

Pension Freedom January 18 2022

Providers back MPs' proposals to shake up pension access



By **Amy Austin**

Providers have jumped on board with the work and pensions committee's recommendations for more support for savers when accessing their pension pots, from separating tax-free cash to boosting

Pension Wise usage.



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This morning's (January 18) report from the committee, 'Protecting pension savers—five years on from the Pension Freedoms: Accessing pension savings', recommended a number of areas where savers need more support with their pensions.

It suggested that by focusing on people's behaviour rather than the

pension pot itself, it would be easier to help savers make better decisions.

For example it made recommendations to increase the take up of guidance by automatically enrolling people in Pension Wise sessions and splitting out tax-free cash access so that people have to think harder about what to do with the remainder of their pension.

The committee pointed out that the government needed better data on how the freedoms are actually operating, as currently data only shows how many pots have been accessed and how much money taken out. This revealed little about whether the right decisions have been made, it said.

Ros Altmann, former pensions minister, agreed. She said: "If people have many pension pots and are just taking money from part of their savings, that is not of concern and is what the freedoms were meant to facilitate.

"But if people are cashing in their entire retirement savings, paying large amounts of tax and either spending the money straight away or just putting it in the bank or other investment accounts, then they are clearly not making the most of the freedoms. This type of information is vital."

The committee has reiterated previous calls for the government to improve its monitoring and reporting on the progress of freedoms and said the DWP and Treasury should jointly produce an annual assessment of measures.

This should also include several of the recommendations the committee has made in its report around support, usage of Pension Wise and policy development.

Here is what the committee said needed to change:

Pension Wise

It has been a long-running issue that the take up of guidance from Pension Wise is too low with various recommendations of what can be done to improve this.

For example, in a government-backed report published in November, the Money and Pensions Service was urged to look into how commercial companies could be used to deliver Pension Wise guidance.

But there is no agreement on what usage levels should be as the committee said it is “clearly unrealistic to expect Pension Wise usage to be universal” as some people would have already taken advice or had an earlier appointment for guidance.

Plans for the DWP and FCA to implement “stronger nudges” towards guidance alone will not be enough to make receiving pensions guidance the norm, the MPs added.

They suggested the industry should trial automatic Pension Wise appointments despite some providers and ministers having reservations about this.