

CHANGE HOW TRAVEL IS SOLD

EyeForTravel Europe Summit 2018
 June 4-6, 2018
 Europe's digital, data and commercial forum for travel execs that sell millions of flight, hotel and travel products

- PENSIONS
- POLITICS
- REGULATION
- NEWS

Ros Altmann: Automatic pension guidance is the bold reform industry needs

By **Ros Altmann** | 29th December 2017 1:35 pm

The work and pensions select committee must be applauded for urging the Government to do more to protect the public



RECOMMENDED



POLITICS 2
 MAS budgets £500k for move to single guidance body



PENSIONS 6
 Adrian Boulding: DB transfers

ADVERTISING



ROYAL LONDON



THIS VIDEO IS INTENDED FOR FINANCIAL ADVISERS ONLY AND SHOULDNT BE RELIED UPON BY ANY OTHER PERSON.

The latest report from the Parliamentary work and pensions select committee is well worth a read. OK, so it does just highlight what financial advisers already know – that the public need help to manage their new pension freedoms – but it also calls for major policy changes that could significantly improve consumer outcomes.

The report urges the Government to ensure that receiving either independent advice or at least free guidance becomes the norm for anyone wanting to transfer or withdraw money from their pension.

This is vital. For decades, the industry has helped consumers build their

pensions without much engagement or understanding. This is not always best, as the asymmetry of information puts providers in a powerful position to push consumers into poor products.

READ MORE

Tom Selby: Govt's pension guidance plans are a cause for concern

In the days when most people were automatically rolled into an annuity, they too often bought the wrong product at a poor rate. In fact, that is what ultimately led to the pension freedoms in 2015. But in this new world it is more important than ever that people understand the implications of any decisions before making potentially damaging choices.

The Pension Wise guidance service was set up specifically to address this but take-up has been shockingly low. That is why the committee recommends a new norm of automatic enrolment into free guidance.

If the process becomes the default arrangement, more people will be protected against making bad decisions. This builds on the behavioural economics principles that have already successfully increased pension coverage across the country.

The guidance or advice must be impartial. Just talking to their pension provider is not enough; people need an unbiased source of help. Of course, free guidance is nowhere near as good as independent advice but it would be an excellent first-step and would help more people understand why they might then want to pay an adviser to take responsibility for these complex decisions.

READ MORE

Have pension freedoms limited choice?

Helping people make better product choices and avoiding paying excessive amounts of tax unnecessarily is important. But one of the most urgent reasons for enhancing guidance take-up is to protect the public from scams.

All pension scams I have seen start from an unsolicited approach of some kind, which is why the default guidance proposal sits alongside the committee's recommendation for an immediate ban on pensions cold-calling. Ministers say they want a ban but have not yet put proper measures in place.

Of course, a ban will not stop the cold-callers altogether but it would allow us to give a clear message to the public that anyone contacting them out of the blue about their pension is breaking the law, so do not engage with them.

So the committee is right to urge the Government to do far more to protect the public. The present safeguards are simply insufficient.

Automatically arranging for everyone to have free guidance before transferring their pension would be a bold transformational reform that builds on the behavioural economic insights which have already worked well.

Ros Altmann is former pensions minister