

## Written evidence from the Centre for Ageing Better (APS0012)

### About the Centre for Ageing Better

The UK's population is undergoing a massive age shift. By 2050, one in four people will be over 65. The fact that many of us are living longer is a great achievement. But unless radical action is taken by the government, business and others in society, millions of us risk missing out on enjoying those extra years.

At the Centre for Ageing Better we want everyone to enjoy later life. We create change in policy and practice informed by evidence and work with partners across England to improve employment, housing, health and communities. We are a charitable foundation, funded by The National Lottery Community Fund, and part of the government's What Works Network.

### Increasing uptake of Pension Wise appointments

Pension Wise appointments have been well received by consumers, improving their confidence in avoiding scams and talking to their pension provider, as well as feeling well informed of their pension choices.<sup>1</sup>

Despite the profoundly negative impact of badly informed decisions relating to pensions, current uptake of guidance is very poor. The proportion of pots accessed after Pension Wise guidance in the six months between October 2019 and March 2020 actually fell by 1% to 14% compared to the previous year. This is despite changes to the wake-up packs being introduced in November 2019. Recent analysis from Just Group in February 2021 found that use of Pension Wise by 50–64-year-olds has fallen to 12%.<sup>2</sup> In contrast, the number of DC savers taking pension cash without either guidance or regulated advice rose by 5% to 160,965 which is more than half (51%) of all those accessing pensions for the first time.<sup>3</sup>

The FCA's Financial Lives report also shows that usage of Pension Wise is far lower among those who stand to gain most from free impartial guidance. Within the 12% of people accessing appointments, Just Group found that only 4% had low financial capability, 7% had low financial resilience, and 1% were digitally excluded.<sup>4</sup> Similarly, awareness is also a problem, with only 48% of DC pension savers aged 50-64 saying they had heard of Pension Wise, and this is much lower among those with reduced financial capability (30%) or lower financial resilience (33%). These people are most at risk of making poor retirement decisions and falling victim to scams and would benefit the most from having a Pension Wise appointment. This adds further concern to the already low general uptake rate and efforts should be made to reach groups at risk of missing out on financial security in later life.

The recent "stronger nudge" trials by the Money and Pensions Service<sup>5</sup> showed the need to move beyond nudge measures and instead create meaningful improvements and uptake of

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<sup>1</sup> Ipsos MORI (2020) Pension Wise service evaluation. Experiences and outcomes of customers using Pension Wise in 2019/20.

<sup>2</sup> <https://www.justgroupplc.co.uk/~media/Files/J/JRMS-IR/news-doc/2021/fca-research-shows-those-who-could-benefit-most-from-pension-wise-most-likely-to-miss-out.pdf>

<sup>3</sup> <https://www.justgroupplc.co.uk/~media/Files/J/JRMS-IR/news-doc/2020/Simpler-wake-up-packs-failing-to-rouse-pension-dippers-to-guidance.pdf>

<sup>4</sup> <https://www.justgroupplc.co.uk/~media/Files/J/JRMS-IR/news-doc/2021/fca-research-shows-those-who-could-benefit-most-from-pension-wise-most-likely-to-miss-out.pdf>

Pension Wise guidance. The trials showed only a marginal improvement for take up of a Pension Wise appointment when people are given nudges. The focus on nudges and signposting for DC members also contradicts the advice requirements and regulatory focus given to DB members who want to transfer pots over £30,000. DWP should think more ambitiously and radically about the choice architecture for DC members.

We support Age UK's and Just Group's proposal to have an automatic opt-in (with the option to opt out) to advice and guidance when accessing pension savings. This replicates the success of automatic enrolment and harnessing inertia to create a behavioural norm. Taking an "automatic appointment" approach will help people who are exposed to significant financial harms from badly advised decisions. Savers could automatically book a Pension Wise appointment in the five years prior to being eligible to access savings, and this invitation could be repeated until the appointment is taken. This approach puts the consumers at the centre of decisions and allows greater control of supply and demand of appointments to MaPS as the delivery agency.

The government have continued to ignore recommendations by the Work and Pensions Committee to default guidance, however with over 10 million people reaching retirement age with DC pensions<sup>6</sup>, it is critical DWP and the FCA really consider going further than nudges.

Recommendations:

- In the short-term, MaPS should set targets for Pension Wise appointments, particularly for groups with low financial capability, low financial resilience, and digital exclusion.
- DWP and FCA to implement automatic appointments so all DC pension savers are opted in to Pension Wise five years prior to being eligible to access savings.

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<sup>5</sup> Farghly, F., Milward, J et al (2020) The Stronger Nudge Evaluation Report  
<https://moneyandpensionsservice.org.uk/wp-content/uploads/2020/07/maps-stronger-nudge-evaluation-report-july-2020.pdf>

<sup>6</sup> Pensions Policy Institute (2020) The DC Future Book  
<https://www.pensionspolicyinstitute.org.uk/media/3615/20200923-the-dc-future-book-in-association-with-cti-2020-edition.pdf>