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Ros Altmann: Can we ever make pensions sexy?

By **Ros Altmann** | 24th June 2019 11:07 am

Pensions are a brilliant product, and the success of auto-enrolment offers a tremendous opportunity for the industry to explain the advantages to millions more workers. However, campaigns to educate, enthuse and engage savers have simply not materialised.

Traditionally, pension products were sold to individuals or employers by intermediaries.

As such, providers have had little experience of direct-to-consumer marketing. But pensions today should be a D2C product.

That means the industry finding new ways to reach out to customers, helping them understand how good the options are.



It has failed to rise to this challenge. Indeed, instead of developing consumer-friendly messages and exciting new products, workers are expected to just pay into their scheme's default fund without worrying about the details. Auto-enrolment minimum contributions are not going to deliver generous pensions. However, instead of employing modern marketing techniques to attract savers to pay in more, the industry is calling for the government to mandate larger contributions. Surely providers should shoulder some responsibility to attract, inform and engage people to pay in more?

We need adverts extolling the virtues of pensions in a language normal people can understand.

We need to promote the "free money" that accompanies contributions – pictures of £50 notes you can buy for £20, for example.

Or what about raising awareness of investments that benefit social or environmental causes, while also aiming to build a growing fund for the future? New products to fit better with modern lives.

Disappointingly, the pension freedoms have not generated the flexibility and choice many had hoped for. Instead, more baffling jargon has been added to the old user-unfriendly terms.

Who will warm to uncrystallised funds pension lump sums or flexi-access drawdown? Even the phrase "default" funds hardly sounds attractive to new savers. Why not call them "standard" funds or "expert's choice"?

For most people, pensions are the best way to save for retirement, but there is no doubt they are complicated. The pension freedoms regime was

originally designed to be accompanied by financial guidance to help people plan better. However, take-up has been woefully low so far, leaving many on their own.

Ideally, of course, people will seek independent financial advice to ensure they are making the right decisions. However, recently released figures show one in three have been withdrawing money without the benefit of advice to help them avoid costly tax traps. Advice can more than pay for itself in many different ways.

A promotional campaign explaining the benefits of the “free money” that comes from pension contributions, the tax-free investment returns, and inheritance tax cases for keeping funds into much later life is long overdue. Any promotion of this kind also needs to include the benefits of taking expert financial advice to ensure people make the most of the advantages.

Ros Altmann is former pensions minister

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