Welcome to TISAtalk, this week –

- Malcolm Small, Director of Policy at TISA, debates why recent stats published by the Money Advice Service paints a picture of UK consumers being far from financial health, where most do not have some form of regular savings.
- Jeffrey Mushens, Technical Director at TISA, discusses why the regulators and government can on occasion being perceived as working against the industry and how TISA believes that it can act as a conduit for the two factions to converse openly and identify how everyone can work together for the good of the savings and investments industry in the UK.
- Peter Smith, Head of Distribution Engagement at TISA, outlines the opportunities for advisers as auto-enrolment extends its' remit to include medium and small sized firms.

DROWNING IN DEBT?

Research recently published by the Money Advice Service (MAS) gives a chilling insight into levels of personal indebtedness in this country. Tracking similar research undertaken by the FSA in 2006, before the financial downturn we are only now starting to recover from, it reveals a picture of millions struggling to meet their monthly bills.

There are some positive signs - 88%, or nearly 9 out of 10, of the 5000-strong sample recognised that saving for a "rainy day" is important and 85% reported themselves as saving something, but only 53% reported themselves as saving regularly each month. In other words most people recognise the need to save and would like to do so if they could. However, I suspect that this is like health questionnaires where everyone reports themselves as being in better health than they really know themselves to be. The Office for National Statistics (ONS) work on wealth and assets last year painted a somewhat grimmer picture with roughly a third of adults having no savings at all, a third with savings of less than £2000 and a third with more than this figure - hardly a picture of financial resilience. The MAS research also identified 52% of the sample reporting themselves as "struggling" to keep up with bills and credit commitments each month, up 17% since 2006. With 8.2 million pay day loans issued in 2011/12, according to research for the Guardian newspaper, we can see that we are looking at a serious situation. For many it's a case of "one false move, and game over".

This matters because consumers will, on the face of it, be unable to support a recovery based upon their spending more – they have nothing left to spend. Equally it paints a picture of a society whose ability to save for the future in a sustainable way may be very limited indeed, implying high levels of benefit dependency and high levels of financially distressed people when interest rates rise, as they surely must. Opt-out levels from automatic-enrolment into pension saving are currently at the low end of expectations. It will be interesting to see the effects as "phasing" of contributions bites into already stretched finances.

Malcolm Small, Director of Policy

SLEEPING WITH THE ENEMY, OR SHARING COMMON GOALS?

TISA has been increasing its' efforts to engage with regulators and government as part of our mission to promote personal savings and investments and, longer term, to turn the UK into an asset-based society. We know the government is broadly supportive of the financial services industry, which has been a core strength of the UK for around 400 years or so (see Darwin's 'Unfinished Empire' or Scott's 'Leviathan' for more details). We are also aware that the government and regulators are shrewder than some factions of the industry perceive them to be. If we have common goals, then working more closely seems sensible for TISA members as well as the regulators et al.

That is why TISA has recently established an HMRC/TISA forum in addition to working with the Client Assets/CASS teams, and Market Abuse, Platforms and Structured Deposits teams at the FCA. Furthermore, TISA is conversing regularly with HMT and DWP on a range of issues around long-term savings and pensions.

An area where we are getting support from government is in helping to engage in Europe. HMT and FCA are very willing to fight the City corner if only the City would tell them what they would ideally like. This is an example of how our Members can gain traction with the government, with TISA acting as the conversation conduit.

If you or your firm have European-related issues that you would like to raise, please do get in touch with us. We know someone who'd like to help.

Jeffrey Mushens, Technical Director

SOMEBODY TALK TO ME!

Communication methods today are probably the most advanced they have ever been, with organisations utilising the wide reach of the internet, social media and instant messaging. However, advisory businesses seem to be struggling to speak with clients following the introduction of the RDR and certainly on the subject of pensions and auto-enrolment.

Interestingly it has occurred to a few that, as a result of auto-enrolment, the only actual product people can see and will care about is advice. By 2017 most people will have a pension of some kind and presumably will want advice on how it works. For those pro-active advisers there is an opportunity to engage in the heart of the small and micro business community who will be in dire need of help.

Those businesses currently trading with more than 250 employees will already have received their one-year notice of staging dates. This should remind these small to medium-sized enterprises that pension reforms are real and about to happen. Whilst certain vehicles will be used to facilitate the required pension provision most will be homogenous and the one true product that comes from our financial services community is advice. This stands alone and does not come packaged within a pension scheme or solution.

The opportunity is there for advisers to engage with those employers, who must now have a pension scheme that meets certain defined standards, and create ongoing dialogue with their employees about benefits and rights under the new legislation.

The DWP is expecting average opt out rates of around 35% with some commentators predicting higher. Following the start of auto-enrolment in October, traditional providers have seen much better results. Legal & General's Master Trust proposition has auto-enrolled around 250,000 employees after targeting larger companies with 120,000 or more employees and has experienced less than 10% opt out. In contrast, L&G's rival NEST has similarly low opt-out rates having enrolled around 100,000 employees. It would appear that opt-outs have been fairly low with those providers with the efficiencies of scale to service and communicate effectively.

Commencing this month, smaller companies with 2,000 employees will have to auto-enrol their staff. Many are clearly unprepared for the process and probably a good number have legacy pension schemes in place, creating additional challenges. The key point here is around planning and the need for advice to ensure the correct solution is found. Opportunities for advisers abound, as a large number of employers have underestimated the complexity of some of the issues and have left little time to resolve them, some thinking that the existing legacy pension arrangements will suffice. In fact they add to the complexity.

A recent review by the Institute of Directors showed auto-enrolment awareness was greater at much bigger employers than smaller ones, with only 41% of smaller firms feeling they had the necessary information and appropriate advice compared with 73% of larger firms. Some plan to utilise existing schemes, with 36% planning to do this whilst a very alarming 18% had not made up their minds at all.

The deadline is approaching rapidly, for at the start of 2014 smaller firms with between 1,000 and 250 employees will come under the reforms; invariably in this market, these firms lack the resources for a smooth transition to auto-enrolment and forward planning should be an increasingly important factor of any solution proposition for the canny adviser who can operate in this pensions space. These smaller firms are less likely to have specialists and in-house resources to be able to cope on their own, therefore creating a great post-RDR opportunity for those advisers who are on the ball and have a proposition to sell their product - their advice.

Peter Smith, Head of Distribution Engagement

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