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Pension savers given stronger nudge toward guidance

Providers will be required to refer customers to Pension Wise guidance under Firms rules.



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Pension providers will now have to give customers a stronger nudge towards taking guidance when they access their savings (Gareth Fuller/PA)

By Vicky Shaw, PA Personal Finance Correspondent

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Pension providers will now have to give customers a stronger nudge towards taking guidance when they decide to access their savings.

Under changes brought in from Wednesday by the Financial Conduct Authority (FCA), providers will be required to refer customers to Pension Wise for free, impartial guidance about pension options.

The providers will be asked explain the purpose of Pension Wise and, in most cases, offer to book an appointment for customers.

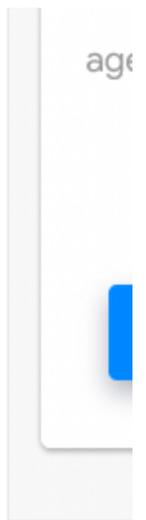
The pension freedoms have made it easier for over-55s to do as they wish with their pension savings, rather than having to buy a retirement annuity for a fixed income.

“ At a time when the cost-of-living crisis is hitting pensioners hard, making the right decisions with your money is vital ”

James Jones-Tinsley, Barnett Waddingham

James Jones-Tinsley, self-invested pensions technical specialist at Barnett Waddingham, said: “We could learn our lesson from the success of the Covid vaccine booking system and replicate it for those in their 50s to create a smooth, streamlined appointment process.

“At a time when the cost-of-living crisis is hitting pensioners hard, making the



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right decisions with your money is vital.”

Helen Morrissey, senior pensions and retirement analyst at Hargreaves Lansdown, said: “Getting help and guidance on your retirement options is really important and so any measures helping people access this are welcome.

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“Over time the stronger nudge could really boost awareness of retirement options and the need to plan, and will increase awareness of Pension Wise, too.

“However, how and when this nudge is delivered is all important in helping people get good outcomes.

“The FCA has opted to go with delivering the nudge when the customer applies to take a retirement income. The rules don’t preclude delivering the nudge earlier but by setting the minimum at point of access, there’s a chance that this is what many providers will opt for.

“When Hargreaves Lansdown participated in the behavioural trials with the Money and Pension Service it was found the earlier the nudge came in the process, the more likely the person was to take up the appointment.”

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Baroness Altmann said ideally, Pension Wise guidance would be most useful around the age of 50, before money can be taken (Jonathan Brady/PA)

Ros Altmann, a former pensions minister, said: “Pension Wise was started by the Government and offers free, impartial information and discussions to explain the options and risks of pensions.

“Staff are trained to an extremely high standard and the service consistently receives customer satisfaction ratings over 90%.

“Unfortunately, though, around nine out of 10 people who withdraw pension money do not use Pension Wise at all.

“Many end up losing their money to scammers, withdrawing money too soon, paying too much tax or buying unsuitable annuity or drawdown products.

“Not everyone can afford or wants to take paid-for professional advice, which can help them find the best product and explain all their options.”

Baroness Altmann continued: “Ideally, Pension Wise guidance would be most useful around age 50, before money can be taken.

“People need to understand the benefits and risks of starting withdrawals in their 50s or early 60s, while still relatively young, and especially before they even retire.



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“They need someone to help them understand all the tax implications of different decisions, how to plan to make the most of their pensions, proper consideration of charges and the range of products or services they can find.”

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