This time it's personal

Enabling consumers to make better savings and investment decisions

July 2021

About TISA

The Investing and Saving Alliance (TISA) is a unique, rapidly growing membership organisation for UK financial services.

Our ambition is to improve the financial wellbeing of all UK consumers. We do this by focusing the convening the power of our broad industry membership base around the key issues to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

TISA membership is representative of **all sectors of the financial services industry.** We have **over 200-member firms involved in the supply and distribution of savings,** investment products and associated services, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

As consumers, the financial services industry and the economy react to and recover from the effects of the pandemic, the importance of the three key pillars of work that TISA prioritises has never been more apparent:

- **Strategic policy initiatives that influence policymakers** regarding the financial wellbeing of UK consumers & thereby enhancing the environment within which the industry operates in the key areas of **consumer guidance, retirement planning, later lifetime lending, vulnerable customers, financial education, savings and investments**.
- TISA is recognised for the **expert technical support provided to members** on a range of operational and regulatory issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations covering **MiFID II, CASS, ESG/RSI, operational resilience, Cyber Risk, SM&CR** and a range of other areas.
- **Digital transformation initiatives** that are driving ground-breaking innovation and the development of industry infrastructure for greater operational effectiveness and revenue promoting opportunity for firms. TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives – **TISAtech** (a digital marketplace that brings together financial institutions and FinTechs for greater collaboration and innovation) and **TURN** (TISA Universal Reporting Network – a digital platform providing a secure data exchange for financial services using blockchain technology) – alongside projects **Digital ID** and **Open Savings, Investment & Pensions.** This reflects TISA's commitment to open standards and independent governance.

Contents

Foreword

TISA believes that millions of people would benefit from a much wider range of support services to make informed choices about their savings and investments. Whilst financial advice can be highly beneficial, it's simply not realistic to expect the financial advice community alone to fulfil the support needs of consumers or to plug the UK's 'Advice Gap'.

The FCA recently estimated that there are 38 million people who are not using any formal support to assist them with their finances. The solution isn't 38 million extra people taking regulated financial advice. Consumer support also needs to come from the industry - product providers, banks and building societies. Often, they are the ones with existing consumer relationships across the country. But savings and investments support needs to be delivered in an engaging and more personalised manner.

We commissioned this research (conducted by EY Seren) for two main reasons: 1) to further inform the industry on how to win the engagement battle with consumers; and 2) to provide new insight to the FCA and the Government on the type of support initiatives that future regulation ought to enable for the benefit of consumers. We put the confines of what present regulation allows to one side and sought to test what type of support initiatives would "move the dial" with consumers.

We uncovered several key and interesting findings in this research:

- Consumers see investing as largely about making their money work harder and because they inherently think it's the right thing to do. Apart from the objective of saving towards retirement, for most consumers it's less about achieving specific goals. However, much of the industry narrative revolves around helping consumers achieve a specific goal, which the research shows may not be aligned with their underlying motivations.
- People find savings and investments complex and confusing. They are overwhelmed by the number of choices available. Without support, people often can't work out what products are relevant to them. Consumers need to be presented with less information, not more, and that information needs to be relevant to them, personally.
- To research their savings and investments options, people are turning to free sources of information - like online tools and calculators, online forums, comparison websites and friends and family. Some of these sources are regulated and others are not, exposing consumers to the added risks of being subject to misinformation and scams. The majority of less wealthy people see paid-for financial advice as *not* aimed at them. Despite the challenges and pitfalls that come with it, the behaviour of people is to go down the "DIY" approach. They see no other feasible option at present.
- The millions of consumers who don't have access to advice (nor see it as a feasible option for them) are faced with significant detriment from the lack of appropriate support. They are worried, they feel defeated, they are unable to improve their outcomes and struggle to know where to start. A significant proportion of people are avoiding making important decisions altogether, which will include people not investing excess cash which some may have built up during the pandemic. The current system of consumer support in financial services is clearly not healthy for the majority.
- There is strong consumer interest for their product providers, banks and building societies to make better use of their data – whether it be data the consumer were to input via a tool or the data that the product provider knows about them already. Consumers like the idea of their data being used, especially to make savings and investments decisions quicker and easier for them. Consumers (especially those under the age of 50) would like more personalisation and they have sufficient trust in their product providers to make the best use of technology and data.

There is a large gap though between the personalised support that consumers would like and the type of support that the industry is able to provide (under current advice regulations). This delta needs to be addressed by future regulation. The research indicates that the personalisation of support will give consumers greater confidence in both selecting products and making the right financial decisions.

People have a choice between spending their money on goods and services now versus saving and investing for the future. Other industries have far fewer restrictions on how they encourage people to make purchasing decisions and how they can use personal data for the benefit of customers. If the financial services industry continues to be curtailed in the way it can personalise, the risk is that consumers will continue to compromise their future financial wellbeing. The risk is also that the financial services industry will not be effective in fully leveraging the behavioural biases, beliefs and values of consumers.

Our call-to-action in publishing this research is for the FCA, Government and industry to create a future where consumers have access to a wider range of support services - from full advice and simplified advice through to personalised guidance and more helpful information. This would help millions more consumers get the type of support they need. It would allow the financial services industry to simplify decision making for consumers around their savings and investments, helping consumers see the wood from the trees. It would enable consumers to have greater conviction and confidence in the decisions they make. That is the ultimate prize if the FCA, Government and Industry get this right.

Thank you to Aegon, Aviva, Hargreaves Lansdown, Fidelity and Legal & General for sponsoring this important research initiative.

Prakash Chandramohan
Strategy Director
TISA

Key findings

1) There is a significant proportion of consumers who are avoiding making decisions or putting their cash wherever is easiest. This is likely leading to poor outcomes. Yet many are also aware they need to make their money work harder.

With savings

19% of consumers said they lacked confidence in making decisions

Nearly half

46% of consumers reported a lack of confidence in making investment decisions

The polling found that for many customers a feeling that they should be making their money work harder 35%

was the main trigger for investing and the third highest for saving 29%

2) Many customers are using less formal, and often unregulated, sources for support in making their financial decisions, increasing the risk of consumers gravitating towards peripheral investments or being subject to misinformation and scams.

Friends and family, relied on by

20% for savings

18% for investments

A notable proportion also reported using online forums **17%/20%**

OR

Social media **10%/14%**

to look at saving and investment options

3. There's a gap in the market for supporting consumers who feel they need some level of support to make financial decisions.

32% of consumers feel they need some level of support to make financial decisions

Out of that group - two in five **(39%)** feel that **"paid-for financial support is not aimed at someone like them"** while **(37%)** did feel it was for them (against only **21%** in the whole sample)

4. There is a notable appetite for personalised support, which represents a tangible opportunity for the savings and investments industry to support UK consumers in making good financial decisions.

63% of the population were interested in the six personalised services proposed, With only between **8** and **17%** saying that they were not interested in them.

A third of consumers **(34%)** expected to pay a fee for personalised support	half **(48%)** said they wouldn't expect to have to pay a fee	the remaining **19%** were undecided

5. A third of pension customers were keen to use personalised pensions support. Take-up could be higher if there was employer or peer encouragement. Pricing will need to ensure commercial viability for firms while encouraging the highest proportion of UK consumers to access this form of financial support.

Just under two-fifths

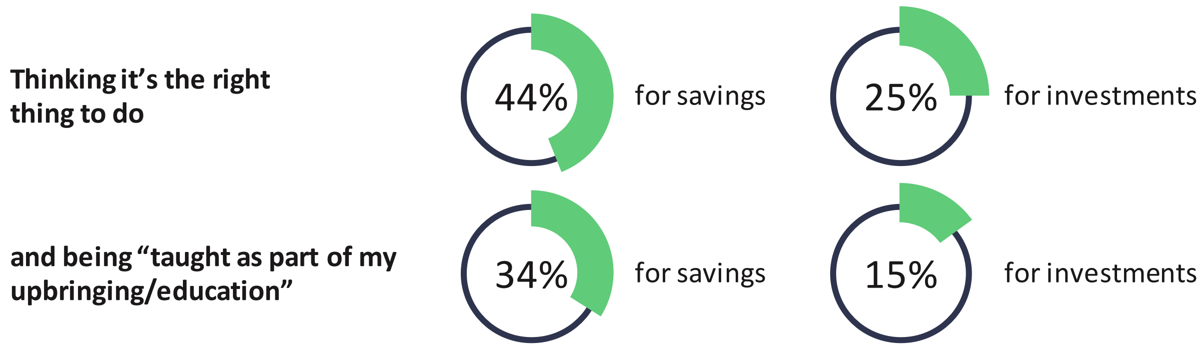
38% say they would be 'interested' in the proposed pensions support service from their pension provider

Just under half

48% would pay **£250** as an upfront fee for this type of support

57% would pay **0.25%** for ongoing support

6. Significant number of customers say their upbringing and education are the drivers of their motivation to invest and save, rather than specific goals or life events. There needs to be a stronger emphasis on the importance and basics of investing not just via formal education but communication with friends and family and interventions at critical moments in people's financial lives



More specific goals generally only motivate **10-15%** of customers

Introduction

The issue of the UK's "advice gap" has been discussed frequently within the industry, but how well do we really understand it?

It's been recognised for several years that there is a shortfall between the number of people who could benefit from financial advice and those who actually access and use it. But we would argue that the problem is wider than just financial advice as currently defined in regulation. Many customers either cannot, or do not, get access to professional support of any kind when making financial decisions.

Today the scale of the problem throws it into starker relief: the FCA estimates that there are 8.4 million adults who have investable assets but for whatever reason are not using the financial guidance or advice services that are available today. These people may therefore be making decisions that lead to poorer outcomes than they could achieve with some support. This is exacerbated by the current economic climate. Ongoing ultra-low interest rates have reduced the appeal and effectiveness of traditional safe options such as savings accounts and annuities.

The FCA's evaluation of the impact of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR) (published in December 2020) represented an important step in the ongoing debate about how to address the issue, articulating the scale of the problem and inviting input to shape how we might collectively start to address it. To this end TISA, with the generous support of Aegon, Aviva, Fidelity, Hargreaves Lansdown and Legal & General, set out to research into how consumers make financial decisions and what support would help them to make better ones. We commissioned EY Seren to conduct this independent primary research, using both qualitative and quantitative approaches.

The hypotheses that the research set out to test were that:

- While professional financial advice serves some segments of the population well, many mid-market customers are not able to access financial advice – either because they perceive it is not "for" them, or because it is beyond what they can afford
- Financial guidance as defined today is not meeting the needs of customers or enabling them to take better decisions
- There is potential for a service that goes beyond the current boundaries of guidance which, while stopping short of advice, many customers would find more helpful than current guidance and could therefore drive better financial outcomes.

One of the key principles of the research was to approach it as far as possible with a "clean sheet". Our aim was to better understand what barriers consumers face in making financial decisions, the detriment consumers face when they don't get the support they need and what characteristics a support service would need to have to help them make better decisions. It was important to undertake this research without being constrained by how financial advice and guidance are defined today, given the evidence that customers mostly have a poor understanding of current services and the distinctions between them. By identifying the ideal characteristics of a support service, we hope to provide valuable input into shaping the future regulatory regime.

We are at a point where there is a unique opportunity to rethink regulation. The 2021 Financial Services Act will give the UK's regulators considerable additional latitude in setting regulation, including the ability to reinterpret or even diverge from the UK's implementation of European regulation. This is particularly important as we enter a decade that is likely to see the most radical changes in the retail financial services market in a generation. The emergence of open finance around the world is driving the development of “financial ecosystems” that can bring together a full range of financial services and enable customers to manage financial affairs that once needed a disparate array of service providers through a single, holistic solution. As the UK moves towards implementing its own open finance regime, it is imperative that we have a regulatory environment that helps customers to get the support they need to make the most of this new financial world.

Furthermore, reviewing the regulatory regime around guidance and advice will also be essential as the FCA takes forward its New Consumer Duty proposals, which will set higher expectations around the support that firms should be providing to consumers to improve outcomes. Aligning the different strands of regulation so that it is clear how a firm can discharge its duties without overstepping its permissions will be a key step in ensuring customers can get the support they need.

TISA

Critical for individuals and UK success

For individuals, financial wellbeing and resilience are crucial to people's mental health and happiness. As we emerge from the many challenges of the COVID-19 crisis, consumers are increasingly recognising the need to make their money work harder and protect their families – but often do not know how to act on it. It is clear that there is a key role for the financial services industry to play in helping consumers first recognise and then take action to make their money work harder.

Many people, either by accident or design, have been conserving their cash during lockdown, and savings rates are at record levels, but with ultra-low interest rates expected to persist for some time, the lack of support to make better informed saving or investment decisions could cost consumers dearly in lost opportunities for growth. Excessive cash holdings also deprive the economy of investment as the UK looks to rebound and grow.

This report offers new insights into how consumers think about vital saving and investment decisions and indicates how current financial guidance and advice services do not always overcome their behavioural biases or deliver the support they feel they need. It also explores the level of demand for personalised support to bridge the regulatory gap between advice and guidance and what characteristics this support would need to have to help consumers make better informed decisions. We look forward to using these insights and working with the FCA, providers and consumers to help millions more gain access to financial support that can lead them to better outcomes.

Methodology

EY Seren* completed an upfront exploratory phase using qualitative techniques to understand the experiences of a range of UK consumers. They completed 12 remote depth interviews, in March 2021.

EY Seren then used quantitative techniques to size and scale different need-states and test some personalisation services. They achieved n=2,039 survey interviews, with a spread of UK consumers in May 2021.

The survey was targeted at:

- Those aged 20-75 years
- With a Household (HH) income of £20k+
- Investable assets of £1k+

The research achieved a spread of interviews by age, gender, region, income and assets.

*EY Seren is EY's customer experience and digital innovation agency.

Chapter 1 – The current picture

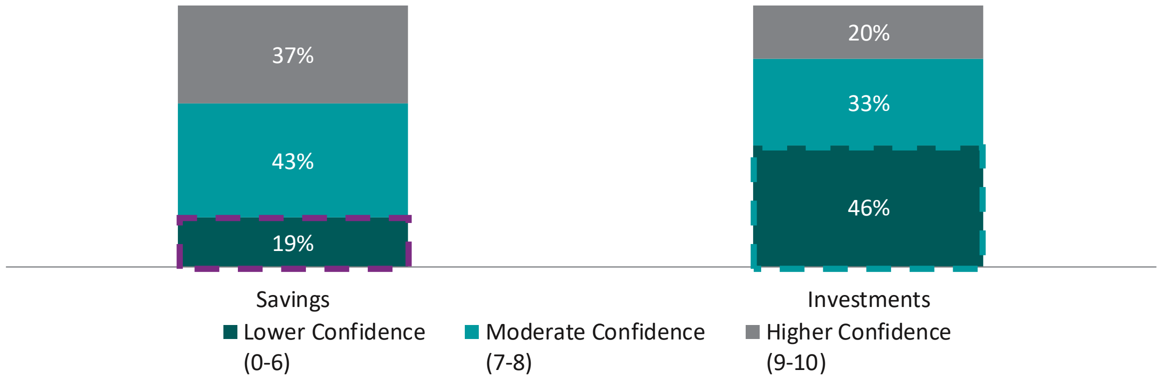
1.1 Lack of confidence is leading to harmful indecision

The research found a worrying lack of confidence among consumers about making financial decisions. Even with savings, 19% of consumers said they lacked confidence in making decisions, and nearly half (46%) of consumers reported a lack of confidence in making investment decisions.

Table 1

Stated confidence: Savings and Investments

A notable proportion lack confidence in making decisions with savings (19%) and investments (46%). This is particularly the case for women who feel significantly less confident in their financial decision-making compared to men.



i Subgroup Analysis

- **GENDER: Compared to men, women feel significantly less confident when making financial decisions for both savings and investments.** 24% of women give a lower confidence rating for savings (vs. 14% of men) and 56% of women give a lower confidence rating for investments (vs. 36% of men).
- **AGE:** Gen Z (those aged 20-24) are slightly less confident when it comes to making financial decisions to do with savings; nearly one-quarter (24%) award a score of 0-6. **However, Gen Z say they are the most confident of any age group when making investment decisions;** 28% give a high confidence score of 9-10.
- **HH INCOME:** While there are no significant differences in stated confidence in relation to savings decision-making, **those with a modest household income (£20k - £40k) are significantly less confident when it comes to making financial decisions around investments** (51% give a low score vs. 42% amongst those whose household income is £40k or more).

Statistically significant difference (95%)

Q9. How confident are you in making personal financial decisions in relation to savings and investments? (Base size: n=2,039)

Gender split?

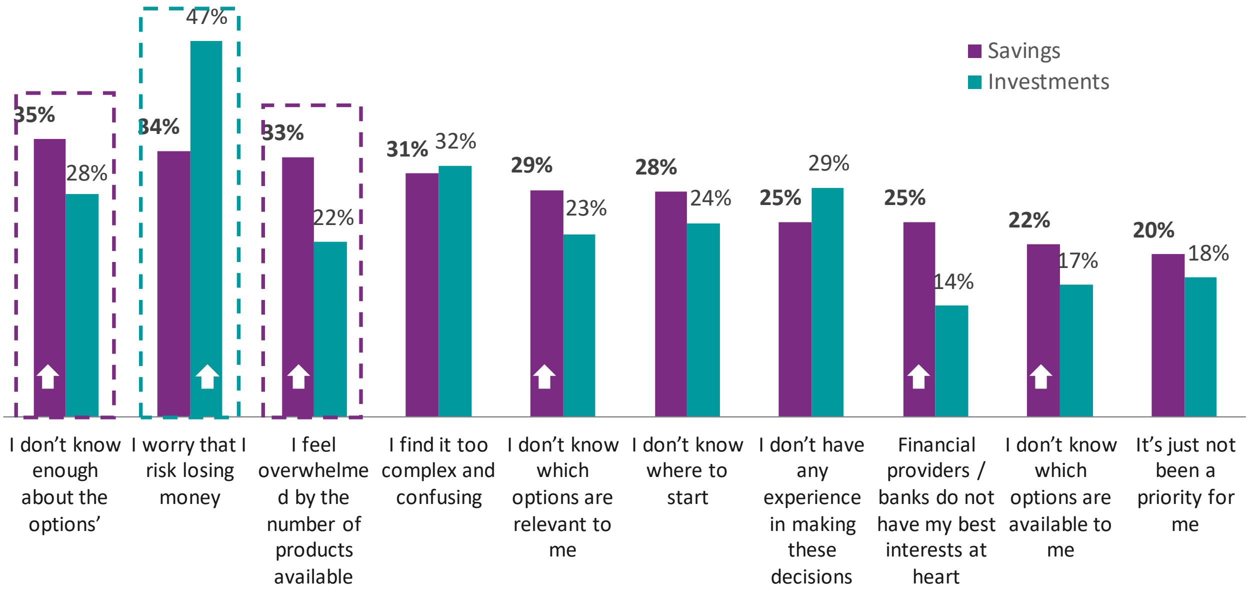
56% of women gave a low level of confidence rating around investments compared to only 36% of men. While this may indicate women have a significant lower level of confidence, it may also reflect that some male investors tend to overestimate their own abilities to make well-informed investment choices.

Table 2

Drivers of a lack of confidence: Part 2

One of the main reasons consumers lack confidence in making financial decisions with savings and investments is because they "don't know enough about their options"; additionally, notable proportions are concerned about the "risk of losing money" - this is a particularly dominant reason for investments (47% cite this).

Top #10 drivers (ranked by savings):



i	Subgroup Analysis
	• There are no significant differences by subgroups when looking at drivers of a lack of confidence.

Q10. You mention that you are not particularly confident in making financial decisions around savings/investments, why is that? (Base size: n=Savings, 391; Investments n=944)

Whilst the risk of losing money featured highly as a driver for lack of confidence, the other key reasons (Table 2) all point to a lack of knowledge and experience translating to low confidence in making such important financial decisions.

We then explored how that lack of confidence impacted consumers' behaviours. As Table 3 shows, a significant proportion of consumers simply avoid making a financial decision - a quarter (25%) around saving and 21% around investment. Another 25% of consumers make savings decisions based on what's easiest. It is likely that many of these consumers will be achieving poorer outcomes than if they had access to some support.

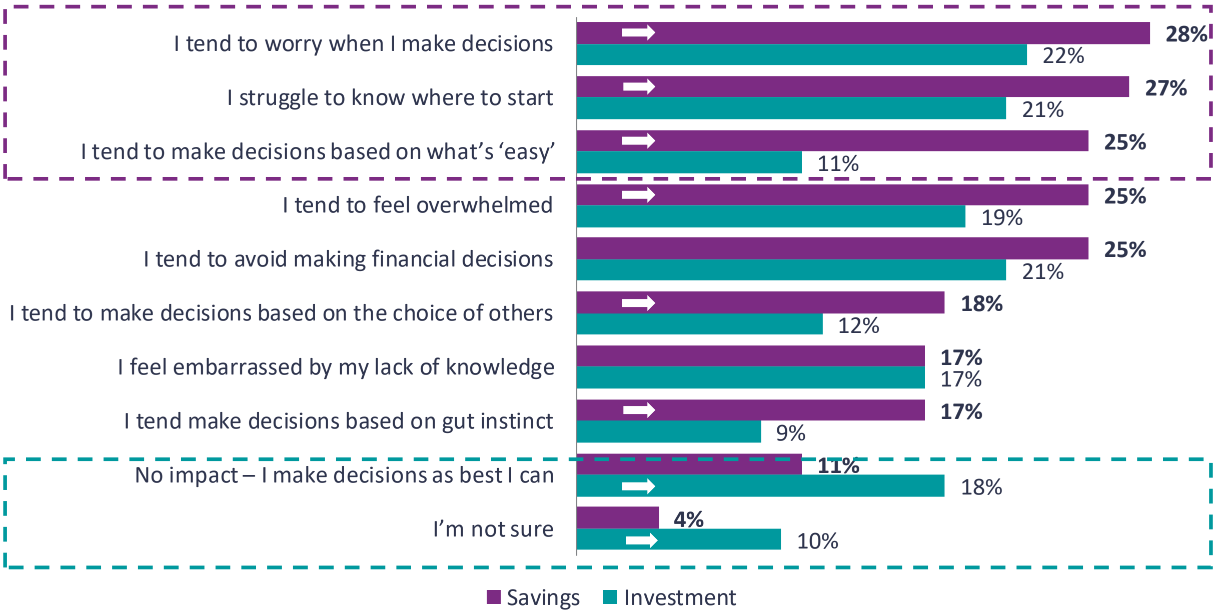
Compared to the overall sample, millennials (those aged 25-34) are significantly more likely to feel "embarrassed by their lack of knowledge" (28% v 17%) and "avoid making decisions" (29% v 21%) when it comes to investments. Meanwhile, those aged 50-75 years are significantly more likely to feel that a lack of confidence has "no impact" (31%) on their ability to make investment decisions compared to those under 50 (7%).

Table 3

Impact of a lack of Confidence: Savings and Investments

Lack of confidence has a notable impact on many: "worry", struggling to know where to start" and "feeling overwhelmed" are key factors (particularly for those lacking confidence with savings). For investments, a notable proportion claim it has "no impact" (18%).

Top #10 factors (ranked by savings):



Subgroup Analysis

- GENDER: Compared to men, women say they are significantly more likely to "struggle to know where to start" when it comes to making investment decisions (24% vs 16% for males).
- AGE: Millennials (those ages 25-34), are significantly more likely to feel "embarrassed by their lack of knowledge" (28%) when it comes to investments, compared to the overall sample.
- Those aged 50-75 years are significantly more likely to feel that a lack of confidence has "no impact" (31%) on their ability to make investment decisions compared to those < 50 years (7%)

Statistically significant difference (95%)

Q11. What impact, if any, does your lower confidence have on your ability to make financial decisions in relation to <savings/investments>? (Base size: n=Savings, 391; Investments n=944)

Takeaway thoughts

- Savings and investments are perceived as 'the right thing to do' – but little attention is paid to whether they are working hard enough, or if there might be a better alternative available.
- There is a significant proportion of consumers who are avoiding making decisions or putting their cash wherever is easiest. This is likely leading to poor outcomes.

- The build-up of cash and a lack of support or guidance may risk consumers gravitating to peripheral investments. 17% of customers rely on online communities and forums for support on savings, rising to 20% for investments. Among millennials, the figures are 23% and 29% respectively. With many of them operating beyond the scope of regulatory control, the investments discussed on these forums typically range well beyond those that professional advisers would select for inexperienced investors.
- Even with the services that are available today, 27% of customers research savings on their bank's website and 15% research investments, and 13-14% say they get support from their financial services provider. This gives a good indication that if customers knew a service better attuned to their needs were available from their financial services providers, they would at least investigate it – representing a chance to educate them about the risks of unregulated sources of support.

1.2 Different factors motivate different age groups

The polling found that for many customers a feeling that they should be making their money work harder (35%) was the main trigger for investing and the third highest for saving (29%).

Interestingly, "thinking it's the right thing to do" (Savings, 44%; Investments 25%), and being "taught as part of my upbringing/education" (Savings, 34%; Investments, 15%) were the other most popular drivers, suggesting for many, these habits are instilled early and sustained over time.

Meanwhile, more specific goals generally only motivate 10-15% of customers, though retirement planning is cited by 26% as a motivation for saving and 27% for investment.

This was particularly true for those aged 50-75, who are significantly more likely to have started saving because they "thought it was the right thing to do" (49% vs. 40%) or because it was "taught as part of their upbringing" (40% vs. 30%). This may indicate a worrying trend if younger generations have not been introduced to this in the same way.

Compared to women, men are significantly more likely to say they started investing for their "retirement" (32% vs. 22%), are saving for a "numerical target" (18% vs. 11%) or after "meeting their life partner/spouse" (14% vs. 9%).

Gen Z (20-24 year olds) and millennials (25-34 year olds) are significantly more likely to start saving for "something specific they want to work towards" (34% and 29% respectively), which may include a first house.

COVID-19 was also a significant trigger for Gen Z with 21% stating this prompted saving – which may have been a deliberate decision or by default as lockdown restricted spending opportunities.

Table 4

Triggers: Investments

The most commonly cited triggers for investing are to: "make my money work harder" (35%), "retirement" (27%) and "I always thought it was the right thing to do" (25%).

Top #10 savings triggers:

1	I've always thought it's important to make my money work harder	35%
2	My retirement	27%
3	I've always thought it's the right thing to do	25%
4	I was always taught as part of my upbringing/education	15%
5	I had something specific I wanted to save towards	14%
6	I had a specific numerical target I wanted to work towards	13%
7	Receiving inheritance money	12%
8	Getting a pay rise (e.g. salary increase, bonus etc.)	11%
9	Covid-19	10%
10	Meeting my life partner/spouse	10%

i Subgroup Analysis

- **GENDER: Compared to women, men are significantly more likely to say they started investing for their "retirement" (32% vs. 22%).**
- **AGE:** Gen Z (20-24 year olds) are significantly more likely to start investing for "something specific they want to work towards" (28%) and due to "Covid-19" (19%) compared to the overall sample (14% and 10% respectively).
- **Those aged 50+ are significantly more likely to have started investing because they "always thought it was important to make their money work harder" vs. those <50 years (42% vs. 31%).**

Statistically significant difference (95%)

Q13. Earlier you confirmed that you currently hold <savings/investments>. What, if anything, prompted your decision to start <saving/investing>?(Base size: Hold Investment Product n=885)

TISA

Table 5

Triggers: Savings

The Top #3 most commonly cited triggers to start saving are: "it's the right thing to do" (44%), being "taught as part of my upbringing / education" (34%) and thinking "it's important to make my money to work hard" (29%).

Top #10 savings triggers:

1	I've always thought it's the right thing to do	44%
2	I was always taught as part of my upbringing/education	34%
3	I've always thought it's important to make my money work harder	29%
4	My retirement	26%
5	I had something specific I wanted to save towards	24%
6	I had a specific numerical target I wanted to work towards	14%
7	The birth of my child/children	13%
8	Meeting my life partner/spouse	12%
9	Receiving inheritance money	12%
10	Covid-19	11%

i Subgroup Analysis

- **GENDER: Compared to women, men are significantly more likely to say they started saving for their "retirement"** (30% vs. 23%), for a "numerical target" (18% vs. 11%) or after "meeting their life partner/spouse" (14% vs. 9%).
- **AGE: Gen Z (20-24 year olds) and Millennials (25-34 year olds) are significantly more likely to start saving for "something specific they want to work towards" (34% and 29% respectively).** Covid-19 was also a significant trigger: 21% of
Gen Z stated that this prompted their decision to start saving.
- Compared to those <50 years, those aged 50-75 are significantly more likely to have started saving because they "thought it was the right thing to do" (49% vs. 40%) or because it was "taught as part of their upbringing" (40% vs. 30%).

Statistically significant difference (95%)

Q13. Earlier you confirmed that you currently hold <savings/investments>. What, if anything, prompted your decision to start <saving/investing>? (Base size: Have Saving Product n=1,666)

In our qualitative interviews, there was a notable proportion of consumers who felt the act of saving was enough - the thought of researching alternative options and changing products felt like too much time and effort. Clearly saving something is better than not saving at all, and this should remain a key focus. But for those who do save, supporting better decisions could deliver real benefits to consumers.

Takeaway thoughts

- Regulators and the industry should look at building on the behavioural insight that making their money work harder was the number one driver for investing and number three for savings, particularly for older customers.

- The findings show the importance that education has in embedding good saving/investing behaviours – whether formal education in schools or the trickle-down of good financial habits through the family.
- COVID-19 and the volatility impacting markets and super-low interest rates may have driven the demand for money to work harder for some.
- Viewed in isolation, the overall percentages might suggest that the trigger for investing is not necessarily tied to major life goals. However, the significant generational differences are worthy of further investigation. The “right thing to do” mentality was much less prevalent among younger generations, who were significantly more likely to have a specific goal in mind.
- While the cause of this difference was not explored in our research, the existence of such a large generational gap suggests that the industry needs to understand it better and tailor its approaches to work with the different needs and motivations of different generations.

1.3 Overwhelmed but don’t think paid-for support is aimed at them

Just under a third (32%) of all consumers feel they need some level of support to make financial decisions.

- Out of that subset, two in five (39%) feel that “paid-for financial support is not aimed at someone like them”
- On the other hand, nearly two in five (37%) of the subset indicated that they did feel paid-for support was aimed at them, as against only 21% in the whole sample.

This sends a clear message that there’s a gap in the market for supporting these people, who feel they need support but are split on whether paid-for support is aimed at them.

When we look at the two thirds of customers who do not feel they need support, over half (57%) felt that “paid-for financial support is not aimed at someone like them”, and only 13% felt it was.

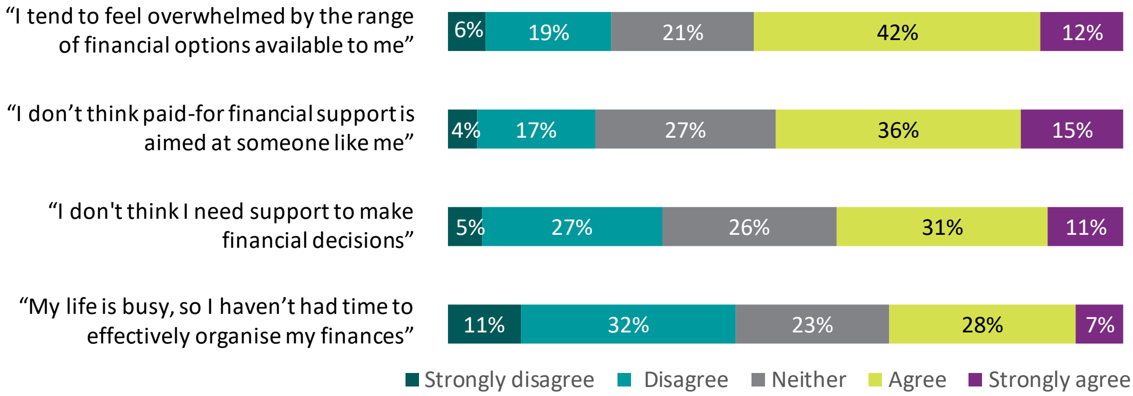
Over half of our sample also feel “overwhelmed by the range of financial options available to them (54%), yet Gen Z and millennials (those aged 20-34) are significantly more likely to agree that “paid-for financial support” is not for them (59% vs. 48% aged 35+).

Those aged under 50 years are significantly more likely to agree that they feel “overwhelmed by the range of financial options available” (63% vs. 44% who are 50+) and that “their life is so busy they haven’t had a chance to effectively organise their finances” (47% vs. 19%).

Table 6

Attitudinal statements

While a high proportion of consumers feel "overwhelmed by the range of financial options available to them" (54% agree), just over half (51%) feel that "paid-for financial support is not aimed at someone like them". Despite that, there is a notable amount of interest in support: just under a third (32%) feel that they need some level of support to make financial decisions.



i Subgroup Analysis

- **GENDER: Consistent with earlier findings, women are significantly more likely to agree that they feel "overwhelmed by the range of financial options available"** (62% either 'agree' or 'strongly agree' vs 47% of men). They are also significantly more likely to disagree that they do not "need support to make financial decisions" (35% either 'disagree' or 'strongly disagree' vs. 28% of men).
- **AGE: Those aged <50 years are significantly more likely to agree that they feel "overwhelmed by the range of financial options available" (63% vs. 44% who are 50+) and that "their life is so busy they haven't had a chance to effectively organise their finances" (47% vs. 19%).** Gen Z and Millennials (those aged 20-34) are also significantly more likely to agree that "paid-for financial support" is not aimed at someone like them (59% vs. 48% aged 35+).

Statistically significant difference (95%)

Q12. How much do you agree or disagree with these statements? (Base size: n=2,039)

In the absence of paid for advice, consumers' main port of call for savings research was banks' websites and comparison websites. When it came to researching investments, online tools were the most popular option followed by comparison websites.

Not far behind were friends and family, relied on by 20% for savings and 18% for investments, and Gen Z (aged 20-24) were significantly more likely to use the support of friends/family to find out more about savings (32% v 20% for all) and investments (30% v 18%).

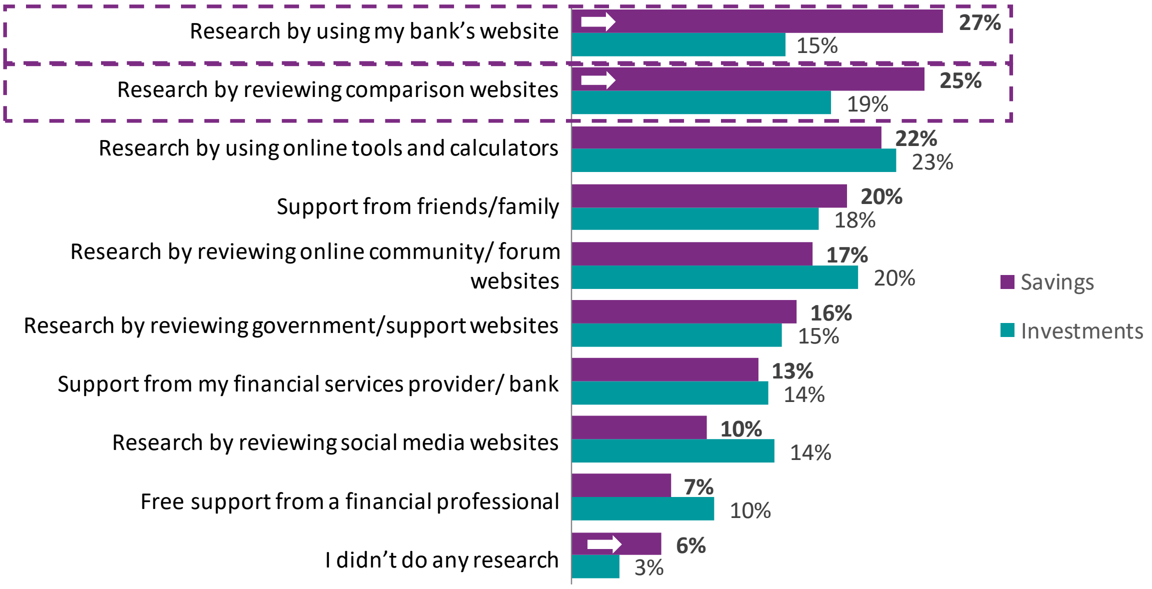
A notable proportion also reported using online forums (17% / 20%) or social media (10% / 14%) to look at saving and investment options.

Table 7

Methods of Research: Savings and Investments

There are some differences in how consumers research savings and investments. For savings, consumers are more likely to use their "bank's website" or "comparison sites". For investments, the most typical method of researching is using "online tools/calculators".

Top #10 research methods (ranked by savings):



i Subgroup Analysis

- **GENDER: When it comes to investments, men are significantly more likely to say they do their own research using "online tools and calculators" than women (29% vs. 16%).**
- **AGE:** Gen Z (aged 20-24) are significantly more likely to use the "support of friends / family" to research savings (32%) and investments (30%) vs. the overall sample. Millennials are the most likely to use "online communities and forums" (23% for savings and 29% investments).
- **Notably, those aged 55-75 years are significantly more likely to "pay for support" (27%) to research their investment options compared to the overall sample (15%).**

Statistically significant difference (95%)

Q14. How did you research your <savings/investment> options? (Base size: Hold Savings Product n=1,666; Hold Investments Products n=885)

We also asked the consumers we surveyed what the barriers were for those consumers who had no savings or investments at all. The main barrier was worry over losing money – especially for investments (35%). A sizeable proportion also said they couldn't afford to put money aside (Savings, 19%; Investments, 15%).

A fifth (19%) of Millennials (25-34 year olds) were likely to "struggle to know to where to start" with investment options, higher than the rest of the population (12%). The industry will have to think carefully how to reach this young cohort.

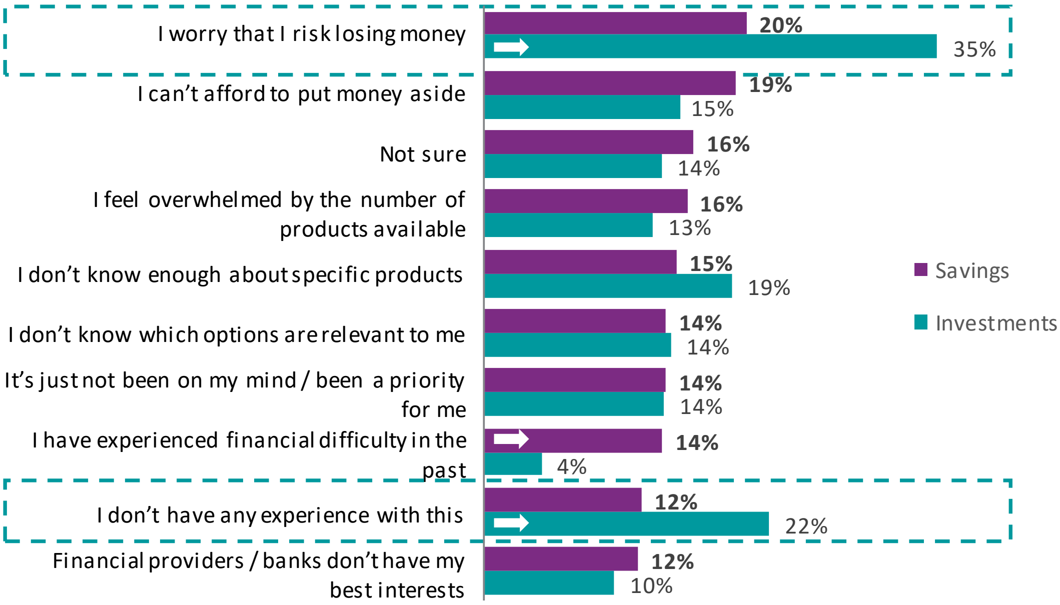
Table 8

Barriers: Savings and Investments

The main barrier is: "I worry that I risk losing money" – especially for investments (35%).

A sizeable proportion also say they "can't afford to put money aside" (Savings, 19%; Investments, 15%).

Top #10 barriers (ranked by savings):



i Subgroup Analysis

- **GENDER: While there are no significant differences in barriers to saving between women and men, the "risk of losing money" is a significant barrier for women (40% vs. 27% for males).**
- **AGE: Again, while there are no significant differences in saving barriers, Millennials (25-34 year olds) are significantly more likely to "struggle to know to where to start" with investment options (19% vs. 12%).**

Statistically significant difference (95%)

Q15. Earlier you confirmed that you don't hold any <savings/investments>, Please confirm the MAIN barriers to you from the list above.

(Base size: No Savings Held n=373; No Investments Held n=1,154)

Takeaway thoughts

- The spread of answers suggests that for customers there isn't an automatic place they turn to help – although it's notable that a significant minority look to their bank or financial services provider in the first instance.
- It's clear that many customers use less formal, unregulated sources for support in making their financial decisions. However well-intentioned these sources may be, it is more likely that customers will achieve a good outcome if they can rely on regulated advisors or providers.

- More research would be needed to understand why customers choose unregulated sources, but it is likely to be an intersection of perceiving these sources to be more personal, more helpful and cheaper than the current alternatives.

In looking at how to address this, it's important to recognise that the current regulatory environment was shaped in response to very different circumstances. The RDR was designed in an era when financial advice was still largely face-to-face, and paper based. The market as we emerge from COVID-19 lockdown has changed dramatically:

- Discussion of finance and investments on social media has increased, as has public awareness through media coverage. In contrast to regulated financial advice, access to online discussions is free and relatively easy, and often shared by word of mouth
- Digitisation has created new possibilities for engagement with customers in both the regulated and unregulated parts of financial services – and from their experiences in online retail and entertainment services, customers have learned to expect clarity, ease of use and personalisation in all walks of life.
- Tools for automating the delivery and monitoring of regulated services, including hybrid models with human involvement, have improved dramatically, making it much easier to ensure consistent compliance with regulations.
- The cost of providing compliant advice remains high, though, and there is a lack of advisers focused on the mid-market, with most advisers today looking at a threshold of £100,000 investable assets before accepting a customer. [1]
- More individuals have built up material cash balances through lockdown and DC pension pots and are conscious of the need to make them work harder. This will increase rapidly as the 10 million individuals brought into pension saving by auto-enrolment begin to accumulate sizeable balances.

Taken together, these factors mean we live in a very different set of circumstances than when the RDR and its successor, the FAMR, were conducted. The challenge for the industry and regulators is how to best redraw the balance so professional support is accessible to the customers who could benefit from it but offers an acceptable balance of cost, risk and reward to the firms that provide it.

There may also need to be some discussion of the level of risk that customers bear: current lack of professional support or guidance may risk consumers making no decisions, taking investment decisions that are unsuited to their needs or falling prey to scams. Set against this, what risks should customers be expected to bear and what should be retained by the providers to deliver professional support to customers? It is a positive that there is a significant demand for some sort of support given the perception of the complexity of options available. To fill this gap, it will be key to establish a clear understanding of both what customers will find helpful and establishing some ground rules for how providers can offer this without straying into advice.

[1] FT Adviser: Aug 7 2019: "Drop in advisers accepting £100k clients" https://www.ftadviser.com/your-industry/2019/08/07/drop-in-advisers-accepting-100k-clients/

Chapter 2 – Appetite for personalisation services

2.1 Significant demand for personalisation

We tested six personalisation services and we found 63% of the population were interested in such services, with only between 8 and 17% saying that they were not interested. For savers, the most popular option, with seven in ten in favour, was access to a tool that makes it "quick and easy to input data and select relevant savings products." A similar investment tool was liked by 63%, while 64% liked having a provider use their investment data to proactively contact and offer new investment products if there were any issues, e.g. overexposure to a fund or asset class, sustained underperformance or an increased risk of missing a specified goal.

A high proportion of those who said they were 'not interested' in ANY of the services are older: 41% aged 65-75 years vs. 11% of the overall sample. Those with a more modest household income (£20k - £40k), are significantly less interested in all savings

services compared to those whose family income is over £40k.

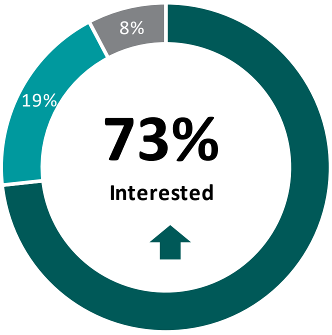
Of those who were interested, 41% felt it would give them greater confidence in selecting relevant financial products and 39% said it would give them greater confidence in making the right financial decisions. Gen Z (20-24 years old) are more likely to say it would "motivate them to talk to a financial professional" - 31% vs. 23% overall.

Table 9

Personalisation services: Savings

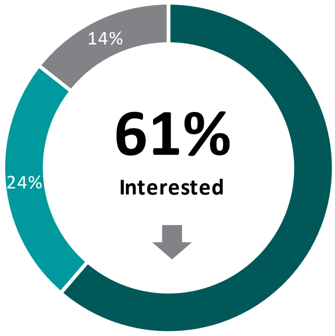
Across the savings services, consumers are significantly more interested in having access to a tool which makes it "quick and easy to input data and select savings products relevant to them" (73%).

Interested - ● Neither interested / disinterested - ● Not interested - ●



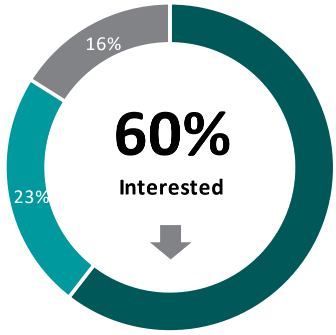
1.

Your provider gives you access to a tool, which makes it quick and easy for you to input data to identify and select savings products relevant to you.



2.

Your provider connects your personal data to their tech, which makes it quick and easy for you to identify and select savings products relevant to you.



3.

Your provider uses the data they hold on you, to alert you to potential savings issues: e.g. you are not saving enough to meet your goals. They then make it quick and easy to select savings products relevant to you.

i Subgroup Analysis

- **AGE:** Those <50 years are significantly more interested in all savings services vs. those 50 years+.
- **HH INCOME:** Those with a more modest household income (£20k - £40k), are significantly less interested in all savings services vs. those who earn £40k+.
- **SAVINGS/INVESTMENT/PENSIONS PRODUCTS:** Those holding these products, express the greatest level of interest vs. those who don't hold these products.

Statistically significant difference (95%)

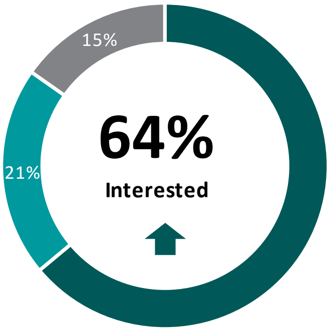
Q16. Above are a range of services that your provider could offer. Please look at the list above and tell us how interested you would be in each service? (Base size: n=2,039)

Table 10

Personalisation services: Investments

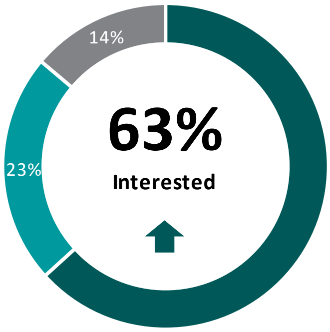
Across the investment services, consumers express significantly greater interest in receiving "alerts to potential investment issues" (64%) and "inputting data to identify and select relevant investment products" (63%) vs. a service that "connects personal data to a provider's tech to make it quick and easy to select relevant investment products" (58%).

Interested - ●	Neither interested / disinterested - ●	Not interested - ●



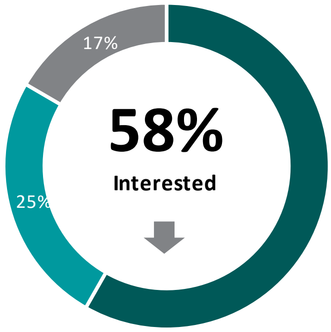
4.

Your provider uses the data they hold on you to alert you to potential investment issues: e.g. you have too much invested in one fund, or your investment has not been performing well, compared to benchmarks. They then make it quick and easy to select investment products relevant to you.



5.

Your provider gives you access to a tool, which makes it quick and easy for you to input data to identify and select investment products relevant to you.



6.

Your provider connects your personal data to their tech, which makes it quick and easy for you to identify and select investment products relevant to you

i Subgroup Analysis

- **AGE:** Those <50 years are significantly more interested in all investment services vs. those 50 years+.
- **HH INCOME:** Those with a more modest household income (£20k - £40k), are significantly less interested in all investment services vs. those who earn £40k+.
- **SAVINGS/INVESTMENT/PENSIONS PRODUCTS:** Those holding these products, express the greatest level of interest vs. those who don't hold these products.

Statistically significant difference (95%)

Q16. Above are a range of services that your provider could offer. Please look at the list above and tell us how interested you would be in each service? (Base size: n=2,039)

Table 11

This question was asked to all those 'interested' in at least one service	FULL SAMPLE (Asked this question)	SERVICE AWARDED HIGHEST 'INTEREST' RATING (Where service were awarded equally high ratings, one was randomly selected)					
		1. Access to tool: e.g. quick and easy to input data to identify and select **savings** products relevant to you	2. Connects your personal data to their tech: e.g. quick and easy to identify and select **savings** products relevant to you	3. Using your data to alert you to potential **savings** issues. It is then quick and easy to select savings products relevant to you	4. Using your data, to alert you to potential **investment** issues. It is then quick and easy to select investment products relevant to you	5. Access to tool: e.g. quick and easy to input data to identify and select **investment** products relevant to you	6. Connects your personal data to their tech e.g. quick and easy to identify and select **investment** products relevant to you
	n=1,953	**n=321**	**n=319**	**n=320**	**n=320**	**n=320**	**n=319**
I think this would give me greater confidence in selecting financial products relevant to me	41%	42%	39%	42%	33% ⬇	43%	45%
I think this would give me greater confidence in making the right financial decisions	39%	35%	45% ⬆	41%	33% ⬇	42%	36%
I think this would be a reliable way to make financial decisions	32%	33%	31%	31%	31%	32%	34%
I think this would motivate me to select new financial products	32%	30%	33%	33%	29%	32%	33%
I think this would motivate me to talk to a financial professional, to understand my options in more details	23%	20%	25%	22%	27%	20%	25%
Other	2%	4%	3%	1%	1%	2%	1%

When asked what the benefits of personalised services would be, the top two answers were "greater confidence in selecting financial products relevant to me" (41%) and "greater confidence in making the right financial decisions" (39%). Younger consumers are more likely to say it would "motivate them to talk to financial professionals (31% of 20-24 years old vs. 23% overall.).

Personalisation will be key to making open finance work

The findings show that the personalisation of support is highly appealing to consumers. This would be a step in the right direction also to ensure consumers get the full value out of the expected expansion of open banking into a full open finance regime.

Open finance – the idea that customers should be able to see and transact with all their financial products in a single place regardless of underlying provider – should fundamentally change the nature of relationships between providers and their customers, advisors, partners, competitors and regulators, and with them the opportunity to deliver better financial outcomes by taking into account a fuller picture of the customer's financial life.

However, open finance on its own is only the enabling legislation, regulation and behind-the-scenes infrastructure. Experience from around the world tells us that for open finance to capture the public imagination, it needs a "killer app" – something that enables customers to solve problems they could not solve any other way.

Making the most of this opportunity will require a regulatory framework that not only enables the sharing of data, but one that enables customers to get appropriate financial support to act on the picture that emerges.

This will be challenging given the fragmented financial advice regime in the UK. Any change in the regulation needs to have an eye on how it can evolve to make it easy for customers to get support on all their needs through a single point, and so get full value out of the potential of open finance.

The Government and the FCA have made it clear that they want the UK to have an open finance model that covers people's full personal balance sheet to support their financial well-being. But to get to this outcome won't just happen and will require the foresight to envision a future regulatory regime that can unlock its potential across a broad range of consumer types.

2.2 Fees and redress expectations for personalised services

Our exploration into support services does not presuppose that these would be charged for. There is considerable appetite within the industry to provide support for customers as part of customer service, without a separate fee.

However, we wanted to explore how consumers would feel about being charged a fee, and the findings were useful in thinking about future options. A third of consumers (34%) expected to pay a fee for the type of services we described; half (48%) said they wouldn't expect to have to pay a fee; the remaining 19% were undecided. Again, we saw a generational difference, with 43% of those aged 20-24 years expecting to pay a fee, in contrast to 23% of those aged 50-54 years. It is perhaps to be expected that customers would hope to receive these services for free, but this provided a useful baseline for exploring fees in more detail with our pension support service (see chapter 3).

We also asked the consumers we surveyed about their expectations of redress. There is a strong baseline expectation of the right to complain and seek compensation, even without a fee: a quarter (25%) would still strongly expect to have the right to complain / seek compensation, rating their expectation as 10 out-of-10. That figure rose to 34% for those aged 65-75 years and fell to only 20% of those aged 20-24 years.

If there was a fee charged, the expectation of redress rises. 34% of consumers would strongly expect to have the right to complain and seek compensation. Yet only 26% those aged 20-24 years expected redress, and almost half (44%) of those aged 65-75 years did.

There is a significant minority who wouldn't expect to receive redress, either with no fee (29%) or with a fee charged (25%). However, it is clear the design of any future service will need to take into account customers' underlying expectations for redress and set out clearly what the redress provisions are for this service.

Favoured models

The most preferred method of accessing these types of services is: "doing it yourself, using interactive online tools" (37%). However, one of the most surprising and important findings of this research has been that younger customers feel more need not just for support, but for support with a face-to-face element (though we have found in other research that most customers view video calls as a form of face-to-face contact). 27% favoured a face to face option versus 21% in the overall sample. The same 20-24 years cohort are also generally less likely to want to use DIY/online tools, with only 28% wanting this against 37% overall.

When we looked at time commitment, just under two-thirds (64%) say they would be willing to spend up to 30-mins to input their personal data to get the most appropriate suggestions from their provider. That did vary significantly with age, with 69% of those aged 20-24 years happy to spend that time on data input versus 45% of those aged 65-75 years – and 28% of the older age group would not want to supply their personal data at all, as against only 9% overall.

Takeaway thoughts

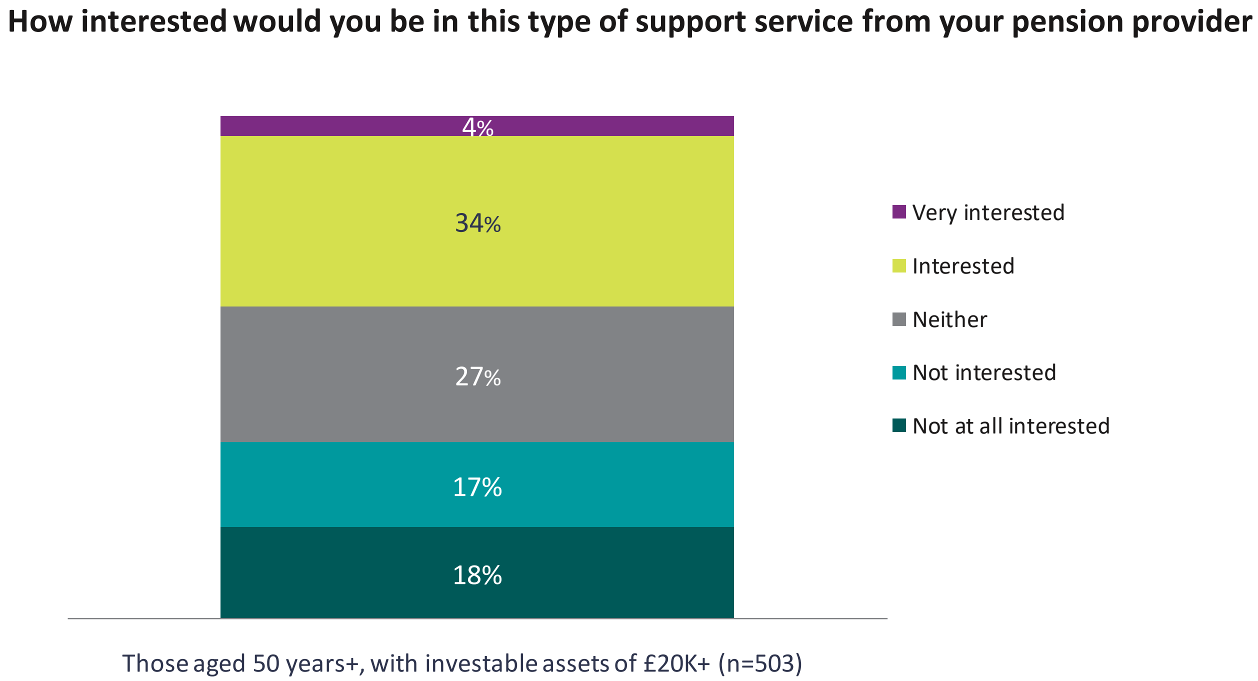
- There is a clear demand from a majority of consumers for personalisation in helping them make better informed savings and investment decisions. This is likely to be at least partly driven by the rise of personalisation in other, less regulated sectors – such as retail and entertainment. There is a large challenge to the savings and investments industry – to balance access to meaningful financial support, with clear communications highlighting the trade-offs relevant to consumers when making use of these services.
- It is also likely to be important to clearly articulate the different types of service available and which service they are receiving – perhaps standardising on language and imagery across the industry, and also covering what they can expect from their chosen service relative to the other types of service, including advice, and what redress rules apply.
- The issues of redress will be key. A key area of focus will be what type of breaches would be open to redress for each type of service. This needs to balance the right of consumers to receive redress for mistakes with the ability of providers to provide services at an appropriate risk and (if not offered free) price and would also need to be set out clearly for customers at the outset.
- The demand for self-service tools will need to be balanced with the constraints such a service can provide – and customers need for human help at some points in the process.

Chapter 3 – Demand for pension support service

3.1 Clear support for personalised pensions support advice

To test the appetite for a specific service in more detail, we asked consumers about their level of interest in a personalised pensions support service to help invest their assets according to their retirement goals and risk tolerance. This would include support delivered via an online tool and telephone support. While not presupposing a charge, we tested a model with a combination of an upfront fee and a %-based ongoing fee, based on the value of investments. Our proposition was targeted at those aged 50 years+, with £20k+ in investable assets.

Table 12



Just under two-fifths (38%) say they would be 'interested' in the proposed pensions support service from their pension provider. However, a further 35% said they were not interested. It is clear that customers are divided on the value of support services, and work may be required to position the service in a way that will optimise take-up. These results were based on a paid for service, so a free offering might see a significant boost in its attraction to customers.

3.2 What are customers prepared to pay?

We went on to ask those customers who were interested or neutral about what they would be prepared to pay for a service. Again, the intent here was to understand customer's attitudes to fee levels, and how they change with different pricing options, rather than with the intention of designing a paid-for service.

Just under half (48%) would pay £250 as an upfront fee for this type of support. In comparison, around a quarter (27%) would pay £500. Just under three-fifths (57%) would pay 0.25% for ongoing support, for this type of service. In comparison, a fifth (20%) would pay 1.00%.

Table 13

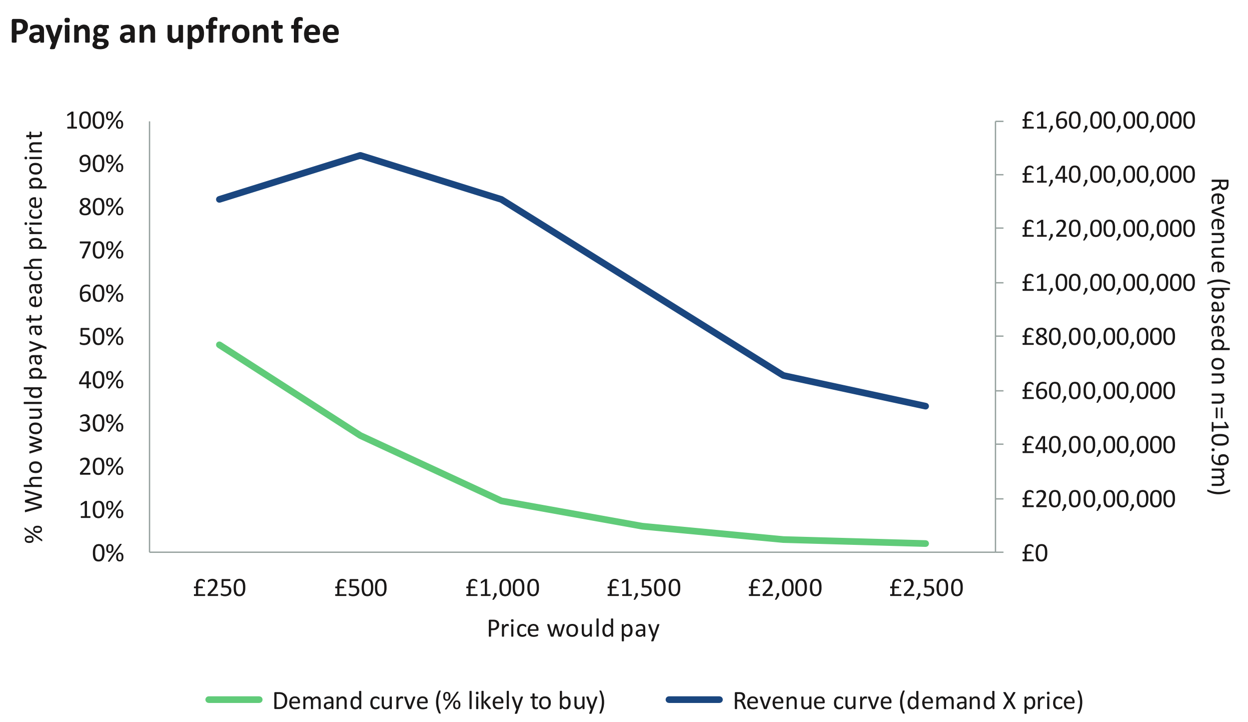
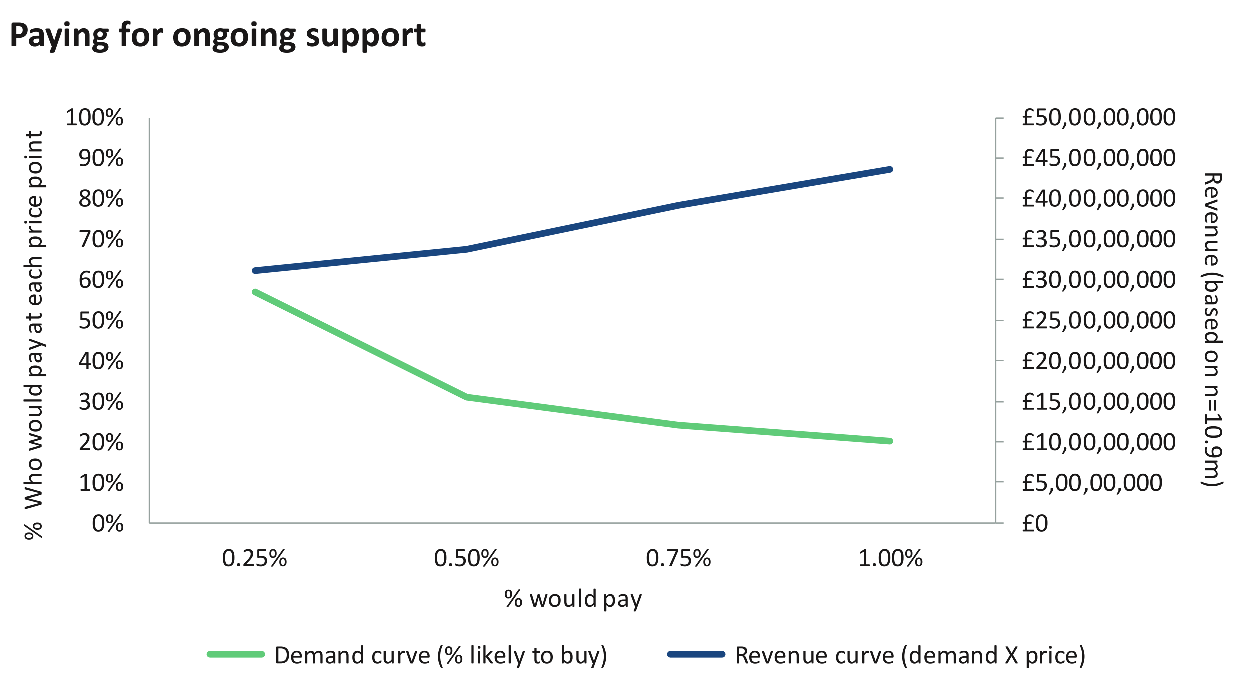


Table 14



Takeaway thoughts

- There is a notable appetite for this type of support, especially targeted at those with a higher level of investable assets (£20k+). This represents a tangible opportunity for the savings & investments industry - to effectively support UK consumers in making good financial decisions.
- Pricing will need to be balanced to ensure it is commercially viable for firms while meeting the objective of encouraging the highest proportion of UK consumers to access this form of financial support.
- The fact that one in three pension customers were keen to use this service would be a step forward from where we are today. And it is likely that take-up could be higher if there was employer or peer encouragement, particularly if the service could be offered for free.

Conclusion

With paid-for advice seen by many as the domain of those with significant assets, consumers are feeling overwhelmed and are not being provided the support they need to make sensible saving and investment decisions. Many want to make their money work harder but are currently missing out – or making poor decisions - without professional support to 'make things personal' and cut through the complexity.

The decisions consumers face are also becoming more difficult, with fewer "safe" choices. The rise in DC pensions, the decline in annuity rates and pensions freedoms have made selecting an annuity no longer the automatic and safe choice it was for previous generations. Consumers now have far more choice but with greater personal responsibility and this means a higher need for support. Initiatives like PensionWise will help, but they are not scaled to support the full population that could benefit from better support; the financial services industry will need to play a central role given the sheer size of the market. In addition, long term low interest rates make holding cash for the long term vulnerable to inflation risk – even though customers perceive the risk of loss more significant with investments.

Personalised support – road to reality?

The good news is that there is clear customer appetite for a level of personalised support for saving and investing decisions. But multiple questions need to be resolved before that translates into reality:

1) Given the growing emphasis on ensuring better consumer outcomes, particularly for those without access to financial advice, establishing both a clear understanding of what customers will find helpful and some ground rules for how providers can offer this without straying into advice is critical to delivering those good outcomes. This will need careful and close working between the industry and the regulators – particularly where what we are learning from customers suggests demand for services that are not possible under current UK or inherited European regulation.
2) Significant proportions of customers reported that being overwhelmed by complexity and fear of loss held them back from making good decisions or acting at all. Further research and testing should be considered to help shape language and framing that will help customers to cut through complexity and minimise unhelpful cognitive biases in decision making. A particular concern should be how we can simplify and structure the information presented to customers so that it conveys the essential information without being overwhelming.
3) Any such new support will need clear communications highlighting the trade-offs relevant to consumers when making use of these services – for example, where advice would be more beneficial and also how redress would work.
4) Given how many older customers cited factors from their upbringing and education as the drivers of their motivation to invest and save, rather than specific goals or life events, ensuring a strong emphasis on the importance and basics of investing in throughout people's early lives should be an ongoing priority, including not just formal education but communication with friends and family and interventions at critical moments in people's financial lives such as starting a permanent job.
5) However, it is important to recognise that the responses show some significant differences between how different generations engage in finance. The younger generations are more likely to focus on specific goals and to feel the need for help to reach them – but seem to be less able to access support from the industry, meaning they are turning to more informal and less well-regulated forms of support.
6) We need to find the right point between creating a service that is actually useful to the customer, an acceptable balance between the level of risk borne by customers and providers offering the service, and – if necessary – the price point.

A solution for all generations – or a solution for each generation?

The research demonstrates some key generational shifts and differences that providers and regulators need to address. Financial support, and the regulatory regime it operates within, need to cater for these contrasts. These age-based views are not simply based on goals or pension planning. There are real differences in attitudes to using technology and sharing data but also more fundamentally around what triggers saving and investment.

In addition to differences in attitudes, different generations are likely to face very different financial challenges over their lifetimes and have very different tools available to address them. It's important to acknowledge this in policy-making and proposition development, and to design solutions that cater to the particular challenges faced by different generations.

Win-win-win

There is a real opportunity to build on these findings and to drive a step-change in access to financial support in the UK. Too many people are missing out and we have gained some valuable insight into some of the reasons and possible solutions. It is clear that getting this right will benefit us all – whether directly through better financial decisions, or indirectly through putting more of the nation's wealth to work.

For **consumers**, the ability to access better quality professional support should help individuals make more informed saving and investment decisions, at a time when the choices are more difficult, temptation from peripheral investments (and scams) may be high, and the amounts are becoming bigger through auto enrolment and higher cash holdings.

For **providers**, educating customers and supporting them in making better decisions not only improves the financial well-being and resilience of customers but also has the potential to build life-long loyalty and trust, earning the right to support more of a customer's personal financial needs for longer.

For **regulators and the government**, boosting financial inclusion is rightly a key goal that the FCA and the Government hold for the savings and investment industry. Helping as many consumers as possible access to the appropriate level of support will be a key part of that push.

Contact

Prakash Chandramohan
TISA Strategy Director
Prakash.Chandramohan@tisa.uk.com