



AKG

IN ASSOCIATION WITH:



Ten Years of Freedoms

Lessons, Gaps, and the Road Ahead

CONTENTS

1. BACKGROUND	3	6. CONSUMER SCENE - RETIREMENT CONCERNS.....	13	11. THE FUTURE - INNOVATION.....	24
1.1 Market Research Elements.....	3	6.1 What is on the consumer's mind?.....	13	11.1 Areas of innovation	24
Consumer research (quantitative)	3	6.2 What is on the advised client's mind?.....	13	11.2 Innovation in technology/AI - Advice firm interviews	24
Adviser research (quantitative).....	3	6.3 Concerns for clients – Advice firm interviews	14		
Adviser research (qualitative).....	3				
1.2 Sponsors	4	7. BUSINESS CONCERNS FOR ADVICE FIRMS	15	12. THE FUTURE – ADVICE BACKDROP, BUSINESS FLOWS AND EVOLUTION.....	26
2. EXECUTIVE SUMMARY	5	7.1 Retirement Income Review impact.....	15	12.1 Further regulatory or legislative change/input required?	
		7.2 Retirement Income Review impact - Advice firm interviews.....	15	- Advice firm interviews.....	26
		7.3 Key concerns for advice businesses	16	12.2 Optimal application of tech and digital services	
				- Advice firm interviews.....	26
3. CONSUMER SCENE – AWARENESS OF PENSION CHANGES	7	8. PROVIDER SCENE - THE OUTLOOK FOR PROVIDERS	17	12.3 Looking forward – business flows and opportunities	
3.1 Awareness of pension freedoms changes.....	7	8.1 Who will flourish?.....	17	- Advice firm interviews.....	27
3.2 Awareness of pension access options and requirements.....	7	8.2 Key requirements for success.....	17		
3.3 Awareness of pension/IHT changes.....	8	8.3 Future winners - Advice firm interviews.....	18	APPENDIX A – ADVISER SURVEY QUESTIONS.....	28
				APPENDIX B – CONSUMER SURVEY QUESTIONS	29
4. ‘FREEDOMS’ PERSPECTIVES – CONSUMER AND ADVISER		9. PROPOSITION SCENE - OUTLOOK FOR SOLUTIONS	19	APPENDIX C – VERBATIM COMMENTS; ADVICE FIRM INTERVIEWS.....	30
4.1 Consumer take on impact of freedoms on retirement.....	9	9.1 How would you prefer to generate income from pension savings? ..	19		
4.2 Perspective on impact of freedoms.....	9	9.2 Product outlook.....	19		
4.3 Perspective on impact of freedoms - Advice firm interviews.....	10	9.3 Investment solutions outlook.....	20		
		9.4 Product outlook – Advice firm interviews.....	20		
		9.5 Tool outlook – Advice firm interviews.....	21		
5. CONSUMER SCENE - GAUGING RETIREMENT PERSPECTIVES	11	10. THE FUTURE – FILLING THE ADVICE/GUIDANCE GAP... 22			
5.1 Views on retirement; a clear break from work?.....	11	10.1 Trusted advice sources - Where to go for guidance/advice.....	22		
5.2 Views on retirement; what type of period will it represent?.....	11	10.2 Methods of engagement with guidance/advice	23		
5.3 Views on retirement; Planned retirement age	12	10.3 Paying for advice.....	23		
5.4 Views on retirement; Retirement confidence.....	12				
5.5 Views on retirement; how will you spend pension savings?.....	12				




AKG has made every effort to ensure the accuracy of the content of this paper, but AKG (inclusive of its directors, officers, staff and shareholders and any affiliated third parties) cannot accept any liability to any party in respect of, or resulting from, errors or omissions. AKG information, comments and opinion, as expressed in the form of its analysis and ratings, do not establish or seek to establish suitability in any individual regard and AKG does not provide, explicitly or implicitly, through this paper and its content, or any other assessment, rating or commentary, any form of investment advice or fiduciary service.

Third party trademarks are used with the permission of their respective owners.

BACKGROUND



AKG has previously carried out pension freedoms themed research projects in 2015, 2018 and 2022, culminating in the publication of the following industry papers.

-  **Clearing the hurdles to business success in the retirement income market, July 2015**
-  **Grasping the nettle: Working together to achieve better retirement outcomes, May 2018**
-  **Freedoms revisited: Where do we go from here? July 2022**

Naturally in the approach to the tenth anniversary of pension freedoms it was the perfect time to revisit this theme and work on our latest pension freedoms project. We are therefore delighted to welcome you to 'Ten Years of Freedoms – Lessons, Gaps, and the Road Ahead'.

Whilst there is obviously an element of reflection involved, we want this paper to appraise the 'here and now' of the pensions/retirement market and to look ahead at what needs to come next in these pivotal few years. Crucially, we're providing fresh research insight from consumers and advisers to inform the paper. In highlighting and discussing many of the key issues of the day we want this paper to create a platform for ongoing dialogue and debate in the industry, for AKG, the sponsors and for other key industry stakeholders.

1.1 // MARKET RESEARCH ELEMENTS

Ensuring the paper is underpinned by key insights, and in keeping with our approach to such projects, AKG has carried out three separate but complementary market research exercises with consumers and advisers. This paper therefore showcases findings and sentiment born out of the following exercises:

Consumer research (quantitative)

A quantitative online consumer survey was completed. This research was conducted on AKG's behalf by Opinimum Research. The field dates for this research were 21 to 25 March 2025.

The consumer research sample was 2000 UK adults, weighted to nationally representative criteria. A list of the questions posed in this survey is included in **Appendix A**.

Adviser research (quantitative)

This online survey was conducted on AKG's behalf by Pureprofile. The research field date was 19 March 2025. The research sample was 100 advisers.

A list of the questions posed to advisers via this survey is included in **Appendix B**.

Adviser research (qualitative)

This element involved facilitation of a series of online/telephone interviews which were conducted on AKG's behalf by Frank Fletcher of Widewater Consulting between mid-February and mid-March 2025.

Using a discussion guide as a prompt, interviews typically lasted around 30 minutes and were carried out on a confidential basis. A total of 17 interviews were conducted with 18 individuals – operating across a variety of functions/roles – from a range of different firms engaged in the advice industry.

A broad range of advice firm types is represented in the research sample. These included financial advice, financial planning and wealth management firms, as well as national advice groups, aggregators/consolidators and networks/compliance organisations. Views of corporate advisers/EBCs are also captured.

In each research exercise of this type we facilitate, and as advice firm types continue to evolve and overlap, ultimate classification of firms is becoming more challenging. But it is necessary so that we can understand different perspectives by firm type. It is also important for the purpose of ensuring confidentiality of responses when it comes to quoting verbatim comments from participants that help to bring additional colour to this research.

We ask respondents to self-classify as far as possible, but we have then used a process of post-fieldwork analysis to ensure we have a small enough but robust enough classification model. In this case we have landed on four distinct groups of responses, but we recognise there remains overlap between firm types.

The groups identified are:

- Support, service providers, networks, consolidators (5 firms - verbatim comments indicated by 'S')
- Workplace focus including EBCs and firms for whom the workplace is a key source of business and area of expertise (3 firms - verbatim comments indicated by 'W')
- Mainstream/Mass affluent advice firms with a range of different business models (6 firms - verbatim comments indicated by 'M')
- Holistic wealth/family planners (3 firms - verbatim comments indicated by 'H')

A range of verbatim comments from interview participants are illustrated in **Appendix C**.

I.2 // SPONSORS

This AKG industry research publication is sponsored by Fidelity and Standard Life, and we would like to extend our thanks to them for supporting this project.



Contextual quotes from representatives at each of the sponsor companies are also included within the paper.

EXECUTIVE SUMMARY

Flexibility comes with consequences – Generally pension freedoms changes are viewed as positive, given the flexibility now available in how consumers can access pension savings, but with this flexibility comes responsibility for choices made and associated consequences. This can be challenging even with the support of professional financial advice, but even harder without.

Pension purpose restored – Much has been talked about since pension freedoms were introduced around the core purpose of and intended outcome for pension saving, but for the majority it feels like this requirement has returned to the provision of a retirement income to replace salary and support living in retirement.

Re-establishing pensions as the primary source of retirement income – Similarly, much has been discussed around the optimal order in which a client with multiple savings pots (pension and otherwise) might access these assets in retirement, but given recent legislative changes it is felt that pensions will typically return to being the first pot accessed from a planning perspective.

Education, education, education – There remains an obvious requirement for better access to educational resources on pensions/retirement matters and this applies across age groups. As can be seen from the consumer research, awareness of changes to legislation, of pension access rules and of product terminology is generally low and can be improved.

Prevailing conditions creating perfect storm for planning – Rising cost of living/inflation, running out of money, paying for care in older age, political instability/future pension rule changes and paying more tax than necessary were all selected as concerns by consumers and serve to illustrate challenges around retirement planning and decision making against the current backdrop. Together this presents an opportunity for advice firms and emphasises the importance of high quality information and tailored guidance.

Uncertainty felt by advisers – Advisers also acknowledge the challenge of planning with clients for the long term against an uncertain legislative/regulatory backdrop in the short term.

Advice/support gap exacerbated – Clearly pension freedoms have been good news for advice firms who are able to work with paying clients to identify suitable retirement planning strategies, but the new flexibilities have also served to exacerbate the challenges faced by those without such relationships in place. The well documented advice/guidance gap for pensions has been heavily underscored and the non-advised need more options for decision making support.

‘Sprinting’ to the rescue? – FCA has wanted the industry to innovate, and the industry has wanted clearer advice/guidance boundaries from FCA. This has created a progress blockage for a while now but there is optimism about a breakthrough. Recent updates from the FCA on the boundaries and targeted support have been well received, with some sprint work amongst potential solution providers underway. Still plenty of work to come, but huge opportunity in the industry amid excitement that 2025/26 could be a seismic period for guidance solutions.

Tech and AI; a little less conversation – Throughout the paper it is clear to see that technology and AI will have a critical role to play in the future success of the pensions/retirement market. But, amongst all the talk, the industry needs to see more practical and tangible progress made in terms of where tech and AI can create improvements and efficiencies, as well as where it might support development of engagement and guidance.

Advice firm comfort in retirement processes and ‘bucketed’ approach – Apart from the need for more decumulation focused investment services, advice firms via the interviews see less need for huge product development believing that advice itself is the key product. The ‘three bucket’ approach so effectively enabled by cash flow planning and modelling tools dividing client assets and pension income to cover essential household spending, discretionary objectives and aspirational spending is seen as the main route forward.

Spouse and family engagement vital for intergen planning – More firms are heard to be moving towards or considering a family unit client definition rather than individual. There are several reasons for this. The most obvious is the intergenerational aspect of long term financial planning. More immediately – and this subject cropped up repeatedly in this research exercise – there is a growing awareness of the need to engage female family members more comprehensively in financial planning and decision making.

Annuity and drawdown co-existence – It has been relatively slow to do so, but the product market is evolving. Whilst drawdown has largely been viewed as the product ‘winner’ post-freedoms, the annuity revival is obvious through rate competitiveness and industry sales stats. And with the main purpose of a pension restored, the draw of guaranteed retirement income supply will be there for many. The adviser survey points towards room for a range of product types in the market. The next step and challenge for the market is around how the two core product types can co-exist and potentially be blended where circumstances require.

‘Combi-products’ – turning theory into reality – Positivity around the theory of ‘combi-products’ which balance investment exposure with provision of secure income is seen in the adviser survey, but from the interviews there is some reticence around what type of client profile/segment these are suitable for and potential concern about how they fit into the advice processes already used in advice firms. It is suggested that tools which can model scenarios with usage of such solutions would be a useful addition moving forward.

Competitive market positive for range of providers – The UK pensions and retirement market continues to offer intriguing growth opportunities for a diverse range of provider types, including Insurance Companies, Master Trust providers and platform operators, but they will need to deliver when it comes to meeting advice firm requirements and deliver compelling service.

Workplace opportunities huge – As auto enrolment pots grow and member profiles mature, the role of workplace pensions will come into huge focus at the approach to accessing savings and entering retirement. Hence the workplace scene is viewed as an area of huge opportunity for a range of market players, around both the provision of advice and guidance solutions, as well as mainstream retirement income solutions.

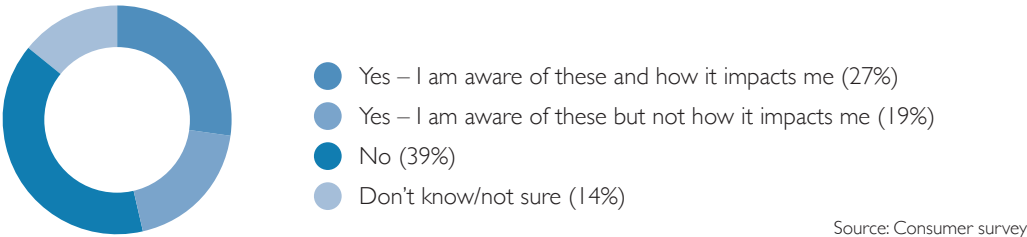
Pensions dashboards progress a necessity – Advice firms interviewed are positive about the future role that can be played in the market by dashboards, but express frustration with perceived lack of development/delivery progress. This cannot become the industry’s ‘HS2’.

CONSUMER SCENE – AWARENESS OF PENSION CHANGES

3.1 // AWARENESS OF PENSION FREEDOMS CHANGES

For starters, and despite it being 10 years since the changes were introduced, we wanted to explore consumer awareness of pension freedoms.

Were you aware of pension freedoms changes?



Source: Consumer survey

For such significant changes, overall consumer awareness wasn't particularly high. Just under half (47%) of those surveyed expressed awareness of the pension freedoms changes; split between 27% being aware of changes and impact on them, and 19% being broadly aware of changes but not sure on impact.

Over one-third (39%) were not aware of the changes, with 14% registering don't know/not sure.

If it were needed as a reminder to us all, and this will be a recurring theme throughout the paper; just because the industry discusses something a lot doesn't mean consumers share this awareness.

3.2 // AWARENESS OF PENSION ACCESS OPTIONS AND REQUIREMENTS

General knowledge of pension rules and accessibility was also tested via a series of statements in the consumer survey and as can be seen in these findings, awareness and understanding is mixed. It is obvious the industry still has lots to do when it comes to educating consumers about pensions.

Do you understand the following statements to be true or false when it comes to accessing pension savings at retirement?

	25% of pensions can be taken as tax-free as cash	Pension savings can be accessed from age 55	The amount of tax paid on a pension can change as a result of how the money is taken	Free pension guidance is available from the Government	Financial advice is needed to access pension savings	Annuity needs to be purchased to access pension savings	Pension funds can be left to dependants in a will	Pension savings can be used however the recipient wants	The FCA has guidance on how to access pension savings	Pensions can be taken in full as tax-free cash
True	54%	55%	51%	65%	22%	18%	46%	48%	52%	20%
False	8%	11%	8%	6%	47%	30%	11%	16%	7%	43%
Don't know/not sure	38%	34%	41%	29%	31%	52%	43%	36%	41%	38%

Source: Consumer survey

3.3 // AWARENESS OF PENSION/IHT CHANGES

Bringing things right up to date, we also explored consumer awareness of, and responses to, the changes announced in the 2024 Autumn Budget, where the Chancellor announced that from April 2027 unused pension savings may be included in the estate for Inheritance Tax.

Around one-third of those surveyed don't know/are not sure, whilst just under half (47%) haven't changed plans on how they will use pension savings in the context of the forthcoming inheritance tax changes.

Have you changed plans on how you will use your pension savings because of IHT changes?

47%

No – I haven't changed the plans on how I'm going to use my pension savings

32%

Don't know/not sure

8%

Yes – I plan to increase my regular pension income to a level I wasn't planning on before

7%

Yes – I plan to buy an annuity, when I previously wasn't planning to do so

7%

Yes – I plan to take out a lump sum when I wasn't previously planning to do so

6%

Yes – I plan to gift lump sums to beneficiaries

Source: Consumer survey

'FREEDOMS' PERSPECTIVES – CONSUMER AND ADVISER

4.1 // CONSUMER TAKE ON IMPACT OF FREEDOMS ON RETIREMENT

Continuing to think about pension freedoms and retirement more generally, those consumers who expressed awareness of the changes were asked to what extent they agree or disagree with a range of sentiment statements. All pointing to additional flexibility and choice, but that comes with responsibility and consequences.

- 71% of this subset – 28% strongly agree; 43% agree somewhat – appreciate the flexibility in accessing their pension at retirement
- 59% of this subset – 22% strongly agree; 37% agree somewhat – are trying to balance investment risks with financial security in retirement
- 54% of this subset – 25% strongly agree; 29% agree somewhat – worry they won't be able to afford their ideal retirement lifestyle and so are considering working longer
- 45% of this subset – 17% strongly agree; 29% agree somewhat – worry that having more flexibility means they could run out of money in retirement
- 44% of this subset – 18% strongly agree; 26% agree somewhat – find retirement options more confusing since pension freedoms changes were introduced

Continuing to think about pension freedoms and retirement more generally, to what extent do you agree or disagree with the following statements?

	I appreciate the flexibility in accessing my pension at retirement	I find retirement options more confusing since the pension freedoms changes were introduced	I worry that having more flexibility means I could run out of money in retirement	I'm trying to balance investment risks with financial security in retirement	I worry I won't be able to afford my ideal retirement lifestyle, so I'm considering working longer
Strongly agree	28%	18%	17%	22%	25%
Agree somewhat	43%	26%	29%	37%	29%
Neither agree nor disagree	23%	31%	27%	26%	23%
Disagree somewhat	3%	15%	15%	6%	13%
Strongly disagree	1%	7%	9%	6%	9%
Don't know	2%	3%	3%	3%	1%
NET: Agree	71%	44%	45%	59%	54%
NET: Disagree	4%	22%	24%	12%	22%

Source: Consumer survey

4.2 // PERSPECTIVE ON IMPACT OF FREEDOMS

Mixed grades were given for the impact of pension freedoms on client outcomes in the adviser survey.

Of positive note – 51% feel that more flexibility in accessing/withdrawing money from retirement savings is good, while 47% feel more personalised retirement strategies can now be planned with clients.

Of more negative sentiment – 43% feel more flexibility and wider retirement options are confusing for clients, 41% feel more flexibility means there is now more chance clients will run out of money in retirement and 42% feel increased use of drawdown has exposed more clients to investment risk at the expense of income security.

But for advisers, positive or negative sentiment on client impact aside, pension freedoms have undoubtedly provided great opportunity to promote their services and deliver vital support to clients with retirement planning options. However, for non-advised clients, this negative sentiment on freedoms highlights potential pitfalls facing those in retirement without planning support. All pointing to additional flexibility and choice, but that comes with consequences.

Ten years on from pension freedoms, do you think the changes introduced have improved client outcomes?

More flexibility in accessing and withdrawing money from retirement savings is good for clients - 51%

More personalised retirement strategies can now be planned with clients - 47%

More flexibility and wider retirement options are confusing for clients - 43%

Increased use of drawdown has exposed more clients to investment risk at the expense of income security - 42%

More flexibility means there is now more chance clients will run out of money in retirement - 41%

Source: Adviser survey

"Ten years on, Pension Freedoms continues to shape and influence our industry and it's clear that while many value choice, people currently face complex, life changing decisions often without the support necessary to achieve the best outcome for them. Full financial advice remains the gold standard and if we want to continue revolutionising people's retirement prospects across the next decade, we need collaboration between government, regulators, providers and advisers to take positive steps towards helping more people when it comes to making major financial decisions around retirement. We know that many are unwilling or unable to seek advice and addressing adequacy and access are key. The ongoing consultation on Targeted Support, if implemented properly, has the potential to address the balance where worryingly 90% of people are making retirement decisions unsupported."

Warren Bright - Head of Retail Intermediary Distribution, Standard Life

4.3 // PERSPECTIVE ON IMPACT OF FREEDOMS - ADVICE FIRM INTERVIEWS

Via our series of qualitative interviews with advice firms, participants were asked to give their take on key pension freedoms impact points on their firm and its clients over the past 10 years.

Generally, they feel that few of the initial fears about freedoms have proved to be an issue. Initial fears of reckless spending - such as high-end purchases or rapid depletion of pension funds - have largely not materialised. There have been some anecdotal cautionary tales about the potential impact of tax on ill-conceived encashment approaches, but for advised clients, incidences are few and far between. As ever, where they have occurred, they have highlighted the need for advice or guidance rather than just information.

In the meantime, a framework has been developed for helping address the requirements of insistent clients. Consumer Duty and other protective measures – for example relating to identifying and servicing vulnerable clients – have become increasingly supportive of preventing/reducing scope for consumer harm. All are focused on ensuring the right product at a fair price, client understanding, positive outcomes and demonstrably documented processes.

Many of the key impact points in the last ten years are felt to come from related developments along the way rather than from the pension freedoms themselves.

Prior to the freedoms, pensions were designed as a vehicle to provide an income in retirement for their members. With their attractive tax advantages, however, they have evolved to become a powerful estate and inheritance tax planning tool and hence viewed as income generation resource of final, rather than first, resort. From an advice industry point of view this has been viewed as one of the major consequences of pension freedoms. But, under the new government, it is felt this is all about to change and pensions will now often revert to their original purpose – to provide income in retirement.

Auto-enrolment, very far from perfectly constructed and implemented, is also cited by those interviewed as a major positive influence and many believe its impact will grow as the market matures and pot sizes grow in future years. It is felt that contributions need to be higher and education needs to be better, especially in the early stages for members and then particularly at the retirement interface stage. Participants acknowledge the positivity around recent advice/guidance boundary developments.

Some of those interviewed note providers are becoming more focused on 'the journey' and employers are increasingly supportive in facilitating and enhancing financial wellbeing.

But it is the evolution of pensions as a wealth transfer vehicle which has been seen as pivotal for the advice sector. Individuals have retained their investments longer (indeed one concern is that investment providers have not kept pace with the market in terms of development of decumulation specific investment strategies). This has provided a positive background for the development of tools for cash flow planning and drawdown – now absolutely fundamental to the market – something that was not universally the case before pension freedoms.

Also, the concept of flexibility, personalisation and tailoring have become more important over the last 10 years.

CONSUMER SCENE - GAUGING RETIREMENT PERSPECTIVES

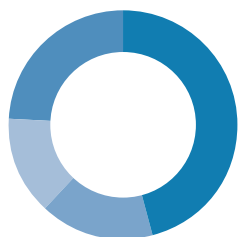
5.1 // VIEWS ON RETIREMENT; A CLEAR BREAK FROM WORK?

Just under half (46%) of those consumers surveyed feel that retirement will represent a clear break from work where they can fully relax, maintaining the more traditional view.

But 16% see retirement as a time when they will still work part-time, through choice or necessity, and 14% see it as a time where they will do voluntary work.

One-quarter (24%) don't know how they see things when it comes to retirement.

Which of these statements best describes how you see retirement?



- A clear break from work where I can fully relax (46%)
- A time when I'll still work part-time (16%)
- A time where I will do voluntary work (14%)
- I don't know (24%)

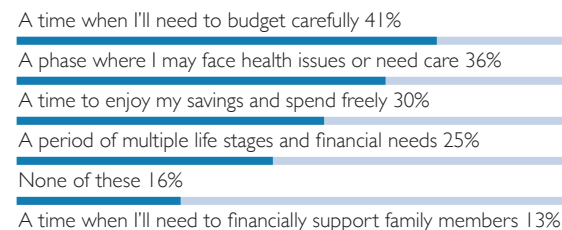
Source: Consumer survey

5.2 // VIEWS ON RETIREMENT; WHAT TYPE OF PERIOD WILL IT REPRESENT?

Consumers were also presented with a series of statements about what type of period retirement might represent for them.

Interestingly, and contra to the 'spend it all' tag sometimes associated with freedoms, 41% of consumers feel retirement will be a time when they will need to budget carefully, and 25% recognise it will be a period of multiple life stages and financial needs. An acknowledgement of it being a phase where health issues are faced or care is needed was seen from 36%.

Which of the following do you think will be true to you in retirement?



Source: Consumer survey

5.3 // VIEWS ON RETIREMENT; PLANNED RETIREMENT AGE

We wanted to find out at what age consumers plan to retire from full-time work and so the survey gave non-retired respondents the opportunity to select from a dropdown list of individual retirement ages.

One-third (32%) don't know or have no plan yet, whilst the most popular ages selected were the acknowledged retirement staging posts of **60** (13%), **65** (11%) and **70** (6%).

The average age selected for retirement was **63.4**.

5.4 // VIEWS ON RETIREMENT; RETIREMENT CONFIDENCE

Seeking to explore levels of confidence in retirement outlook, we asked non-retired respondents if they think they will have enough savings/resources to afford their ideal retirement lifestyle at their planned retirement date.

Just under one-quarter (23%) don't know or weren't sure.

NET: Yes - 38%. Although more of these were 'yes, probably' (25%) than 'yes, definitely' (12%).

NET: No - 39%. These were split as 'no, probably not' (24%) and 'no, definitely not' (15%)

5.5 // VIEWS ON RETIREMENT; HOW WILL YOU SPEND PENSION SAVINGS?

At a high-level, we wanted to get a feeling for how consumers are planning to spend/use their pension savings. 23% of those responding to this question plan to use it all to generate a retirement income alongside their State Pension, while 22% will take some of the tax-free cash permitted and use the rest to generate retirement income.

17% said they would be solely reliant on the State Pension and 16% don't know what they will do with any other pension savings they have.

27% want to spend on travel and lifestyle.

14% want to use some of their pension savings to help family members.

These all point to planning and decision-making conundrums facing consumers as they consider their retirement plans and application of pension savings.

When you stop working/retire, assuming you have a State Pension paid to you, what will you do with any other pension savings you have, e.g. private or workplace pensions?

Spend on travel/lifestyle	27%
Use it all to generate a retirement income alongside your State Pension	23%
Take some of the cash tax-free to spend as I wish and use the rest to generate a retirement income alongside your State Pension	22%
N/A – I don't have any other pension than the State Pension	17%
Don't know	16%
Use some to help family members	14%
Invest in assets other than property	11%
Invest in property, e.g. through buy-to-let	10%
Other	1%

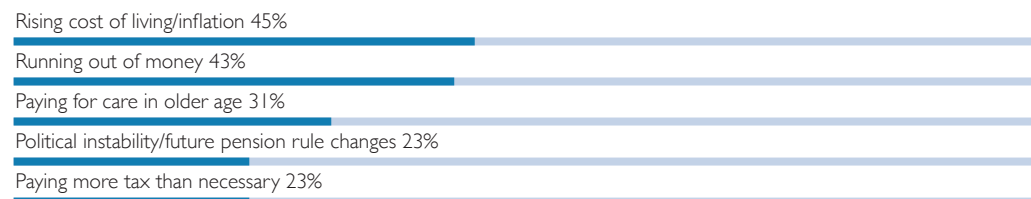
Source: Consumer survey

CONSUMER SCENE - RETIREMENT CONCERNS

6.1 // WHAT IS ON THE CONSUMER'S MIND?

We asked all consumers in the sample which, if any, from a list of factors worry them when thinking about their retirement and you can see the top five factors selected here:

Which, if any, of the following factors worry you when thinking about your retirement? (Top 5)



Source: Consumer survey

No major surprises here, all factors anticipated as being key concerns for consumers when thinking about their retirement against the current backdrop. And all areas where access to planning and guidance would be supportive of key retirement considerations.

6.2 // WHAT IS ON THE ADVISED CLIENT'S MIND?

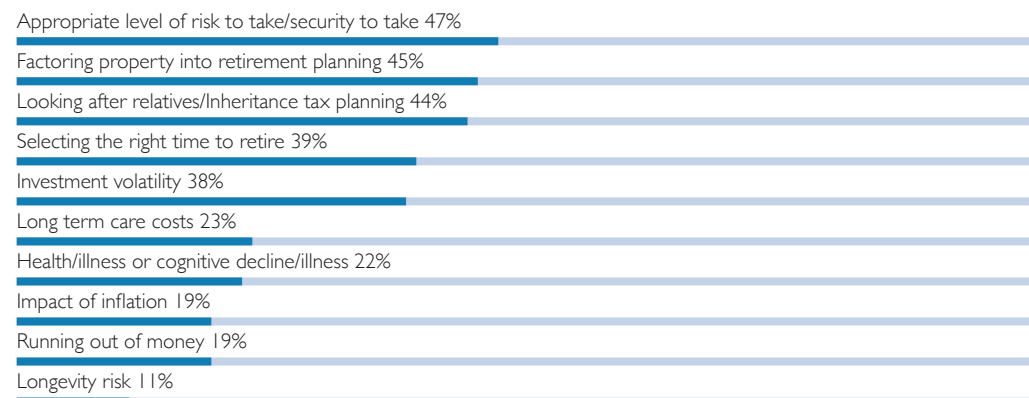
Via the survey advisers were asked to select the main retirement planning concerns for their clients at- or post-retirement at present. The top factor selected (47%) was (achieving) the appropriate level of risk/security to take, seemingly the ultimate conundrum in the current climate. Investment volatility (38%) was also a concern.

Factoring property into retirement planning (45%) and looking after relatives/Inheritance tax planning (44%) were also key client concerns selected in the adviser survey.

Completing the top five selected factors were, selecting the right time to retire (39%).

These all point to issues which are more likely to be supported and tackled by access to professional financial advice, or at a minimum with some access to guidance.

What, currently, are the main retirement planning concerns for your clients at- or post-retirement?



Source: Adviser survey

6.3 // CONCERNS FOR CLIENTS – ADVICE FIRM INTERVIEWS

Dealing with uncertainty is an issue flagged for all clients whether asset rich (IHT planning) or middle to lower wealth (sensible retirement income strategies). This is felt to be especially challenging at present given the advanced warning of substantial changes to tax treatment of pensions. One interview participant specifically alludes to the challenges of trying to frame long term plans with a short-term view.

Wide options and complexity reinforce these challenges. All clients need advice or at the very least guidance. Even understanding what constitutes sustainable income or longevity risk are matters of concern. Instability and high annuity rates are changing the market at present in the search for secure income.

All this is occurring against the backdrop of regulatory risk and the time-consuming need for strong and robust MI to demonstrate processes and ongoing service delivery.

Product is an issue mentioned by many advisers of different types – the underlying investment products are often the same products used in the accumulation phase. Advisers see a need and opportunity for products that recognise progressive encashment of investments rather than continuing long term growth.

Alongside and related to this, advisers identify a growing need for advisers and providers to work more closely on matters like pension switching and at and in-retirement guidance/advice.

How and where annuity products fit into the retirement planning mix has become an increasing concern especially in the context of the flagged changes in tax status of pension pots. This is prompting more questions about income 'buckets', the role of temporary annuities and Whole of Life insurance.

It is felt the market is likely to see substantial change in the next few years as a result of these drivers alongside the growing numbers of clients who will be reaching retirement planning age more heavily dependent on (often lower value) DC pensions.

Issues of Concern

Which elements give you and your clients most cause for concern? Put simply, just not knowing what to plan for is a current concern. Change is coming but the scope and extent are yet to become clear. There is uncertainty on multiple fronts, including:

- Tax free cash
- Concerns about inheritance and double taxation risks
- How and when to most efficiently extract funds

Given the IHT issues, considerations like offshore bonds are coming back into the equation at one end of the market as annuities increase in appeal across the market as a whole for at least part of the retirement pot portfolio.

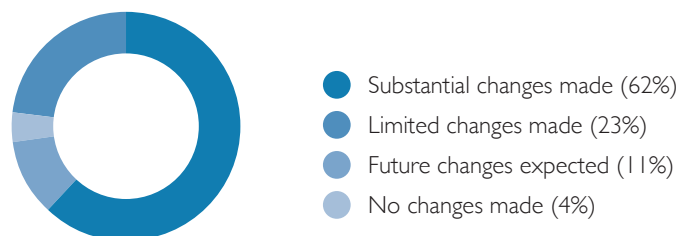
Pension adequacy is recognised as an issue being thrown into sharp relief by the changes taking place especially at the mass affluent and lower end of the market. There is a growing awareness of the need to dig down to understand client needs – especially as these will vary substantially depending on where clients are on the wealth and income spectrum.

BUSINESS CONCERNS FOR ADVICE FIRMS

7.1 // RETIREMENT INCOME REVIEW IMPACT

The outcome of the FCA's thematic Retirement Income market review was long awaited and arrived in March 2024. Results from our adviser survey suggest an impact was made by the regulator's instruction in this area, with 62% of respondents saying substantial changes have been made to their retirement proposition and processes for clients. A further 11% indicated changes to proposition and processes are expected in future.

What impact did the FCA's Retirement Income Review have on your retirement proposition and processes for clients?



Source: Adviser survey

23% of those surveyed had made limited changes, while only 4% had made no changes at all to retirement proposition and processes for clients.

7.2 // RETIREMENT INCOME REVIEW IMPACT - ADVICE FIRM INTERVIEWS

Interestingly, most of those interviewed in this exercise acknowledged the importance of the review's arrival, but found less of particular concern in the review's recommendations. Generally, the sentiment was well received, and most firms feel they were moving in the right direction even before the review. It was however noted that the review puts increasing emphasis on record keeping and essential administration.

Participants feel the FCA findings and output are 'sensible'. They recognise that the onus is on the industry to look at and develop services to address the needs of the lower end of the market in terms of pension pot size - perhaps telephone-based, lower cost, more automated. The hope is that regulators will help facilitate this through the approach they adopt.

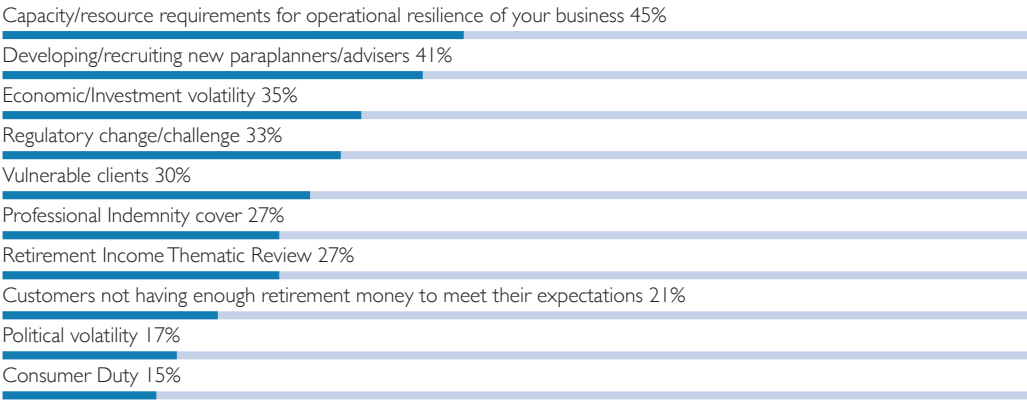
There is also a feeling that this was an additive part of a longer term regulatory 'journey'. The Consumer Duty and other protection measures – for example relating to vulnerable clients – have become increasingly supportive of preventing/reducing the scope for consumer harm. All are focused on ensuring the right product at a fair price, client understanding and good demonstrable documented processes.

7.3 // KEY CONCERNS FOR ADVICE BUSINESSES

The adviser survey also sought to ascertain key concerns for advice businesses. The top concern selected was around capacity/resource requirements for operational resilience of their business (45%), whilst concerns around the development and recruitment of new paraplanners and advisers (41%) also came through strongly.

It felt obvious that there would be a level of concern around economic and investment volatility (35%) given current backdrop, and similarly concerns around regulatory change/challenge (33%) are regularly present in this type of survey question. More specifically around key regulatory items, 30% registered concern/issues for vulnerable clients and 27% for the Retirement Income Market Review.

What, currently, are the biggest areas of retirement planning concern/issues impacting on your advice business?



Source: Adviser survey

PROVIDER SCENE - THE OUTLOOK FOR PROVIDERS //

8.1 // WHO WILL FLOURISH?

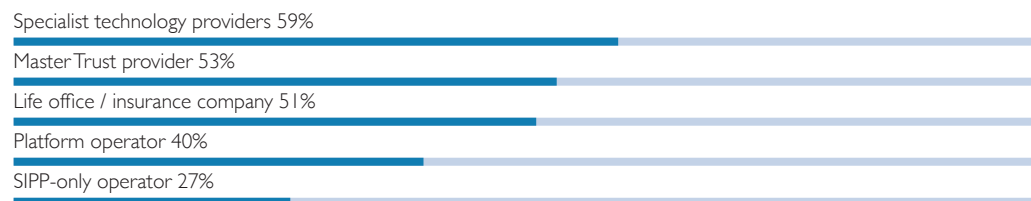
Seeking to establish via the adviser survey which provider types will flourish in the pensions/retirement market over the next couple of years, specialist technology providers (59%) came through in top spot. This perhaps echoing sentiment for better use of technology and AI seen elsewhere in our required areas for innovation questioning.

Strong support seen for both master trust providers (53%) and life offices/insurance companies (51%). Positioning for the former seems inevitable given maturing auto enrolment market and they will have a role to play in development of retirement solutions for members.

Whilst evolving business models from previous incarnations, some of the enduring competencies of life offices and insurance companies, including scale and ability to supply annuities, will ensure a role for these in a competitive market.

Support also seen for Platform operators (40%) who need to continue to evolve to support management of retirement income strategies for clients.

Which type of providers do you believe will flourish in the pensions/retirement market in 2025/26?



Source: Adviser survey

"Platforms, with their comprehensive package of solutions and wrappers, are exceptionally well-placed to support advisers and their clients through the whole retirement planning journey – both pre- and post-retirement. Not only do they provide clients with choice and value for money, advice firms stand to benefit as well through increased efficiencies and complementary platform services."

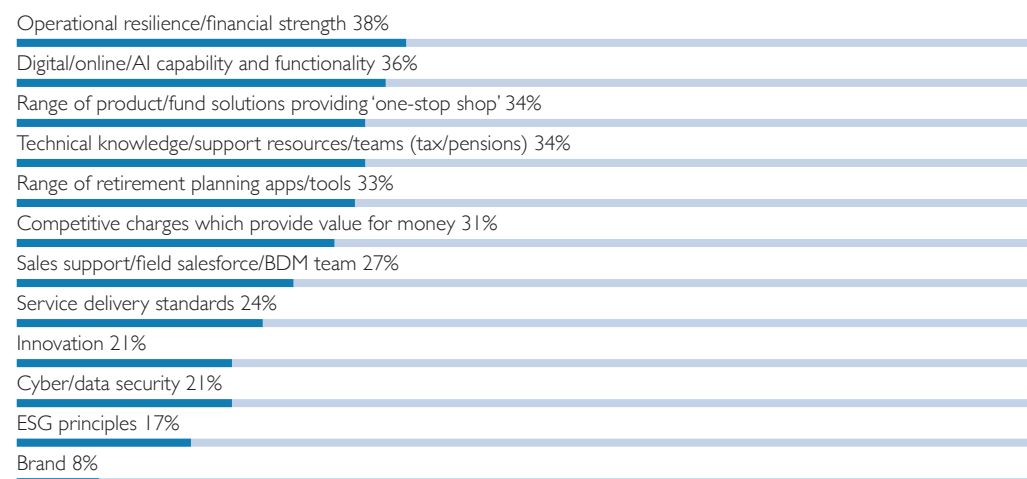
Paul Richards - Head of Adviser Distribution, Fidelity Adviser Solutions

8.2 // KEY REQUIREMENTS FOR SUCCESS

Rather than one or two dominant factors, survey results indicated there were a wide range of requirements deemed important for providers to be successful with advisers in this market in future, including:

- Operational resilience/financial strength (38%)
- Digital/online/AI capability and functionality (36%)
- Range of product/fund solutions providing 'one-stop shop' (34%)
- Technical knowledge/support resources/teams (tax/pensions) (34%)
- Range of retirement planning apps/tools (33%)

What are the key requirements for providers to be successful with advisers in the pensions/retirement market in future?



Source: Adviser survey

8.3 // FUTURE WINNERS - ADVICE FIRM INTERVIEWS

Advice gap 'fillers' - Many of the issues and developments discussed in the advice firm interviews led inexorably to consideration of the advice gap, i.e. it has been there a long time and is continuing to grow. Significant progress is starting to be made in advice/guidance interfaces and the development of targeted support and companies that can embrace what is possible and facilitate solutions are deemed likely to be winners.

Workplace players - The potential of the workplace given the success to date and the possible growth and evolution of workplace pensions and the additional benefit of a maturing market in terms of at- and in-retirement services is recognised by many. Providers of solutions in this area are deemed likely to be winners.

Platform role - In the interviews, platforms are viewed as a core tool as they expand their hosting of a wide range of tools and solutions.

Financial advice boon – It is felt the financial planning world will benefit hugely from the growing pool of clients – though of course the advice gap remains a challenge. Those interviewed in this sample feel that even the developments around guidance and targeted support will feed growing demand for advice in the future, as one respondent said, 'when a client needs advice, they will be better able to recognise it'.

Bad service from legacy systems will not be tolerated – Those interviewed feel the least likely to benefit from opportunities are 'old school' providers beset with huge legacy issues around technology and administration.

Pension administration, particularly among legacy providers, is often considered 'an ongoing nightmare' – and not just relating to transfers but even routine matters like getting information – a 60-day turnaround time nowadays is considered absurd.

PROPOSITION SCENE - OUTLOOK FOR SOLUTIONS

Drawdown has largely been acknowledged as the ‘winner’ in the product world since the introduction of freedoms and innovation has generally been viewed as slow paced during this period. But during the past 18 to 24 months it has felt like the winds may be changing.

9.1 // HOW WOULD YOU PREFER TO GENERATE INCOME FROM PENSION SAVINGS?

Starting with consumers, we’ve learned over the course of previous pension themed research projects how notoriously difficult it is to position product-level questions in quantitative surveys, but still wanted to try this. Unsurprisingly, over half (54%) of those responding to this question don’t know how they would prefer to generate income from pension savings.

Then, a relatively low but even spread of selections for the types of product we attempted to describe, pointing to the broadening of the product toolkit we expect to see in the market where drawdown and annuity, and places in between, can co-exist more effectively in future. Education and communications are required to help people understand what different product options can deliver, again exposing requirements for non-advised/advised audiences.

How would you prefer to generate income from your pension savings?

Don't know	54%
Invest in a drawdown plan (keeps funds invested, income can be adjusted, but may be affected by stock market ups and downs)	11%
Invest in a drawdown plan but keep funds in cash (avoids stock market risk but may lose value over time due to inflation)	10%
Buy an annuity (guaranteed income for life, but limited flexibility)	9%
A solution which is able to combine some of the annuity and drawdown options	7%
Invest in a drawdown plan with a guarantee (lower income due to extra charges but offers some protection)	5%
Cash in my pension completely (may pay more tax but can spend as I wish)	5%

Source: Consumer survey

9.2 // PRODUCT OUTLOOK

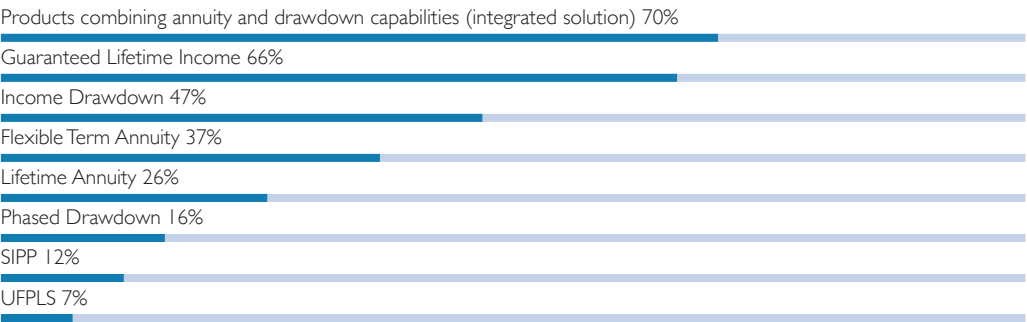
These adviser survey results will certainly pique the interest of those targeting development and growth in new retirement income product areas.

When asked what type of products respondents see as being the most used for clients in 2025/26, the top two types selected were products combining annuity and drawdown capabilities (70%) and Guaranteed Lifetime Income (66%). Whilst some support was also seen for Flexible Term Annuity (37%).

(Standalone) Drawdown still viewed as popular product prospect with 47% selecting this. Acknowledging that some SIPP’s in the market do offer a combination of the income options being seen as important by advisers.

Perhaps one might have expected to see more backing for (standalone) Lifetime Annuity, although there may be some overlap here in terms of perception with Guaranteed Lifetime Income.

What type of retirement income products do you see being used the most for clients in 2025/26?



Source: Adviser survey

“Guaranteed lifetime income products and lower-volatility growth options can work together to help support better client outcomes. For example, providing a guaranteed income solution can ensure clients don’t run out of money while smoothed pension funds can help provide growth while mitigating some of the day-to-day market volatility and sequencing risk.”

Paul Richards - Head of Adviser Distribution, Fidelity Adviser Solutions

9.3 // INVESTMENT SOLUTIONS OUTLOOK

When it comes to investment solutions, and perhaps mirroring appetite seen for products, there was decent support seen in the adviser survey for guaranteed income from within drawdown account (57%).

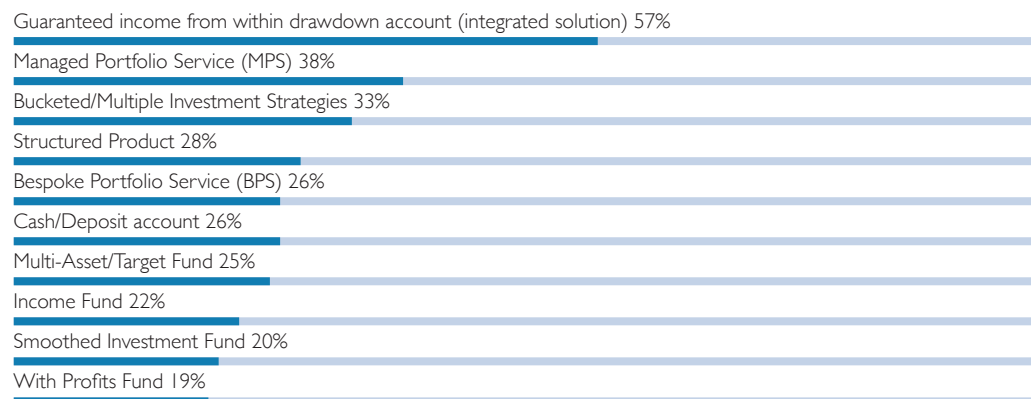
In the investment space, arguably the most competitive area in the mainstream market in recent years has been around development and distribution of Managed Portfolio Services (MPS) and so unsurprisingly decent support (38%) seen for these.

Support also seen for Bucketed/Multiple Investment Strategies (33%).

With market volatility being prominent so far in 2025 and with proposition development occurring in these overlapping areas, there was some support in the survey for the use of Smoothed Investment Funds (20%) and With Profits Funds (19%).

On the non-invested side, and symptomatic of client nervousness around market exposure, there was also support for Cash/deposit account (26%).

What type of retirement income investment solutions do you see being used the most for clients in 2025/26?



Source: Adviser survey

9.4 // PRODUCT OUTLOOK – ADVICE FIRM INTERVIEWS

Enough innovation since freedoms? - The short answer to this question, most interview participants think, is 'not a lot; there has been no silver bullet', certainly when compared with expectations at the outset. But probe below the surface and some interesting differences and thoughts emerge.

At the financial planning end of the market, respondents argue that the products in existence are more than adequate for purpose and that advice itself is the product that does the heavy lifting for their clients. Regarding the middle and lower asset value parts of the market, views are rather different. There is disappointment more has not been done to develop strong secure income products other than the annuity that has been out of favour for much of the last decade.

Those interviewed acknowledge that historically there have been attempts to create guaranteed products, but they have generally all failed to prevail because of performance, cost, complexity, ineffectiveness or a combination of these factors.

In addition to these concerns, there is growing potential demand for specific decumulation portfolios as opposed to attempts to fit accumulation focused funds into the decumulation requirements of retired clients.

The need for development of decumulation products for workplace scheme members is also now being increasingly recognised.

Overall, interview participants are recognising that providers are beginning to rise to the challenge, admittedly with varying degrees of 'airtime' and perceived success to date.

There is also a reservation expressed by some advisers that buying into specific products can actually, in the long term, potentially be restrictive.

Having said that, advisers recognise that progress is being made in terms of product – annuity developments are noted in particular and at current rates, annuities are seen as valuable for some or all of a pension pot depending on client needs for secured income. The reinstatement of the primary aim of pensions (to provide an income in retirement) is helping perceptions on this subject.

The biggest gap at present appears to be products focused on decumulation that are not just quickly derived from accumulation-focused portfolios. And the primary requirement is flexibility.

Future role of 'combi-products' - This seemed to be the most polarising element of the adviser interviews. As a broad generalisation, the further up the wealth spectrum a firm's client base sits, the less traction the concept of an integrated decumulation solution is likely to gain. At the bottom end of the spectrum, it is also felt to have more limited appeal compared to a standard annuitisation approach on the grounds of likely cost and complexity. However, there may be a sweet spot in the mass market for this type of product/service, including workplace pension market as it continues to develop.

Comments and reservations expressed by advisers will provide proposition teams with food for thought as they consider the marketing challenges. Overall while the concept of an 'all in one' product has appeal to all, for many of those interviewed the reservations and indeed where it might fit in the market render it less attractive.

While there may be a market among clients in the middle to lower value end of the market, there is a point at which annuitisation is the only realistic option and at the other end full blown advice will render its role limited (though some advisers concede that it might be appropriate for a component part of a larger portfolio).

Potential concerns voiced include the following:

- Being locked into a product where adviser input is more limited
- Ensuring and maintaining best of breed across all product components/risk of sub-optimal investment solutions
- Possible costs
- Complexity (feeding into costs)
- Issues around compliance
- 'Plumbing' issues
- Ongoing relevance over time
- Ability to transfer out
- Potential problems if things go awry

Again, the conclusion is that with modern approaches to advice and the flexibility it can bring, it may be considered unnecessary for many clients. Improving platform functionality hosting a range of solutions may also reduce the appeal of a single integrated product in a market that benefits from a strong advice element. Having said that, there are advisers who do appreciate the potential to combine annuity with a decumulation focused investment portfolio.

9.5 // TOOL OUTLOOK – ADVICE FIRM INTERVIEWS

Positivity around planning tools - In contrast to product development, most advice firms interviewed believe that better strides forward have been made in the provision of tools and support – for example, cash flow planning, risk appraisal and management of income. Many would argue that this mitigates the effects of relative lack of successful product development. Advisers feel that tools can always be improved, and providers are responding with services to enhance advice quality and efficiency on many fronts.

Product scenario modelling - One area where further development would be valued is modelling tools for experimenting with different solutions allowing advisers more easily to mix and match solutions.

THE FUTURE – FILLING THE ADVICE/GUIDANCE GAP

This is just not going away as a theme and has evidently been exacerbated by pension freedoms. Whilst those customers who engage with the services of the financial advice/planning sector are well catered for (although there are some capacity and succession/new blood issues to address in this sector) there remain many who, for a variety of reasons, cannot or will not engage.

But the industry has a responsibility to ensure that the number of consumers making retirement decisions without pertinent and valuable support is kept to a minimum in adherence with its intention for facilitating positive customer outcomes. A heavy burden will fall on education and guidance to provide the answers here.

"With freedom has come responsibility – people need access to the right support to take a clear view of their options, make the right decisions and ensure their money lasts. As the first generation of retirees under Pensions Freedoms reach later life, now is a good time to reflect on the importance of planning, ideally with professional support, to manage savings effectively and sustain pension income for the longer-term. The role of advisers in preparing this generation for retirement has never been more important for our society."

Tim Coombs - Head of Private Client Distribution, Standard Life

It is important therefore to gauge consumer views on accessing advice and guidance.

10.1 // TRUSTED ADVICE SOURCES - WHERE TO GO FOR GUIDANCE/ADVICE

Via the consumer research we were keen to find out who and which sources consumers would trust to provide them with guidance or advice on their retirement options. It was reassuring to see financial adviser/planner (29%) coming through as the top selection here.

Who would you trust for guidance or advice on your retirement options?

A financial adviser/planner	29%
Government services (Pension Wise, MoneyHelper)	28%
My pension provider	21%
Friends/family	20%
Citizens Advice Bureau	19%
My bank or building society	15%
An investment/wealth manager	11%
My employer	11%
My Accountant/Solicitor/Lawyer	11%
An investment platform	7%
Social Media/Financial Influencer 'Finfluencer'	5%
The Press/media	4%
Other (please specify)	1%
Not applicable - I would not trust anyone to give me guidance or advice	12%
Don't know	16%

Source: Consumer survey

Government backed services, in the form of Pension Wise/MoneyHelper (28%) and Citizens Advice Bureau (19%), were also well selected by consumers. Underlining the importance of the continued development in the level of support these entities and propositions can provide to those considering their retirement options. Interaction between these entities and the intermediated sector is also important.

21% selected their pension provider. It continues to make sense that this would be a logical first port of call for someone seeking support with guidance or advice on their retirement options. And so the opportunity remains for providers to come back to the table on the development and provision of advice and guidance services. Some are already picking this up, and FCA work on advice/guidance will provide momentum, but there is certainly room for others. And providers might have the scale to permit the development of both targeted guidance and more cost-effective advice solutions than seen at the higher end of the market, depending on their target customer profile.

20% say that they will talk money with Friends/family. Money and finances are highly personal items and inevitably people will also discuss things with friends and family.

10.2 // METHODS OF ENGAGEMENT WITH GUIDANCE/ADVICE

In addition to the range of sources where guidance or advice may be obtained, flexibility of delivery and engagement methods will be equally important to widening the net for guidance and advice.

Face-to-face was overall the most popular choice selected for method of engagement by consumers, split as 32% favouring face to face in branch/office, and 19% preferring face-to-face at their home.

Online via a website (23%) showed up positively, while a lesser extent of support was shown for over the phone (13%) or video call (9%).

16% selected a mix of the engagement options offered.

These findings enable us to continue to build a picture of how advice, hybrid advice and guidance solutions might be facilitated via multiple delivery channels, and developments in some areas were sped up by reliance on alternative methods of engagement in everyday lives during Covid.

10.3 // PAYING FOR ADVICE

We asked consumers which, if any, benefits would encourage them to pay £1,000 for professional financial advice on their retirement.

Notably, nearly half (49%) felt there was no incentive strong enough to justify paying for advice. D2C propositions and/or targeted guidance/support for these.

But on a more positive note, one-fifth (20%) of respondents felt working with a professional adviser to build a plan to make their money last for the rest of their life would be sufficient benefit to pay for advice.

Other encouraging factors included:

- 21% felt the benefit of saving more than £1,000 in tax would encourage them to pay for advice
- 17% felt peace of mind is a benefit that would encourage them to pay for advice
- Knowing how to adjust my income needs in retirement (13%)
- Knowing how to handle investment risks (11%)
- Knowing if/how I can pass wealth to my family (11%)
- Knowing how to manage rising inflation (10%)

The industry needs to become a better messenger of the benefits of advice and the advantages to consumers of making informed decisions with professional support rather than being exposed to going it alone.

Marketing and communications teams will be aware of these factors but the consumer research findings around things that would encourage them to pay for advice provide useful soundbites for promotional material about advice benefits.

However, avoidance of jargon where possible will remain critical to future success of promotional campaigns. And client testimonials which can provide proof points to these advice benefits being experienced will also be vital to marketing and referral efforts.

THE FUTURE - INNOVATION

Areas where the pension/retirement market can be improved in future via further development or innovation were explored in the adviser survey and the adviser interviews.

11.1 // AREAS OF INNOVATION

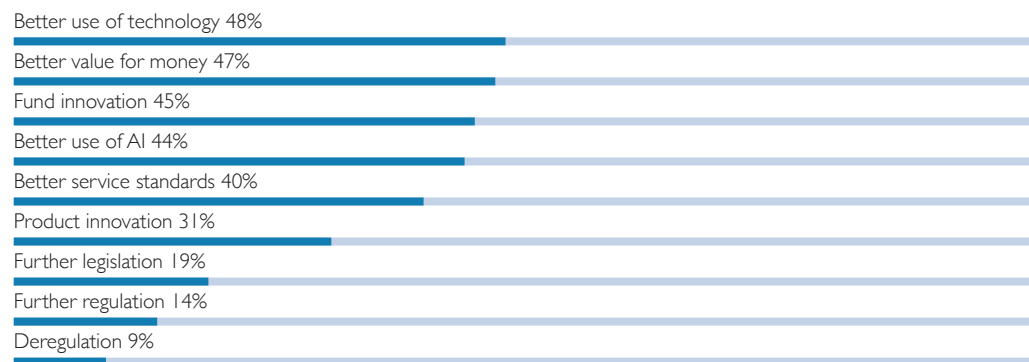
Results from the adviser survey pointed towards enthusiasm for better use of technology (48%), and better use of AI (44%).

A key area for the market in recent years, and evidently improvement is still needed in future, is achieving better value for money (47%) for clients.

Whilst another regular 'could do better' theme is indicated by 40% who want to see better service standards in 2025/26.

And there was also a good level of support for further development in fund innovation (45%), and to a slightly lesser extent (31%) product innovation.

In which areas would you most like to see further development, innovation or improvement in the pensions/retirement market during 2025/26?



Source: Adviser survey

11.2 // INNOVATION IN TECHNOLOGY/AI-ADVICE FIRM INTERVIEWS

Tech to help fill gap - Again, advice firm interviews, pointed to the major area of positive development as most likely to be the role of technology in advancing guidance and targeted support. It is felt that this will reinforce the progression from non-advised to advised business among those who would benefit from it.

Tech to create cost savings in advice processes - Technology has the capability to help create efficiencies in every aspect of an advice business if it is allowed to do so, thus freeing up more adviser time to give advice. Technology can pretty much cover all aspects of administration and record keeping and help to drive better provision of management information. Better integration between back office and front office is now more possible than ever before.

But must keep pace with regs and 'talk to' other systems - Functionality and capability are perceived by advisers generally to be improving all the time and continual increases in efficiency are generally hoped for. Having said that, there is a clear need for the use of tech to remain in step with changes in the regulatory requirements and expectations. There are also reportedly still issues about technology interfaces between different providers.

Formative days for AI - The advice industry, according to these interviews, is still in the early phases of exploring the potential for the use of AI. Few report having made more than the first tentative steps, but hopes are high that AI can rapidly and progressively build on the technological advances of the last few years.

AI as additive and complementary rather than replacement - Opportunities can be seen at all stages in the advice journey for AI to achieve efficiencies and indeed to help open up new market segments. While there is widespread scepticism AI could ever replace the personalisation of ongoing face to face advice, there is support for the concept that AI could develop in ways to address the needs of clients who are unlikely to need full ongoing advice.

Accessing legacy data with AI support - One challenge will be the problems of clients locked into legacy systems and providers. Their affairs are often impenetrable or at least intractable and therefore, from an advice point of view time consuming and expensive. AI may play an important role in this area.

AI security and confidentiality - Another challenge mentioned by some advisers will be ensuring the security and confidentiality of client data touched by AI.

Dashboard enthusiasm tinged with frustration – Adviser interviews suggested the role of pension dashboards could potentially be huge; firms with focus on the workplace in particular see it as a powerful route into the delivery of advice, guidance and targeted support to scheme members going beyond the accumulation phase and into the at and in-retirement journey.

Inevitably, therefore, there is huge frustration and disappointment at the continuing delays in development and implementation.

Overall, the consensus view is that the dashboard will be a wealth of useful information, but the underlying challenge of achieving client engagement and encouraging action may well remain as big as ever.

Similarly, developments relating to small pots/pot follows member strategies could and should have received greater priority than it has.

THE FUTURE – ADVICE BACKDROP, BUSINESS FLOWS AND EVOLUTION //

12.1 // FURTHER REGULATORY OR LEGISLATIVE CHANGE/INPUT REQUIRED? - ADVICE FIRM INTERVIEWS

Interesting things appear to be happening around regulation in the minds of many advisers in the interviews. There is no particular plea for 'more' regulation but moves towards rationalisation and simplification would be welcome. And, indeed, whisper it softly, but many advisers are beginning to sense that things are moving in a positive direction.

There is a definite perception that regulators are becoming more market aware, and this is being reflected in their approach.

- Developments in the area of advice /guidance/targeted support and other support are strongly welcomed especially as the workplace pensions sector begins to mature. The sense among adviser firms is that this will ultimately lead to better uptake of advice among those who are enabled to recognise they need it
- Auto enrolment has been a great success, many advisers feel, but things could and should go much further

Where more regulation might be helpful is in the area of clarity of fee structures and the role of remuneration in ongoing advice. This is certain to become a greater issue given current models as more clients enter retirement and a serious phase of decumulation.

One other (very important) area where legislation/regulation might be holding things back is in the area of workplace retirement solutions. Auto enrolment has been seen as a great success, but little progress has been made in creating the most effective retirement income solutions. There is a feeling among those advisers who specialise in this area that there is a need for multi-employer CDC decumulation solutions – not least from the point of view of costs and charges to members.

12.2 // OPTIMAL APPLICATION OF TECH AND DIGITAL SERVICES - ADVICE FIRM INTERVIEWS

One major area of positive development is likely to be the role of guidance and targeted support. It is felt that this will reinforce the progression from non-advised to advised business among those who would benefit from it.

Technology has the capability to help in every aspect of an advice business if it is allowed to, thus freeing up more adviser time to give advice.

Technology can pretty much cover all aspects of administration and record keeping and management information. Better integration between back office and front office is now more possible than ever before.

Functionality and capability are perceived by advisers generally to be improving all the time and continual increases in efficiency are generally hoped for.

Having said that, there is a clear need for the use of tech to remain in step with changes in the regulatory requirements and expectations.

There are also reportedly still issues about technology interfaces between different providers.

12.3 // LOOKING FORWARD - BUSINESS FLOWS AND OPPORTUNITIES - ADVICE FIRM INTERVIEWS

The much heralded 'baby boomer' wave of retirement assets and business continues for the moment but will not be enduring – interview participants were asked how firms are future-proofing their proposition/ services for clients to meet requirements of next generation of retirees.

Interview participants seemed remarkably relaxed about the eventual demise of the baby boomer wave. They think the potential impact is greatly exaggerated. New markets and approaches are evolving naturally. There are firms that have specifically focused on 'family' as the client unit and intergenerational business is expected to flow naturally.

The way in which technology and, notably, AI is developing will allow the development of different and lower cost approaches and services for younger clients. Several advisers also observed that ways of communicating with younger clients are evolving rapidly and technology is a more integral part of their lives than it has been for baby boomers and their immediate progeny.

In any case, the common belief is that wealth transfer will always be a source of potential business.

Those engaged in workplace-generated business believe that this market will burgeon over the next few years especially as auto enrolment starts to result in attractive build-up of assets in individual DC arrangements. This is the main reason there is so much impatience among advisers for regulators and providers to go further and faster in development of services in this area – also why there is so much excitement about the development of guidance and targeted support services.

Overall, it is felt that the next generation are expected to be net investors and any problems may actually be lurking further down the line with the generations following on from this. DB is fading out and people will be less likely to be able to rely on the state only in retirement.

In addition to the opportunities emerging from the workplace, some advisers observe the under-realised potential of the female financial services market.

The more tech-savvy younger generation is also rich in potential for the right approach.

There were no real immediate concerns expressed although advisers counselled some developments for future development:

- Auto enrolment enhancement
- Services building on just education and into calls to action
- Development of more digital solutions especially in the area of smaller pension pots
- Need to understand that communication is different from one generation to the next

In summary

What do you think is the biggest challenge/concern for advisers currently?

The factors that represent the biggest challenges at present are also often seen by advisers as areas of opportunity.

- Uncertainty
- Advice gap
- The need for different charging models (for decumulation)
- Scale
- Effective oversight ensuring robust advice and advice processes
- Recruitment
- Technology which often promises more than it actually delivers
- Ensuring technology is harnessed to reduce administration burdens
- Ensuring people can get more from their pension pots without having to move out of them

And where are the key opportunities presented?

Some of the factors were also repeated as areas of opportunity:

- Uncertainty - always good for business
- Advisers with a multi-disciplinary business model including legal and accounting services and even extending into life skills and coaching in the view of some advisers
- Gender – the market has for too long been male dominated
- Strategies for mitigating IHT liabilities – giving with 'warm hands'
- Harnessing technology and communications to bring in younger generation clients
- Working to ensure a good retirement not just a good retirement income
- The maturing workplace/DC market and associated financial planning and financial wellbeing services – many advisers feel they are pushing at an open door with more employers seeking to support their workforce

The consensus is that little has changed in terms of market. Certainly the demotion of pensions as the primary asset conservation tool opens up more advice related issues but it is only really returning to where it was before. Processes are unchanged though recommendations may be different.

A more blended approach to pension decumulation is likely to emerge.

The advice gap remains as intractable as ever though solutions are being sought.

The focus of new business in the future as far as accumulation and the sourcing of new clients are concerned is likely to reinforce the workplace as a key area for innovation.

APPENDIX A – ADVISER SURVEY QUESTIONS

- Q1. Ten years on from pension freedoms, do you think the changes introduced have improved client outcomes? (please select all statements that apply to your thinking)
- Q2. What, currently, are the main retirement planning concerns for your clients at- or post-retirement? (please select all that apply from these options)
- Q3. What, currently, are the biggest areas of retirement planning concern/issues impacting on your advice business? (please select all that apply from these options)
- Q4. What impact did the FCA's Retirement Income Review have on your retirement proposition and processes for clients?
- Q5. What type of retirement income products/propositions do you see being used the most for clients in 2025/26? (please select all that apply from these options)
- Q6. What type of retirement income investment solutions do you see being used the most for clients in 2025/26? (please select all that apply from these options)
- Q7. In which areas would you most like to see further development, innovation or improvement in the pensions/retirement market during 2025/26? (please select all that apply from these options)
- Q8. Which type of providers do you believe will flourish in the pensions/retirement market in 2025/26? (please select all that apply from these options)
- Q9. What are the key requirements for providers to be successful with advisers in the pensions/retirement market in future? (please select all that apply from these options)

APPENDIX B – CONSUMER SURVEY QUESTIONS

- Q1. Do you understand the following statements to be true or false when it comes to accessing pension savings at retirement?
- Q2. Since 2015, people aged 55+ have had more flexibility in accessing their defined contribution (DC) pension pots. This is known as 'pension freedoms'. Were you aware of those changes?
- Q3. Continuing to think about pension freedoms and retirement more generally, to what extent do you agree or disagree with the following statements?
- Q4. Which, if any, of the following factors worry you when thinking about your retirement?
- Q5. At what age do you plan to retire from full-time work?
- Q6. At your planned retirement date, do you think you will have enough savings / resources to be able to afford your ideal retirement lifestyle?
- Q7A. Which of these statements best describes how you see retirement?
- Q7B. Which of the following do you think will be true to you in retirement?
- Q8A. When you stop working/retire, assuming you have a State Pension paid to you, what will you do with any other pension savings you have, e.g. private or workplace pensions?
- Q8B. Apart from your pension, what other sources will/do you use to generate income in your retirement?
- Q9. How would you prefer to generate income from your pension savings?
- Q10. Who would you trust for guidance or advice on your retirement options?
- Q11. How would you prefer to receive guidance or advice about retirement?
- Q12. Which, if any, of the following benefits would encourage you to pay £1,000 for professional financial advice on your retirement?
- Q13. In the 2024 Autumn Budget, the Chancellor announced that from April 2027 unused pension savings may be included in your estate for Inheritance Tax. Have you changed the plans on how you will use your pension savings because of those changes?

APPENDIX C – VERBATIM COMMENTS; ADVICE FIRM INTERVIEWS

In their words (batch 1)

"Most firms have been impacted by the changes over the last few years. Generally, they feel that pensions are now more complicated, and the adviser's role has become more complicated. For example, they are required to look at all options, even those they discount and document the process. The task has become larger." N

"Auto-enrolment is now becoming the biggest driver of what is happening in pensions, now and into the future. But it also brings a lot of challenges – assets are income and members in retirement are costs and how this is managed in the future will drive the profitability or otherwise of the sector." W

"Our retirement proposition is flexible but constructed within a well-defined framework." W

"It's the bit in the middle between those with low pots where annuity is often the right solution and the high net worth for whom advice is the right solution. For those in the middle, our proposition sees the crucial importance of guidance at present." W

"The retirement proposition should not be about the product or investment proposition, but about full holistic advice covering all assets and making full use of cash flow modelling. There is no appetite for annuities among our clients, MPS is not necessarily a good idea because of sequencing risk. More bespoke approaches become increasingly important in retirement." H

In their words (batch 2)

"At heart I don't think much has changed. As a sector we are good at overcomplicating things while we should just be asking ourselves what are clients trying to achieve? They are looking for security and that has not changed. What has changed is clients' belief about what their needs might be. While they may want flexibility, the question has to be asked about whether annuity might be better for some clients depending on their resources." N

"The key challenge for everyone (client or adviser) is uncertainty. Confusion about new rules may become clearer over time but it is there now. The danger for advisers is giving advice based on today's rules rather than those that might be in place in two years." N

"The old rules of thumb about client attitudes to retirement planning are becoming redundant. This heightens the need for ever greater personalisation of advice; advisers need to get a deeper understanding of their clients." N

"Product is an issue. Most continue to use similar products in decumulation to those they use in accumulation." N

"The workplace is the area ripe for innovation. Providers have a need to differentiate themselves in order to remain relevant to their members. The advice/guidance and support boundaries need to be clarified and then work in a coordinated way." W

"A lot of thinking and development needs to happen in the workplace. Not all cases should end in annuity purchases. Master trusts should offer default benefits. It is, after all, in their interests to retain assets." W

"This is now a low charging market, but things will need to change as retirement assets themselves grow in importance. Administration in decumulation is more expensive and this will translate into higher charges." W

"Clients are thinking ahead of the detail of the currently proposed taxation changes. In our view, 'no regrets' decisions should still go ahead as we await more detailed information, for example switching from ISA income to drawdown. But clients should be drawn into making any irreversible decisions." W

"Value for members is the key challenge for us at the moment." W

"Continual legislation changes. At present clients need reassurance." M

"For high-net-worth clients, not much is really changing. It is more about 'partial retirement' and retirement as a process not an event. This influences how planning is delivered. This implies much more flexibility and freedom than was available before pension freedoms." H

In their words (batch 3)

"Initially pension freedoms created some instability and given current developments, instability remains an issue; consideration of IHT is the new instability." N

"Client attitudes are not really changing, but advisers have to be more willing these days to challenge clients on their stated objectives." N

"Complexity – more people need advice or guidance as they approach or plan to enter retirement." N

"Clients still have the same objectives. We now just have to consider different ways of getting there." M

"On the new IHT rules, we know change is coming, but we have to wait to know all the details. In the meantime, we are happy with clients taking tax free cash if they were going to anyway." M

"The offshore bond market may become of renewed interest depending on what emerges." M

"People are asking more questions rather than just changing attitudes to retirement. For new clients we are placing less emphasis on pensions." M

"There is some shock anger and confusion about the forthcoming changes. Clients feel they need advice now, but we can't realistically say very much." H

"The changes may lead to more annuity business. If money is to be kept outside the estate, some of it might as well go into annuities." H

"Lifetime planning." H

In their words (batch 4)

"I feel we need more flexibility rather than more product. Documentation has become increasingly important; advisers need to evidence their thought processes." N

"Maybe the market has not been innovative enough, but we do know from experience that many 'magical' ideas fall flat in the face of experience. We are a nation of savers not investors and until that changes, risks of new products may remain a challenge. Greater understanding is needed of the impacts of inflation on savings." N

"There has not been a lot of innovation, but there is a limit to how much can be done. There is no silver bullet though there are positive developments coming through – for example, just with an annuity on platform and tailored model portfolios. On the other hand, tools that might be needed are all there so that helps the process." N

"Integrated decumulation solutions are a viable option in theory. All components – good quality – exist. There is convenience, but on the other hand there could be 'plumbing' issues and communications are key." N

"More clients want and need a guaranteed level of income alongside continuing flexibility." M

"A lot of innovation has been about the tool kit rather than products. The advice process is the key. If the advice is right, it will address most things." M

"One problem is that tech companies don't talk to each other, so solutions are often difficult to join up."

"Old life companies are appalling even for tasks that their service standards are 7-14 days are often taking 2-3 months. Just not good enough." M

"The problem with integrated decumulation solutions is their propensity for all to go awry. There may also be sub-optimal investment solutions. There might be a role as part of a portfolio, but not for the whole thing when the client may be tied in and advice switched off." M

"This is hard. I can see integrated decumulation products working in the non-advised market or maybe in the workplace where pots may be modest but not for the advised market – too many conflicts." M

"From the point of view of the financial planning community, I don't think anything is really missing from the products and solutions available." H

"The middle ground in the market is where the biggest challenges are. Advice is not always affordable, but there are so many risks, and the rules are seen as complex reinforcing the issues. I really hope work on the advice/guidance boundary and the evolution of targeted support might help. Everyone (including the advice community) would benefit from this." H

In their words (batch 5)

"We use a lot of tools like stochastic modelling, but they do all serve to increase the cost of advice. They also take a lot of time to write up. I would expect AI usage to increase and help deal with issues like this. But overall, it is not clear how advice as a whole might be affected by the rise of AI." N

"Developments around the advice/guidance boundaries are potentially exciting in helping make the advice process simpler. You can't get away from the fact that while standardisation would be nice, all cases are different." N

"Annuity is no longer an either/or decision for many people; there are clear roles for them and drawdown." N

"There is a lot of debate in the press now about the role of pensions; they are a way of saving for income in retirement – stay with that." N

"A lot of advisers have based IHT planning on wealth preservation through pensions. That will have to change, but that is what annual reviews are for." N

"Advice, guidance and targeted support are crucial. They need to work together and not to confuse the client. But a good infrastructure would be a genuine step forward." N

"Communications are always a potential problem, and advice is in reality just another product and subject to the same issues. Consumer Duty highlights the true value of advice, and this rather than % of wealth should be the foundation of adviser remuneration." N

"A lot of the advice process is quite mechanical and technology and specifically AI could and should become an integral part of the process improving efficiency and helping advisers to focus on their real added value – giving advice." N

"A lot of legacy providers have positively medieval processes; simple tasks like requests for information can take up to 60 days to process. This area is ripe for the use of technology and particularly AI." N

"Large providers with workplace access will fare well. They will make it easier to provide guidance and targeted support rather than full advice." M

"We use AI a little – research and meeting notes for example and I would see use expanding in the future as the tech develops." M

"AI will become more important for clients who can't afford advice." M

"Products available are reasonable covering the vast majority of client needs. On top of this everyone should be able to afford advice." M

"I'd like the government to just leave us alone for a bit and for the regulators to stop putting up barriers." M

In their words (batch 6)

"We need robust advice processes, ideally centralised across the firm and fully documented. Off the back of consumer duty and its needs for good outcomes, suitability needs to be fully demonstrated across all parameters." N

"People want a good retirement not just a good retirement income. They want to have a good time and time in retirement for many is much longer than it used to be. Planning and support now need to go well beyond the purely financial." N

"Auto enrolment will become an ever more important driver of the market, and this will lead to a lot of change. While assets equal revenue, members equal costs." W

"Maintaining flexibility within a framework is the way forward." W

"Auto-enrolment needs to be beefed up a bit." M

"Different generations have different ways of getting information and this will change the market. Their needs are also different." H
"There are so many areas of opportunity going forward. The need for advice has never been greater. Indeed, sometimes, despite the risk and costs and time, doing nothing is the best advice. This is not reflected in all remuneration models and may need to be addressed." H

"The next generation will still be net investors; it is the generation after that when challenges for the advice industry will likely emerge." H

"As a financial planning firm, we are now looking much more widely at what we can deliver. Coaching, life planning and so on, to ensure good overall retirement." H

"Constant messing around really does not help the planning process for clients or their advisers." H



AKG Financial Analytics Ltd

akg@akg.co.uk

www.akg.co.uk

AKG is an independent organisation
specialising in the provision of assessment,
ratings, information and consultancy to the
financial services industry

© AKG Financial Analytics Ltd
ISSUED 11 JUNE 2025

IN ASSOCIATION WITH:

