investing in money market instruments (including cash).

Understanding what clients need – according to the regulator…

In parallel with the market and economic uncertainty, financial services companies have found themselves subject to stricter consumer duty rules. The Financial Conduct Authority (FCA) has described these as a "paradigm shift" in how it expects firms to treat their customers, selling the right products to the right people and helping them to "avoid foreseeable harm".

More specific to the advice industry are the outcomes of the regulator's Review of Retirement Income Advice. This review, for which the FCA surveyed 977 firms, focused on customers in decumulation. It highlighted that some advisers need to

- undertake more consistent cashflow modelling

> 80% of those who see their adviser several times a year believe it's made them financially better off."

- adopt a centralised retirement proposition, and clearly define a client's road to retirement
- review each client's risk profile and capacity for loss more regularly.

The FCA also noted the need for advisers to document and provide evidence for the entire planning process.

At Standard Life, we polled advisers on their top takeaways from the Review. The results aligned with the FCA highlights above – income withdrawal strategy was the most popular response, with 16% of the vote. Overall, a quarter of those we asked said they expected the Review to lead to better outcomes for their clients.

What clients want – according to our research

At Standard Life, we use our annual Retirement Voice survey to capture the nation's thoughts and feelings about some of the most pressing financial issues. In 2023, we surveyed 6,000 adults across a variety of ages, backgrounds and wealth levels.

One of the most interesting findings was the high demand for both flexibility and certainty when it comes to income in retirement. Nine out of ten people say that both elements are important to them. Much like the FCA's review, this highlights the need for cashflow modelling, risk profiling and holistic retirement planning. Given that they offer a guaranteed income, annuities are one type of product you could consider for your clients' portfolios as part of this process. Annuity rates have climbed in recent years, too, driven higher by surging inflation and interest rates.

Respondents also viewed pension contributions as being crucial for achieving financial certainty – only 6% have stopped or cut back amid the cost-of-living crisis.

The report showed that financial worries are unsurprisingly taking a clear toll. A quarter of the people we asked said that managing their money has caused them to lose sleep. Happily, though, it also revealed the power of financial planning and advice. Almost 80% of those who see their adviser several times a year believe it's made them financially better off.

A lot to consider

For advisers, there's a lot to think about when it comes to helping clients have a good journey to and through retirement. How can they meet the demands of more stringent legislation, while also catering to clients' (often complex) individual requirements?

We believe that industry innovation in products and services can span the gap between pre- and post-retirement phases, and support advisers and their customers through the complexities of the process all supported by greater uptake of holistic, regular advice and planning.

Combining the two means we stand a much better chance of providing customers with the retirement outcomes they need, as well as those that they want.

1. Source: https://www.bankofengland.co.uk/-/media/boe/files/speech/2023/november/uk-inflation-since-the-pandemic-how-did-we-get-here-and-where-are-we-going-speech-by-jonathan-haskel.pdf

2. Source: https://www.bbc.co.uk/news/business-50837114

Retirees shun financial advice, but wish they had a plan

Tom Evans
Managing Director, Canada Life

Four in five (79%) **over 55s are charting their own path to retirement**, shunning guidance and advice.

However, nearly **one in three** (29%) **over 55s** who have retired are **not experiencing the retirement they dreamed of**.

Issues such as **health, rising living costs and unexpected bills are impacting the retirement experience for the over 55s**.

We asked over 55s how they were finding the overall retirement experience, given the ongoing economic pressures of rising living costs.

The research found four in five (79%) of over 55s who have retired, did so without the help of financial guidance or advice, preferring to opt for a DIY approach to managing their finances. This comes as nearly one in three (29%) of the same group admit they are not experiencing the retirement they dreamed of. More positively, two in five are (39%).

One in ten retirees (11%) did not anticipate just how much money they would need in retirement and are finding life after work more difficult than they expected and wished they'd planned properly (11%).

More than a third (36%) of retirees said they had experienced unexpected health challenges, however 27% said that although they weren't living the retirement they'd planned, they were still very happy.

Money, or lack of, are big drivers of overall retirement satisfaction for the over 55s. Inflation and the cost-of-living crisis are having a negative effect on retirees, with one in five (21%) saying they hadn't factored rising costs into their plans. Preparing for unexpected costs has also caught retirees out, with 13% receiving bills they weren't expecting. A relative lack of savings (12%) was cited by one in ten who said they didn't have enough money to live the retirement they planned, while a similar number of over 55s (11%) did not anticipate just how much money was needed to fund retirement.

It's clear from this insight that people's experiences of retirement vary quite widely. While a lack of retirement funds, and the impact of rising costs are clearly issues facing the current generation of retirees, unexpected health issues trump both of those, and the dreams of many have been shattered.

Planning your retirement and ensuring it is flexible enough to navigate the many challenges you will face is vital to feel in control to enjoy your later years. Engaging the services of a qualified financial adviser early on is a fundamental part of that process. An adviser will not only be able to help with product choice, investment selection and tax, but will help you navigate any unexpected bumps in the road along the way.

Like other product lines such as mortgages, the retirement market has been impacted by the move to a new normal; from a bank base rate close to zero, to a return to much closer to the long term average. This impacts the dynamics across products considerably, as we see with usage and levels of engagement across the retirement products offered by Iress. With annuities there are important reasons why these should be considered for every client at retirement, and as part of annual drawdown reviews, in addition to the more attractive rates available. As another example, we are seeing innovation in the equity release space as a result of the new economic environment, enabling more clients to be served by this option. The rapid change in conditions, and the high inflation environment that is hopefully behind us, emphasises how quickly things can evolve. This adds to the importance of the broadest advice, facilitated by the most effective tools - to help customers achieve the retirement they wish for.

Warren O'Connell, Head of Business Development, Sourcing, Iress

Our latest research sheds light on the financial anxieties among over-55s regarding mortgage affordability and accessibility. Lenders' age limit restrictions pose significant challenges for older borrowers seeking new mortgages or remortgages with 60% of respondents believing there's a lack of tailored financial products, emphasising the need for more inclusive solutions. Many older borrowers are contemplating selling or downsizing their homes to mitigate financial challenges. The lack of options for people over 55 is a significant concern. For Perenna, age is just a number. A product without a maximum age limit provides an alternative option for those wanting to make the most of their retirement.

John Davison, Head of Products, Proposition & Distribution, Perenna

While the concept of truly holistic financial advice – namely, advice which looks at a client's entire financial picture, both in the long and short term - is fairly simple, the delivery of this service is anything but. Not only is there the need to obtain and maintain numerous qualifications to operate in our highly regulated market but time is also needed to keep on top of general market trends. This is likely to be a full-time job without even speaking to a customer. Instead, it would seem simpler (and more cost-effective) to become a specialist in a field but cultivate a broad knowledge of financial services and a network of trusted specialist referral partners. This would allow you to do what is right for the customer by passing them on to a true expert and you may even find you benefit from reciprocal referrals.

Kelly Melville-Kelly, Director of Risk, Policy and Compliance, Equity Release Council

Get in touch

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