



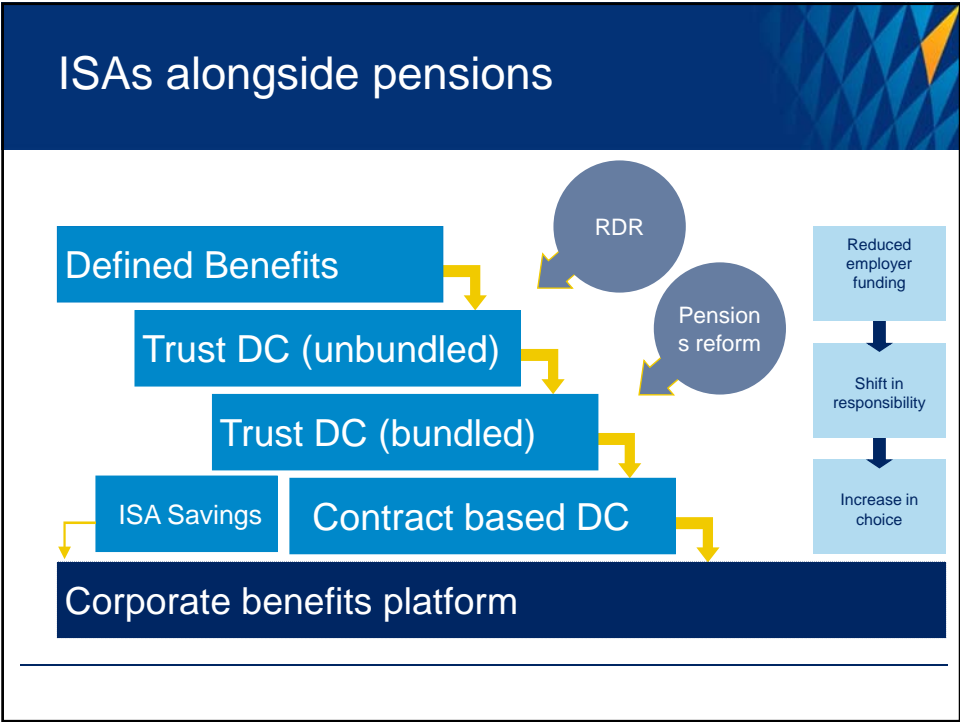
# Distribution of Retirement Solutions in the 'At Retirement' Market

**ISA Saving for Retirement**

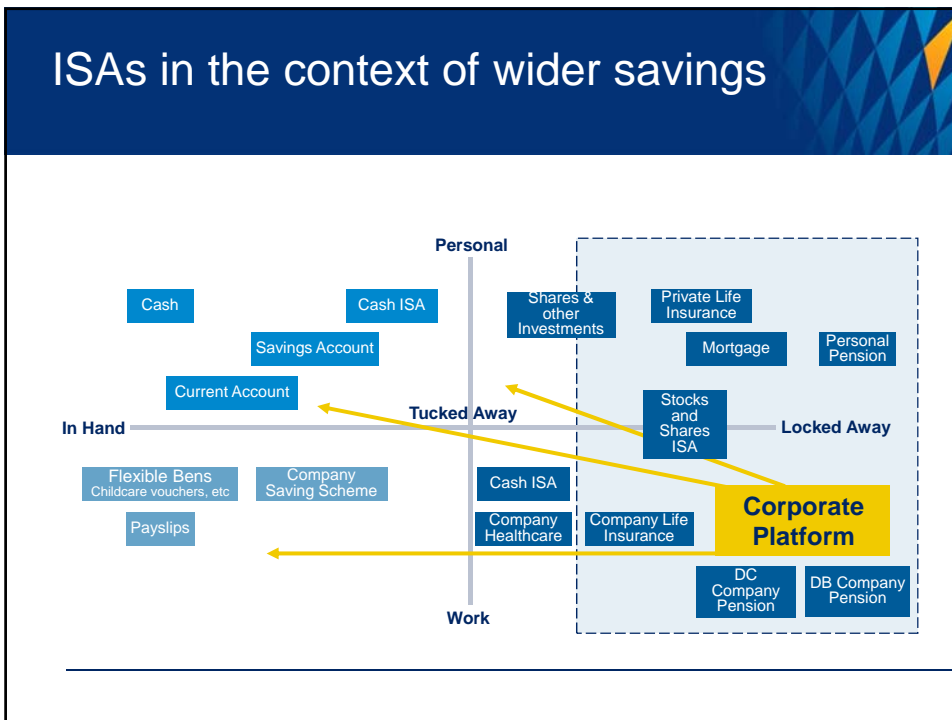
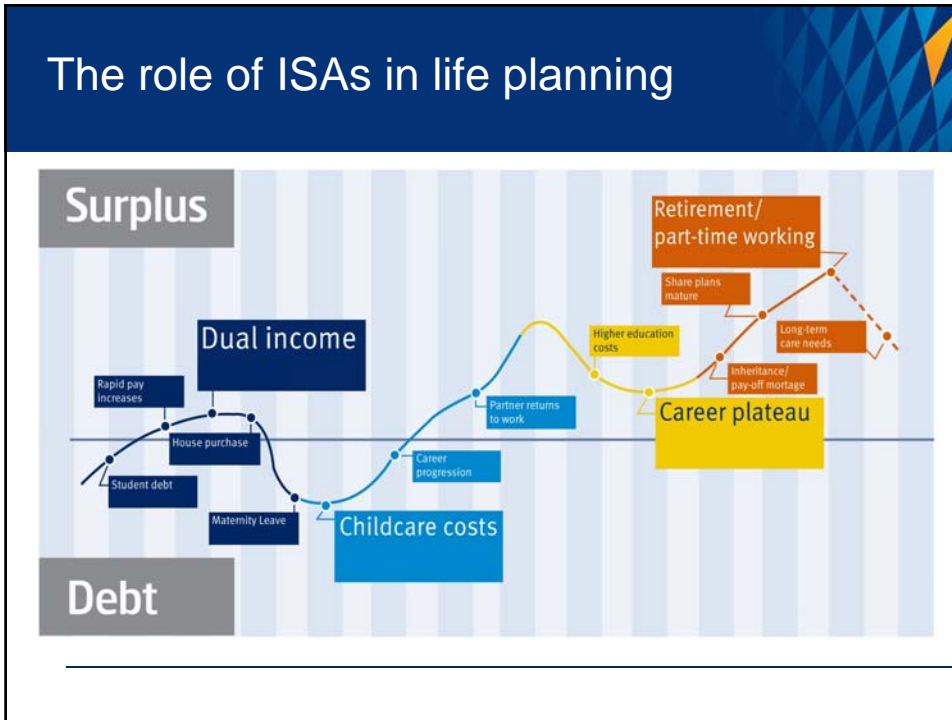
Jamie Jenkins  
Head of Workplace Strategy

26 January 2012

**Standard Life**



# Distribution of Retirement Solutions in the 'At Retirement' Market



# Distribution of Retirement Solutions in the 'At Retirement' Market

## 'Keep on Nudging' – ISA Saving

All content sourced from Standard Life and 2011 research report 'Keep on nudging'

## Context and method

### Method:

- Collaboration with behavioural economists from The University of Edinburgh - Prof Hopkins and Dr. Kornienko
  - Design of behavioural economics-based hypotheses
  - Regression analysis of survey and concept test results
- Qualitative and quantitative research with market research partner Nunwood
  - 4 focus groups to develop and test concepts and shape survey questions
  - Concept test and survey among 600 employed respondents nationwide
  - £18-£45k income range ('squeezed middle'), demographically representative
- Economic impact modelling led by our head of Pensions Policy
  - Using ONS's *Wealth and Assets Survey* and *Annual Survey of Hours and Earnings 2010* and internal economic assumptions

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## Distribution of Retirement Solutions in the 'At Retirement' Market

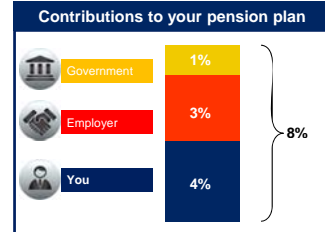
### Communication used to achieve these results in concept test

Starting next month, **your employer will automatically enrol you into a new workplace pension plan**, to help you build up your savings for retirement. This replaces any existing pension plan.

#### How much will you be saving for your retirement?

A minimum of 4% of your gross salary above £5,000 will automatically be invested into your pension plan every month. This is £50 a month for someone on a £20,000 salary.

Your contribution will be matched by your employer and by the government, effectively doubling your investment for free.



#### How will this money be invested?

Your money will go into a portfolio of investment funds that experts believe is appropriate for your life stage. Funds will be held in trust, so that there is no risk to your pension if your employer runs into difficulties or you change jobs.

#### Should you save more?

The 4% minimum contribution is not likely to give you the lifestyle most people expect in retirement. You are encouraged to increase your contribution. When you contribute more, so does the government.

*For someone who is 30, saving an extra £50 a month is expected to give them an extra income of £150 a month for as long as they live after 65.*

#### What if you don't want to join?

You can choose to 'opt out' of this workplace pension. This means that you will not be saving for your retirement through work and that you will not benefit from your employer's free contribution.

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## The problem we all know about

30 %



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# Distribution of Retirement Solutions in the 'At Retirement' Market

## What does that *really* mean?



All content sourced from Standard Life and 2011 research report 'Keep on nudging'

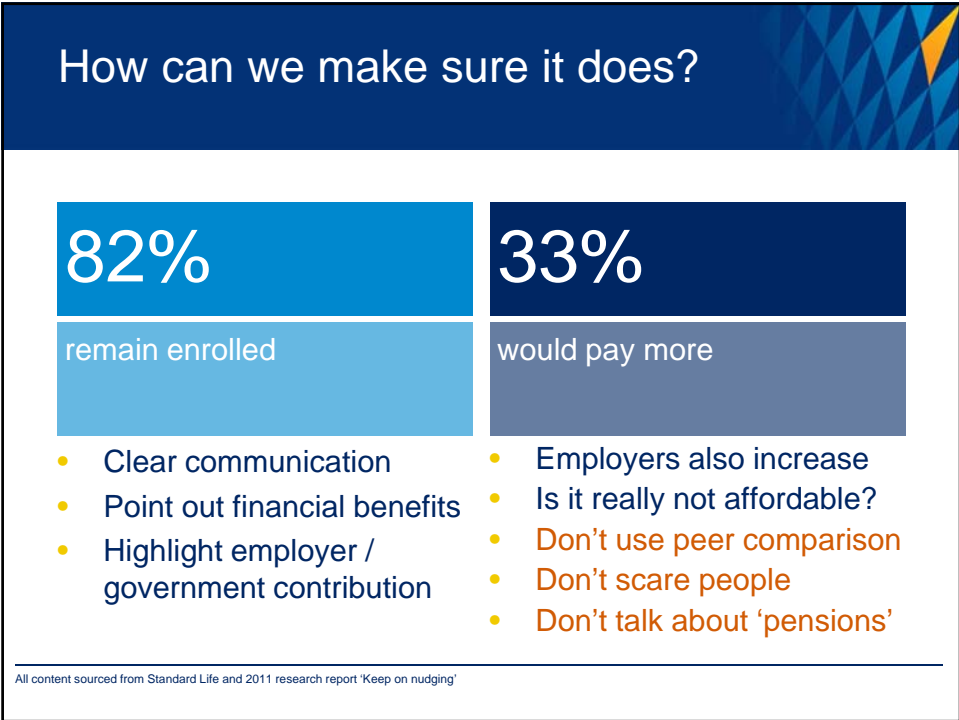
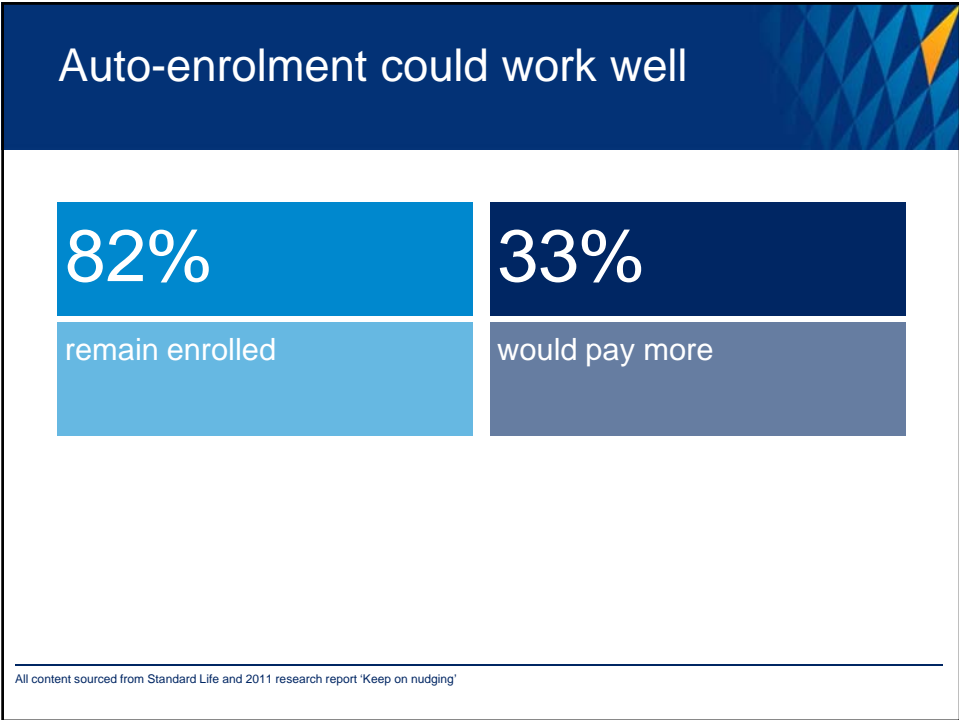
## What does this mean for savings?

- 50-60% participation
- Significant shortfall in savings rates
- Limited engagement



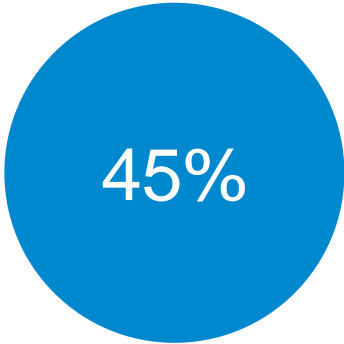
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# Distribution of Retirement Solutions in the 'At Retirement' Market



# Distribution of Retirement Solutions in the 'At Retirement' Market

## How does that problem look now?



All content sourced from Standard Life and 2011 research report 'Keep on nudging'

## What does that *really* mean?



All content sourced from Standard Life and 2011 research report 'Keep on nudging'



# Distribution of Retirement Solutions in the 'At Retirement' Market

## What does this mean for savings?

- Additional £12.5bn annual contributions
- 80-90% scheme participation rates
- 8% minimum contribution



All content sourced from Standard Life and 2011 research report 'Keep on nudging'

## That takes us up to 2017<sup>(ish)</sup>

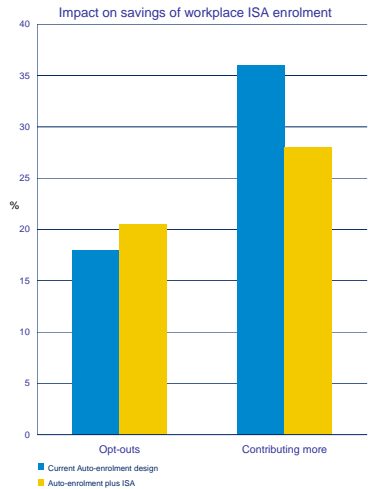
Auto-escalation

Parallel savings

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# Distribution of Retirement Solutions in the 'At Retirement' Market

## What do we do next?



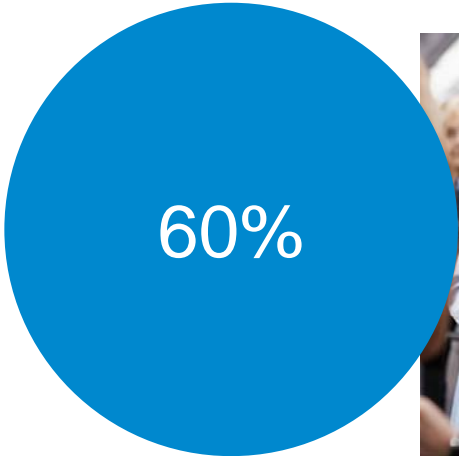
### Parallel savings

80% would welcome the option

69% see it as helping plan and save for retirement

All content sourced from Standard Life and 2011 research report 'Keep on nudging'

## How does that problem look now?



All content sourced from Standard Life and 2011 research report 'Keep on nudging'

## Distribution of Retirement Solutions in the 'At Retirement' Market

### What does that *really* mean?



The infographic is contained within a large blue circle. It lists several retirement-related items with corresponding icons:

- Basic living costs: £10,000 a year (icon: house and money)
- Weekly dinner or drinks with friends (icon: wine and food)
- Home improvements (icon: house with tools)
- 2-week holiday each year (icon: beach chair and sun)
- 4 weeks in the sun each winter (icon: beach chair and sun)
- Shopping trips for you + your family (icon: shopping bags)
- A concert, play or show once a month (icon: ticket)
- Health club membership (icon: tennis racket and ball)

To the right of the circle is a photograph of two men in a public space, one looking at a smartphone while the other looks on.

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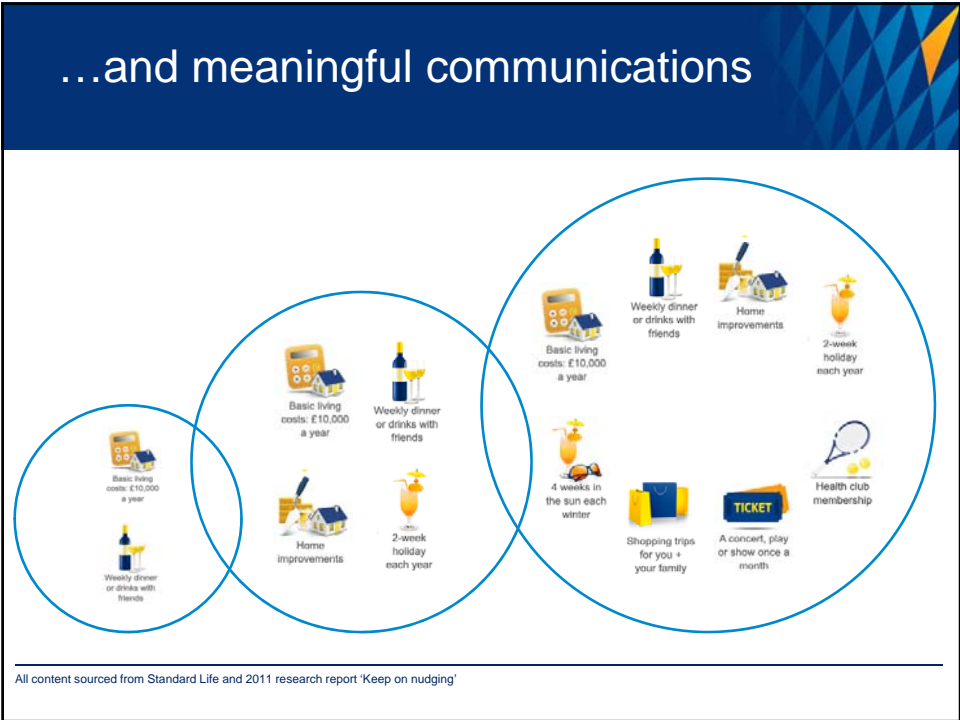
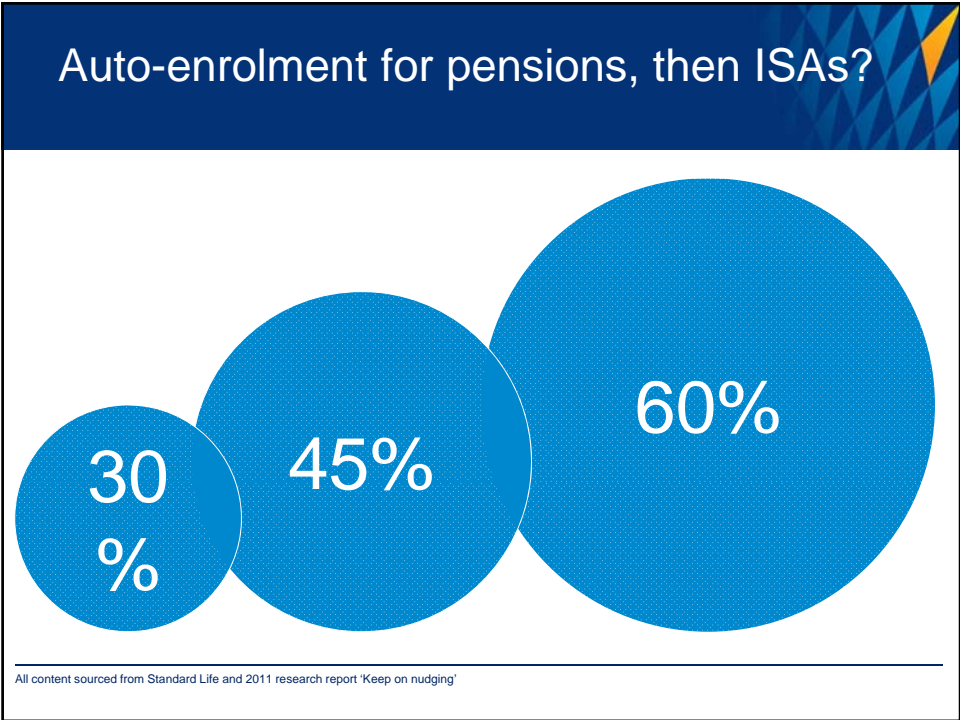
### What does this mean for savings?

- Additional £13-14bn annual contributions
- Contributions above statutory minimum
  - Deeper engagement with savings



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# Distribution of Retirement Solutions in the 'At Retirement' Market



## Distribution of Retirement Solutions in the 'At Retirement' Market

### Corporate ISAs – what next?

- Treasury considering how Pensions and ISAs could work better together ('Pizzas?')
- Key issues needing addressed to make Corporate ISAs workable:
  - *Little incentive for employees without employer contribution*
  - *No tax incentive for employers*
  - *No dispensation for employers to promote*
  - *Lack of a 'default fund' concept*
  - *Culturally, usually associated as a personal finance product*
- For providers, economies of scale and turnover will be key

## Thanks

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