

Personal Accounts

The implications for the wider retail financial services in the UK

TISA Personal Accounts
Seminar

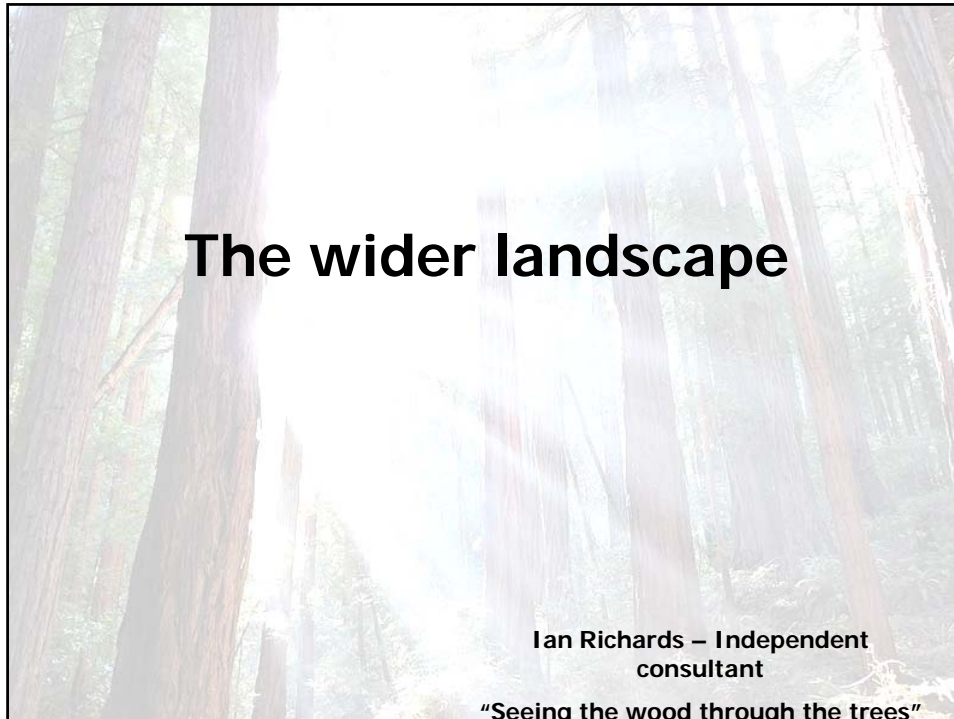
5th November 2009

Ian Richards – Independent
consultant

"Seeing the wood through the trees"

Agenda

- The wider landscape
 - its not just personal accounts
- Stakeholders
 - regular savers and investors
 - providers
 - advisers
- Products
- Distribution

A photograph of a forest with tall, thin trees and sunlight filtering through the canopy. The text 'The wider landscape' is centered in the upper half. Below it, two quotes are displayed in the lower right corner, followed by the source 'Pensions Bill 2007 Impact Assessment'.

The wider landscape

“The personal accounts scheme will be a major new product in the pensions market and as such will change the way the existing market works”

“The personal accounts scheme will be delivered using capabilities procured from the private sector and will give rise to large contracts which could boost competition in a range of markets”

Pensions Bill 2007 Impact Assessment



The wider landscape

“Overall, these reforms will have a positive impact on the financial services industry. New commercial opportunities will arise from a significant expansion in the sector as a whole, with around 6-9 million more people saving in a workplace pension for the first time or benefiting from an increased employer contribution”

Pensions Bill 2007 Impact Assessment
DWP modelling



The wider landscape

New money or re-distribution?

- Estimated £7 billion new average annual contribution from individuals (Employer - £5.5 bn Gov't - £2 bn)
- Evidence from overseas suggests compulsory pension saving with incentives doesn't increase overall savings
- New savers likely to be low to middle income



The wider landscape

Not the only event that will have impact

- Credit crunch aftermath
 - individuals and providers
- Provider consolidation
- Election
- Retail Distribution Review
- Taxation changes
- Markets



Stakeholders

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Stakeholders - Regular Savers

- Will be making decisions against massive publicity campaign and media comment
- Re-direct longer term savings to benefit from employer 3% and 1% tax relief
- Greater management fee awareness comparing with 0.5% PA fee
- Likely to consider new workplace savings plans that may be introduced



Stakeholders - Providers

- Potential economic viability challenge from redirection of savings, reduced new investments and pressure on fees
- Resources needed to address pension issues may limit development work elsewhere
- Existing distribution model may lose effectiveness
- Opportunities for new players with no legacy



Stakeholders - Advisers

- Huge demand for advice but much of it will not lead to a product sale
- Need to engage with employers to gain access to employees offering savings portals
- Increasing competition from providers direct propositions particularly E offerings



Products

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Products

- Pressure to reduce fees while improving investor communication
- Expansion of products to complement workplace pensions eg sharesave, corporate ISA
- New de-cumulation vehicles that can be used instead of annuity purchase
- Investments from bonuses and share save plans may come via new workplace savings plans that may be introduced



Distribution

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Distribution

- Adviser market likely to divide into
 - investment specialists
 - those engaged in the workplace
 - higher net worth tax planners
 - generalists
- Providers will need to consider
 - improving platform proposition
 - working harder with existing clients
 - forming new alliances
 - building/improving direct capability



Conclusion

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"Seeing the wood through the trees"

Conclusion

Personal Accounts will have a profound impact on the regular savings and new investment money markets but that impact will get lost amongst other changes



Pressure on financial viability of providers and advisers



By 2016 the retail financial services market will be unrecognisable from today