

Funding the Future Life; the implications of a longer life – launch write up

The Pensions Policy Institute (PPI) held a policy seminar on 20th November 2018 to launch the second report in the series: *The Future Life* sponsored by LV=, The People's Pension and State Street Global Advisors. The report examines the ways that the costs of longer life can be met and how individuals can fund their future.

Around 40 people representing a broad range of interests within Government, the investment industry, the pensions industry and the third sector attended the seminar.

Iona Bain, PPI Governor chaired the event. She welcomed the attendees and introduced the panel as chairperson for the event.

Sarah Luheshi, Deputy Director, PPI presented the findings of the Research.

Iona Bain chaired a panel session held under the Chatham House Rule, with Ben Leonard (Founder META Finance, CEO FirstHomeCoach), Gregg McClymont (Director of Policy and External Affairs B&CE, provider of The People's Pension), Laura Webster (Lead Analyst for Private Pensions, DWP). The panel explored how policy, products and technology can each meet the challenges of funding the future life with the following observations:

- Policy, products and technology need to evolve together if people are to be engaged throughout their working lives. Flexibility and responsiveness are vital, with products and services designed around consumer needs and life moments.
- The future is uncertain. There is no guarantee that the trend for longer life will continue. There is also inequality in longer-living.
- There is a need to understand diversity in work, work patterns and life moments and their impact upon consumer behaviour.
- Auto Enrolment has been successful, but legislation is a blunt instrument and government must work with employers and employees to encourage additional voluntary saving
- There is an important role for technology in the form of dashboards, market places and robo-advice, but there also needs to be a human interface if this is to be a conversation.
- People with different incomes will have different attitudes to finance. There is a need for low-cost relevant advice and guidance, especially for those who may not identify as needing it.
- Guidance is needed for people making the step from accumulation to decumulation.
- The not-for-profit sector is likely to have a significant role in providing future guidance and advice

- People need to feel in control of their personal data and digital presence if they are to have confidence in abstract systems.

The following themes were explored during the subsequent question and discussion session held with the panel and the audience. They do not necessarily reflect the views of the Pensions Policy Institute:

Early withdrawal and flexible state pensions

- Flexibility in withdrawing pensions savings for other uses (such as education, housing or emergency) has an appeal, but the UK's situation is vastly different from those nations where this has been introduced successfully.
- There is a need to ensure that the current rollout of automatic enrolment has been completed before any major changes to the current model can be considered.
- Consideration should be given as to how to protect the primacy of pensions and protect both individuals and investments. Unconsolidated pots will result in poorer later-life outcomes.

Financial education and engagement

- There is need to engage with young people in a positive way, rather than one that induces anxiety. Preconceived notions and ideas that can shape future behaviour should be challenged.
- It is important that the messages are timely and relevant to an individual's life position. Advice and guidance about options and choices must be from reputable and trusted sources. The success of AE does mean that people are more likely to be open to engagement.

The different nature of 21st century work

- Working lives will continue to change, with people having a number of different employers and roles throughout their lives. Policy and products must take a long view of change and prepare accordingly while retaining adaptability.
- People will accordingly have more than one pension pot at retirement and will need more sophisticated approaches as to how best to use them.
- More people will undertake periods of self-employment, either traditionally or through the gig economy. Challenge as to how to ensure that these people maintain contributions throughout their working lives.

Product design

- Products, both financial and technological, must be customer-led and based on the need of the consumer rather than the producer. One-size fits

all models are incapable of meeting the demands of the 21st century workforce.

- However, default products can have a role to play in mitigating behavioural bias and low-levels of financial capability and resilience.
- For example, a dashboard can be a useful tool for people to understand their pension provision, but they will only make use of it if they see it as relevant.

Personalisation and collectivism

- Personalisation is irreversible, and the era of top-down driven collectivism is over. However, there are possibilities for the development of mutuality and community from the ground up.
- The growth of individualism within the pensions market may end up giving people too many options and could result in a fractured market where the long-term benefits of shared risk and investment may be lost.

Wider policy environment

- Pensions alone will not provide a solution to the challenges of funding future lives, and the wider policy environment needs to be supportive. For example, access to affordable childcare would allow parents to maintain contributions.