

TO RECEIVE OUR LATEST NEWS

Sign up n

PENSIONS

POLITICS

OPINION

Ros Altmann: Answer to poor pension choices staring government right in the face

By **Ros Altmann** | 2nd December 2020 11:43 am

When the pension freedoms were announced in 2015, the Treasury promised everyone would be offered free, impartial help before converting their fund into income.

The aim of this ‘guidance guarantee’ was to help people better understand their options, cope with complexities and recognise the risks of unsuitable products.

Pension Wise — available for all over-50s in the years since — embodies that promise. Unfortunately, however, hardly anyone is using it. Most do not even know it exists.



Ministers admit take-up rates below 10 per cent are inadequate and claim they want to increase engagement. What is more, FCA chair Charles Randell recently went so far as to say poor pension choices were “probably the issue I worry about most of all” and the safeguards needed to be “as strong as they humanly can be”.

If the government and regulators really mean this, increasing Pension Wise use is the clearest way to start. However, both have consistently shied away from the most direct route to improvement: automatic arrangement of an appointment.

It was the parliamentary work and pensions select committee that proposed legislation to ensure providers automatically enrolled their customers into a Pension Wise appointment from age 50 and invited anyone who opted out to another appointment each year until they received the valuable guidance.

READ MORE

MPs strike down Pension Wise amendment

Surely this would best achieve the aim of advancing awareness of the service and increasing protection against poor decisions. Not so, according to the government, whose latest proposals simply suggest a “stronger nudge”. This despite recent testing of such reforms showing only a small rise in take-up — with around 90 per cent of those eligible still not using Pension Wise.

Many people are cashing in their pensions years before they retire. Particularly with regard to the pandemic, many may be tempted to withdraw funds to meet short-term financial needs without realising the tax implications and loss of future income. There has also long been a worrying rise in the number of pension scams.

It is more important than ever to ensure people make the most of their pensions. Without the help of Pension Wise or an expert financial adviser, most are still taking the line of least resistance and using their existing provider's products without understanding all the options.

Sponsored content from Aviva Investors

ESG: Time for a regulatory revolution

New EU regulation promoting responsible investment is coming to our shores and not before time, says Thomas Stokes, Investment Director at Aviva Investors.

136164 - 06/10/2021



In many cases, they would be best advised to leave their money building up inside their pension. Certainly, they should search for the most suitable products for their needs. But, without first having free impartial guidance or using a qualified adviser, they remain at risk of a much poorer retirement.

Ros Altmann is a former pensions minister