



# Investment Pathways Forum

09:30 - 12:30 | Wednesday 1<sup>st</sup> December 2021

Thank you for joining

The event will commence shortly at 9:30 AM

# MaPS Investment Pathway Comparison tool

**Adam Gifford**

01 December 2021

# Background and aims

# Background



Developed in response to a request from the FCA to help address two consumer issues identified in the FCA's Retirement Outcome Review.

**Issue 1: Many consumers struggled to make appropriate investment choices when moving into drawdown.**

Providers required to create and offer ready-made investment options that meet four broad objectives when accessing the pension via drawdown.

**Issue 2: Consumers not currently shopping around enough at the point of and then in retirement.**

The FCA believe that when market competition is working well, consumers will shop around, select the drawdown option that best fits their needs and switch provider.

With greater competitive pressure, they believe providers will be incentivised to lower charges and improve services to keep existing customers and attract new ones.

**Providers required to signpost to the tool as part of their choice architecture.**

# Aim of the tool

## To help consumers:

- Age 50 and over who are looking to set up or transfer a drawdown product
- Choose an investment pathway provider
- Compare products that offer non-advised investment pathways on the open market (i.e. direct to consumers.)
  - Currently standing at 9, with two providers still to onboard.
- Compare the one year cost (£'s and pence) for investing in a pathway solution

## Reminder:

- It is not designed to help consumers narrow down their retirement choices pre-access,
- It is **not** designed to be an income drawdown comparison tool and;
- Is not transactional (consumers cannot purchase anything on the tool)

# Usage so far

# Initial volumes encouraging but lots more could benefit



<b>Users</b>	<b>20,121</b>
<b>Sessions</b>	30,543
<b>Completion %</b>	50-60%
<b>% who reached products page</b>	67-85%
<b>Average session length</b>	11 minutes 43 seconds

## How does that compare?

Traffic is lower than our annuity comparison tool but has high potential to grow:

- Roughly 70,000 annuities were bought in 2019/20, over two thirds were non-advised
  - ❖ Our annuities comparison tool attracts around 10,000 users a month
- Demand for non-advised income drawdown in the market is similar
  - ❖ Approximately 200,000 plans entered drawdown and weren't fully withdrawn in 2019/20. Only a quarter of those were non-advised

# What options are users selecting?

Options	% of total clicks
Buy new product	90%
Switch to new product	10%
Take a long term income (PW3)	40%
Do not know	17%
No plans to touch money (PW1)	21%
Take all money out (PW4)	14%
Set up a guaranteed income (PW2)	8%

Pot sizes vary significantly from as little as £10,000 up to £1 million.

Highest number of entries in the 50-300k range.



# Which providers are users selecting?

Providers	% of total clicks out
Top two providers	40%
Next three providers	35%
Next four providers	25%

The provider who is alphabetically bottom is not bottom in terms of number of clicks out.

The cheapest providers are also not the most clicked either.

# Customer feedback

## Positive

- 'Good sound information and love the draw down calculator.'*
- 'I had no problems using the tool.'*
- 'Very helpful and informative. I found all the information that I needed.'*

## Expected to find but couldn't

- 'It wasn't very easy to see the underlying investments, factsheets etc even through the links to provider's websites'*
- 'Indication of the performance of various companies and all the costs for the pension'*
- 'I had to contact each provider for more details and that proved quite difficult.'*
- 'Fees over long term (not just a year)'*

## Case studies:

- *Customer had been in drawdown for several years on an advised basis. Thought charges were high so used tool as a way to compare. Switching would save 6k a year.*

# Future plans

# Development plans

- ✓ Regular reviews
- ✓ FCA post implementation review of investment pathways
- ✓ Integration of investment pathways tool into wider planning journeys

[moneyhelper.org.uk/pathways](https://moneyhelper.org.uk/pathways)

Thank you

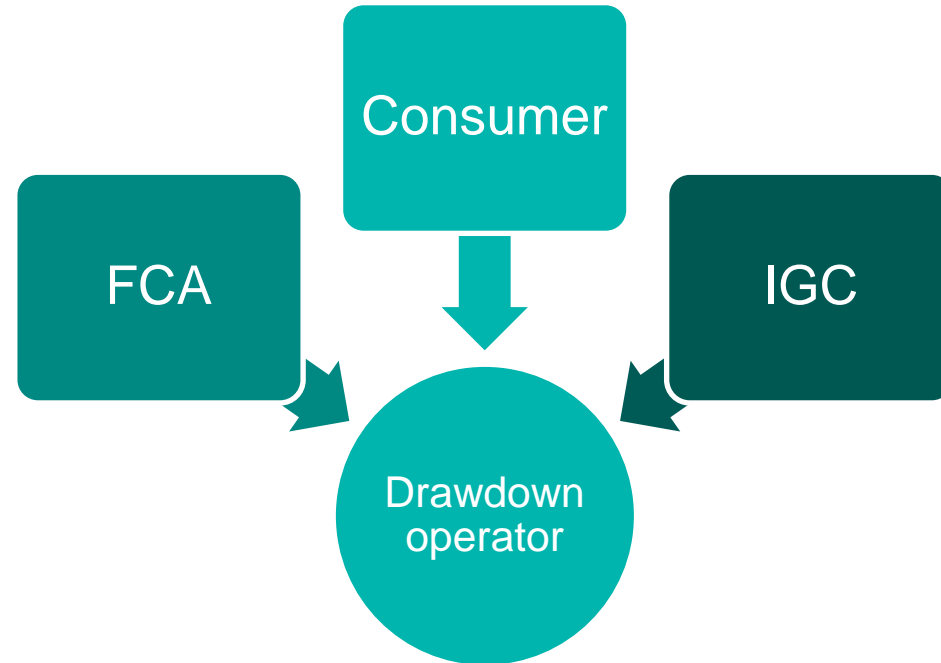


# Legal perspective

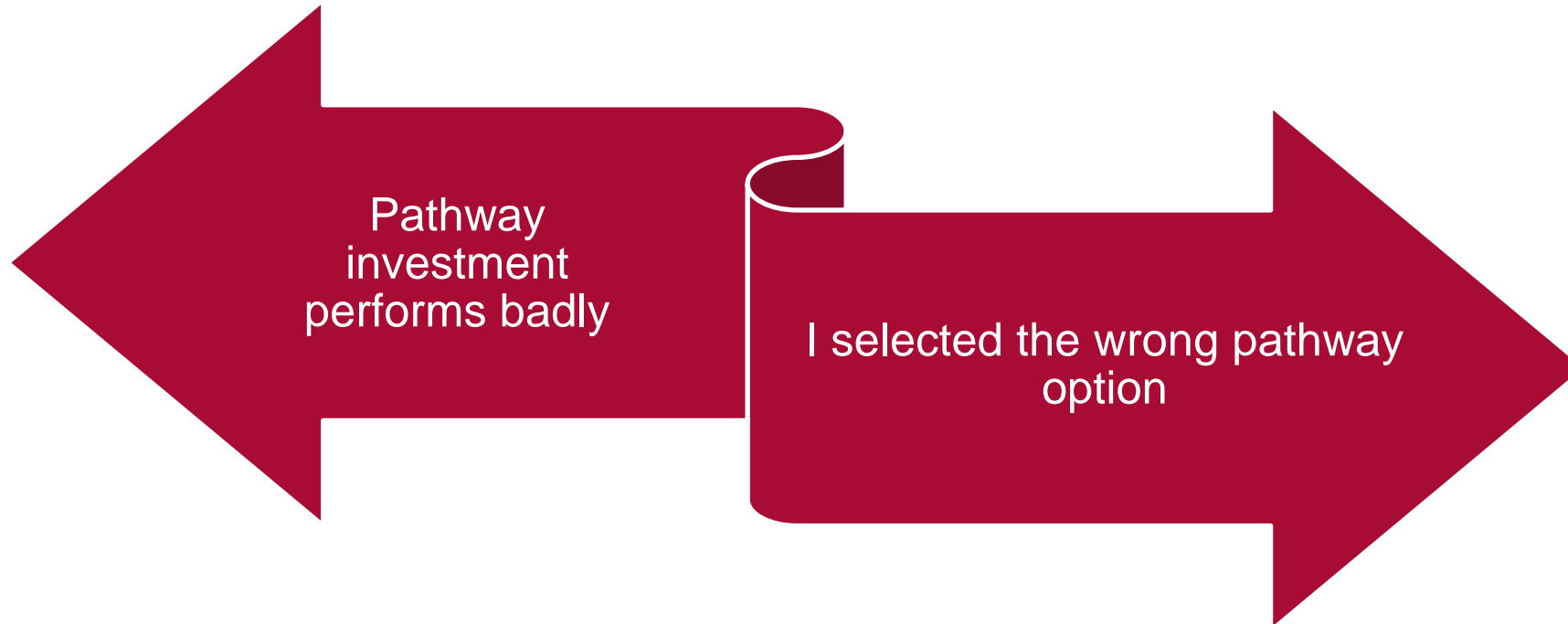
Simon Laight

1 December 2021

# Risks

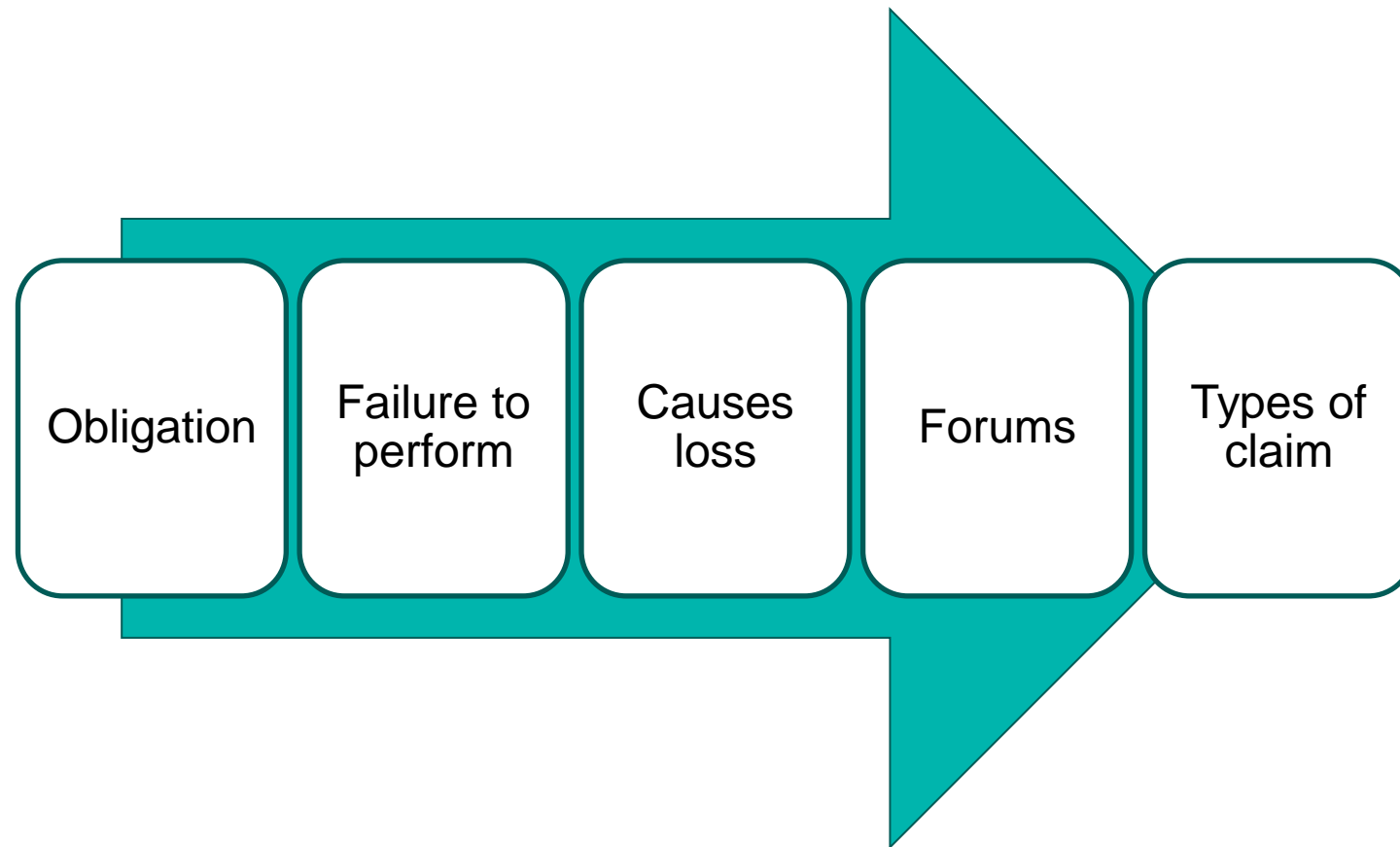


# Risks





# Anatomy of a claim



# Main obligations

Offer, or refer to other firms offering, a pathway investment

Manufacture or distribute investment

- Product governance (PROD)

Compatibility assessment

- needs, characteristics and objectives
- price and complexity
- review and change
- referral

# Other key obligations

## Present pathway options

- prescribed choice architecture

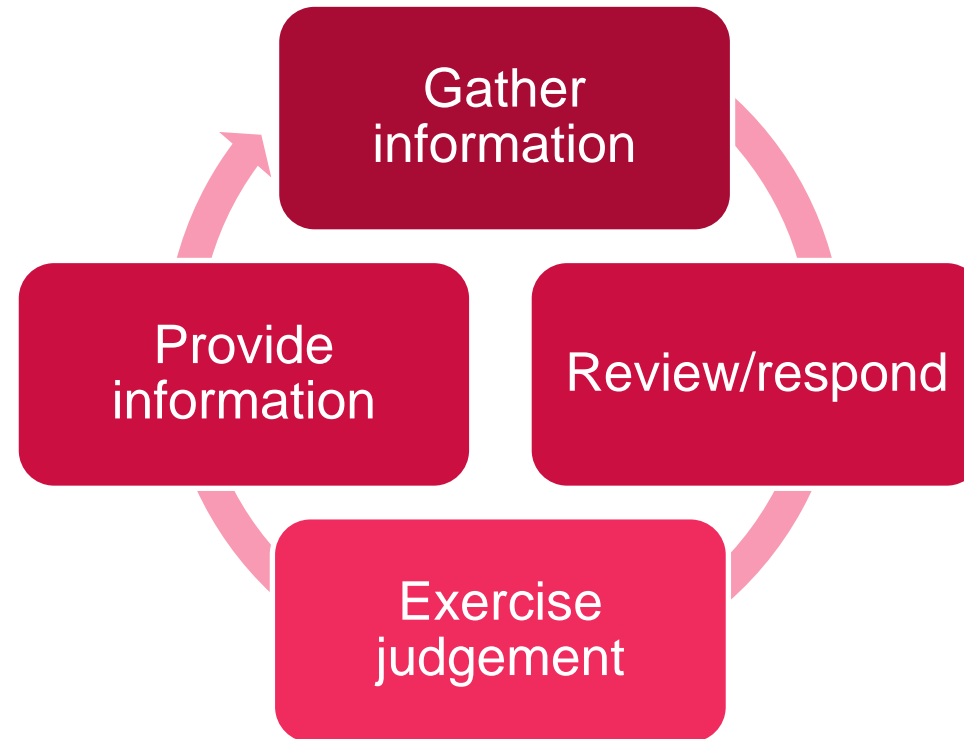
## Set consumer expectations

- describe riskiness, aims and objectives
- shopping around

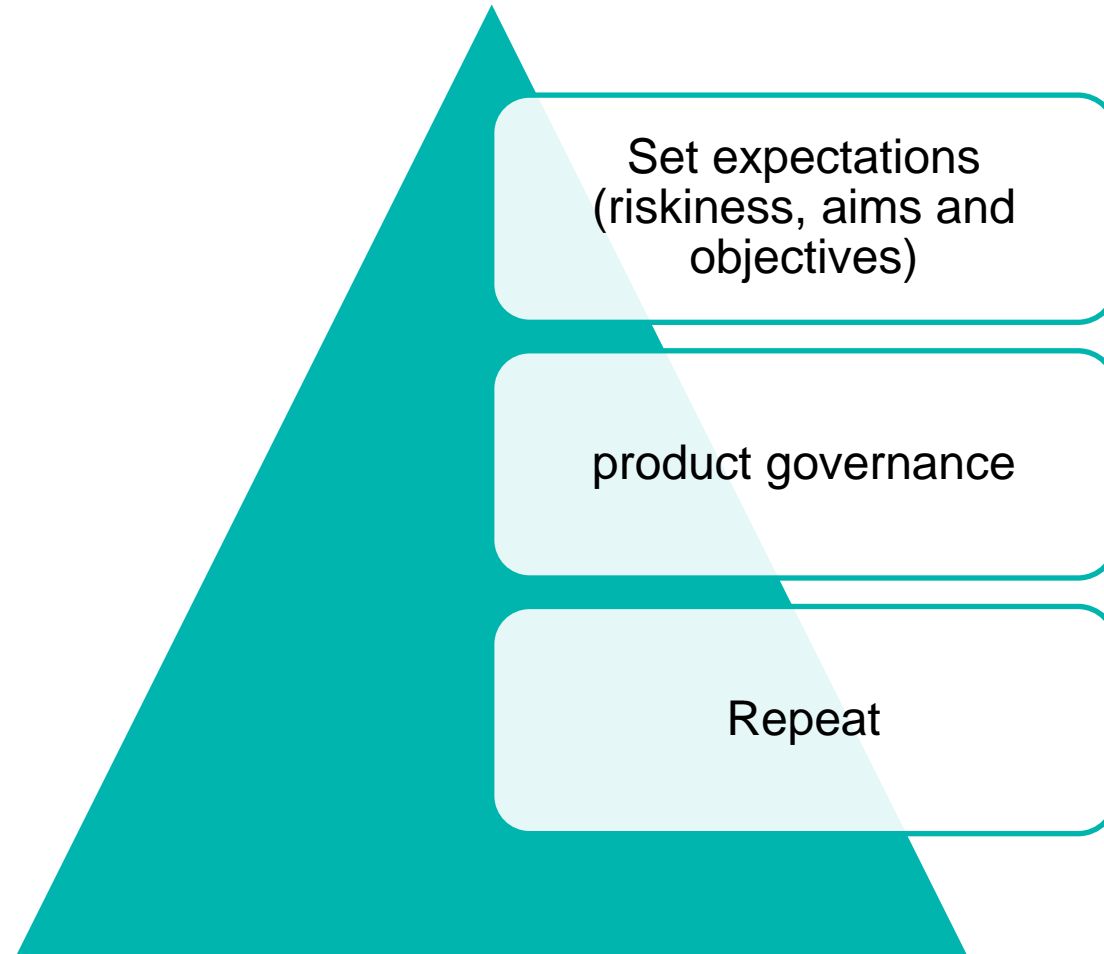
## Steps for

- non selectors
- requests incompatible with pathway option

# Modes



# Mitigation



# IGC

## Independent Oversight

- act solely in interests of investors
- reporting and escalation

## Value for money

- Investment performance
- Costs and charges
- Customer service
  - communications
  - transaction promptness
  - “alignment” review

Assessment process





# Panel discussion

The wider picture

---



**Ian Costain,**  
Independent  
Consultant,  
**Bloomfield  
Financial  
Consultancy**



**Nathan Long,** Senior  
Analyst, **Hargreaves  
Lansdown**



**James Carter,** Head of  
Pension Products &  
Policy, **Fidelity  
International**





**TISA**



[www.tisa.uk.com](http://www.tisa.uk.com)



Tisa UK