



GUARANTEED GUIDANCE RESEARCH Study Technical Appendix



Prepared by NMG Consulting for the Chartered Insurance Institute
October 2014



CII

Background: CII research

- **Objective:** To contribute evidence-based thought leadership to the public debate on the development and implementation of the Government's Guaranteed Guidance (GG) proposals.
- **Main research questions:** the Chartered Insurance Institute commissioned primary research into consumer views towards this service, with a view to specifically understanding:
 - How consumers will best respond to the offer of GG;
 - What communication(s)/intervention(s) are most likely to trigger engagement by target consumers with GG; and
 - What kind of 'relevant personalisation' is most effective.
- **Approach:** we commissioned NMG Consulting to conduct a research study involving two phases: six qualitative focus groups on London, Birmingham and Manchester; plus a quantitative survey of over 1,000 consumers. Respondents were aged 50+ and met a series of criteria set out by NMG Research to isolate the most likely customers of GG.
- **This presentation:** provides the full technical findings from the research study, including all the slides (only some of which were used in the report), plus demographic data, all showcards used, and the case studies that were used support discussion in the focus groups.
- **Full report:** the full report can be downloaded at: <http://bit.ly/1w9KNKS>



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Key findings

The concept of Guaranteed Guidance (GG) is appealing to consumers and resonates with their top-of-mind fears of not having the awareness and understanding of retirement products to make the right choice.

However, there are key requirements that GG must meet to be considered. It must be: i) impartial, ii) delivered by qualified individuals, iii) personalised enough to be relevant and iv) delivered at convenient times and locations. *Any doubts around the impartiality and qualifications of staff will be strong barriers to take-up.*

Relevant personalisation is key. In the absence of fully tailored recommendations, consumers would value all of the following: a list of options relevant to them - with the possible consequences of each, a list of questions to ask providers, tax information and 'approved' provider listings – with an assessment of their expertise and quality.

It is key that GG is delivered by individuals who are knowledgeable and qualified to guide them towards appropriate options. *Any doubt around this will be a barrier to considering the service.*

An ideal GG session should be; bookable online or over the phone, delivered outside office hours and within 30 minutes of the consumer's home, at least 30 minutes long, offer a choice of channels - face-to-face (majority preference) telephone and online, provide a detailed summary of what was discussed and allow for a follow-up call to clarify/confirm understanding.

After using GG consumers are most likely to either: i) shop around and make their own decision or ii) seek more information/advice from other sources

Narrative Section

About the research

- The study was comprised of two phases using a qualitative-into-quantitative approach
- The research focused on a specific segment of the population. The first qualitative phase was made up of six focus groups with consumers who were within 12 months from retirement, held one or more direct contribution (DC) pensions with total pension assets of between £10,000 and £100,000. None of the research participants had an ongoing relationship with a financial adviser. The groups were held in Manchester, Birmingham and London. Five of the six focus groups were conducted with consumers in permanent employment while one group was held with self-employed individuals.
- The quantitative survey consisted of 1,000 online interviews with consumers aged over 50 and planning to retire within the following five years. All participants in the survey held DC pension funds worth £5,000 or more and did not hold any other assets (excluding property) exceeding £100,000. None of the participants used professional financial advice on a regular basis.
- An online quantitative methodology was utilised for a number of reasons: i) the target group is well represented within online panels, ii) it enables concept statements to be viewed on screen, and 3) it allows participants to complete the questionnaire at their own convenience facilitating a more considered response. The anonymity of an online approach also allows the researcher to capture fuller and more accurate results as consumers tend to be more comfortable disclosing their level of pension savings and wealth in a more anonymous environment.
- In order to validate the appropriateness of an online approach, NMG placed a number of questions on Ipsos Mori's nationally representative 'CAPIbus' survey which uses a face-to-face methodology. The aim was to assess online usage amongst those being targeted for the guidance research and to check whether any segments of the population would be omitted. The survey established that those who are aged 50+ and do not have access to the internet are more likely to have less than £5,000 in a pension and to be already retired, therefore falling outside of the target base for the guidance research.

Narrative Section

Key messages

- **The concept of GG is appealing to consumers.** It resonates with a need to address their fears of not making the right choices at retirement.
- **GG must meet certain requirements to be considered by consumers.** It must be: impartial, delivered by staff who are competent enough to guide them towards appropriate options, personalised enough to be relevant and delivered at convenient times and locations. *Any doubts around the impartiality and expertise of staff will be strong barriers to take-up.*
- **Relevant personalisation is key.** While fully tailored recommendations would be ideal, consumers are aware that this may not be feasible. In the absence of personalised recommendations, consumers would value all of the following: a list of options relevant to them - with the possible consequences of each, a checklist of product features/questions to ask while shopping around, tax information and 'approved' provider and financial adviser listings
- **The ideal GG session should be;** bookable online or over the phone, available within two to three weeks, delivered outside office hours, within 30 minutes travel, at least half an hour long and offered via multiple channels. (The majority would prefer face-to-face but telephone and online channels should also be offered). Following the session consumers would like to be given a written summary of what was discussed and the opportunity for a follow-up call to clarify/confirm understanding.
- **After using GG consumers are most likely to either:** i) shop around and make their own decision or ii) seek more information/advice from other sources (in particular, financial advisers).

Narrative Section

The At-Retirement Consumer Mindset

- Consumers look forward to retirement and having the freedom to dedicate time to what is most valued. They anticipate being able to relax, travel, enjoy hobbies and spend more time with loved ones. However, for many the excitement is dampened by apprehension around whether they will have the funds to enjoy the desired quality of life.
- Decisions on pensions are likely to have a major impact on the quality of consumers' retirement. Over half say that their DC pension funds will account for 50% or more of their retirement income. (Almost a quarter believe that their DC pension will make up 75% of their retirement income) : *Slide 18*
- While the majority of consumers know that they can shop around, many feel vulnerable when making decisions about pension products. Consumers believe that pension products are complex and are aware that the wrong decision may impact both them and their loved ones. For this reason, they are often at a loss on how to best access their funds and many seek multiple sources (an average of four per individual) of information. Many look into funding their retirement using their State pension, cash based savings and property holdings (where available) while a sizable proportion who do not trust themselves to make the right decision often find themselves procrastinating and not taking any action at all: *Slide 19*
- While consumers appear engaged with the need to plan for retirement (80% want to ensure that they have carefully planned how to get the best income in retirement), they are not always confident they have the knowledge to take the right decision (c.43% are less than confident making their own investment decisions). There also appears to be a low level of trust in the Government providing the best options (14%) *Chart on Slide 17*
- *Overall, consumers are very concerned about the risks of making the wrong decision and those with smaller pension pots (and often fewer alternative sources of income and/or opportunities to access professional financial advice) feel more vulnerable. GG has the potential to reduce consumer vulnerability if it engages with this audience.*

Narrative Section

The Appeal of GG

- Awareness of the GG proposals is relatively high with 76% saying that they have some degree of awareness of the details. *Slide 26*
- Reactions to the concept of GG are generally positive with 56% rating the concept 7 or above on a 10-point scale where 1 is very negative and 10 is very positive. Few are negative with only 13% giving a rating of 4 out of 10 or lower. *Chart on Slide 27*
- The key benefits perceived by consumers are that GG will: pare down the information and highlight the ‘must-know’ facts; give them the confidence to make a decision and reduce the stress associated with the process.
- The concept of GG immediately prompts questions and it is clear that the service must meet some key requirements. In particular, any doubts around whether GG is impartial and delivered by competent individuals are very concerning to consumers. Being told that the initiative is being led by the Treasury is generally reassuring. Consumers want ‘evidence’ that staff are competent and are able to guide them towards the right options. There is some skepticism that sufficient funds and time will be invested to ensure this.
- The key expectation of GG is that it is presented in layman’s terms and is comprehensive. This expectation is borne of a strong need for clear and comprehensive information.
- *Any doubts around whether the service is impartial and delivered by competent staff will be barriers to take-up. A degree of relevant personalisation and convenient access to the service will however, be strong drivers to take-up. Amongst those further away from retirement, there may be an appetite for using GG at an earlier ‘planning’ phase.*

Narrative Section

The Importance of Relevant Personalisation

- Most are realistic in their expectations with only 1 in 5 expecting fully personalised recommendations. However, some degree of personalisation is an expectation and generic information would still be of value to almost a third of consumers: *Slide 35*
- Consumers want a GG session to deliver:
 - A list of relevant options based on their circumstances
 - A thorough understanding that will 'equip' them with the right questions to ask/product features to check
 - Relevant information about tax (and how to be tax efficient)
 - Provider and adviser information e.g. a list of 'approved' pension providers and a financial adviser register
 - A written summary of what was discussed during the session
- Personalisation is also important in the way GG is delivered. 70% believe that it is important that the person delivering GG is fully interacting with the consumer and "*not reading from a script*" while 66% expect that they will be asked detailed questions about their circumstances, e.g. other financial holdings, family information, health and risk attitude: *Slide 35*
- While face-to-face sessions are the overall first preference, there is a link between channel preference and the consumer's degree of confidence and/or concern about making the right choices. 57% said that a face-to-face session would be their first preference while 34% would prefer to use an online self-completion questionnaire guiding them to their options (slide 36). Those who prefer face-to-face are more likely to feel less knowledgeable about retirement and less confident making their own decisions. Those who prefer an online self-completion questionnaire are more likely to feel confident making their own decisions and also more likely to be self-employed.
- *GG needs to take into account both the emotional and informational needs of at-retirement consumers. This has implications for the content which needs to involve paring down the information to include only that which is really important and giving consumers the knowledge and confidence they need to shop around, evaluate the choices on offer and make the right decision.*

Narrative Section

The Likelihood to Take Up the Guidance

- The propensity to use GG is very high with 92% saying they would probably or definitely take up GG. Those who would 'definitely use' GG are those more likely to feel less knowledgeable about their retirement options.
- Those who would 'put off' or 'never use' GG expect to be more reliant on non-pension income sources and are more likely to feel knowledgeable about their retirement options.
Chart on Slide 32
- Knowing that they had the opportunity for a follow-up phone call or a second session would be an additional driver to consider GG. This was deemed 'essential' by 47% and 38% respectively, and a 'nice-to-have' by 49%.
- Consumers who are already engaged with the need to plan for their retirement are highly likely to use GG with more than half of those who would 'definitely use' GG being concerned about their financial provision for retirement.
- *While the research is not a forecasting exercise, this illustrates that the concept of GG resonates with a genuine consumer need and that there is a link between consumer concern and/or lack of confidence and a propensity to consider GG.*

Narrative Section

Likely Consumer Action Post-Guidance

- The great majority of consumers are likely to carry out a number of actions following their GG session. When asked which would be their single most likely follow-up action, shopping around and seeking professional advice were said to be the most likely.
- The majority would seek more information or advice using multiple sources. This would include professional financial advice, guidance from other professionals (accountants, solicitors) or discussing the issue with a knowledgeable relative, friend or colleague. *Chart on Slide 39*
- *Given the two most likely follow up actions, GG output needs to take into account different consumer needs. It should provide consumers who wish to shop around the 'must-know' information and questions to ask. It would be useful for these consumers to be pointed towards a list of 'approved' providers.*
- *GG should also help consumers who will opt to seek more information/advice. In this case, a key output would be helping consumers to identify the best sources of information – free or otherwise (e.g. an online resource listing financial advisers in their area).*

Narrative Section

Communicating about Guaranteed Guidance

- The majority expect to hear about GG through personalised communications (61%) and a national media campaign (52%), between six months and two years before they retire. *Chart on Slide 43*
- They would expect communications to originate from the Department for Work and Pensions (46%), their pension provider (31%) and their employer 11%.
- The most effective nudge to take up GG would be strong messaging that their financial situation in retirement could be improved. Other nudges include recommendations from third parties (e.g. pension providers) that they should take up the service and being made aware that there is a limited time window in which to access the service. *Chart on Slide 45*
- *Communications about GG should consider including emotional hooks, using both 'carrot' and 'stick' messaging. Positive framing is likely to be more effective, for example, 'Secure a better income in retirement' and 'Gain the confidence you need to make the right decision.'*
- *To encourage engagement, consumers need to be made aware of GG using direct channels (e.g. communications within their final year pension statement or wake-up pack), that there is a limited time window to access the service.*
- *Reminders from related parties (e.g. employers and pension providers) will also help 'nudge' consumers to take up the service and overcome any natural inertia.*

Research objectives

This research was carried out in response to the substantial changes to pension legislation announced on the 19th of March and the further thinking published by both HMT and the FCA on 21st July 2014

In line with the CII's aim to encourage public confidence and trust in the financial services industry, this research was commissioned to understand:

- What is most likely to trigger engagement by target consumers
- How valuable is a directive output?
- What is the attractiveness of the subsequent customer paths?

The research objectives were to understand...

- How consumers will best respond to the offer of GG,
- What communication(s)/intervention(s) are most likely to trigger engagement by target consumers with GG?
- What 'relevant personalisation' is most effective
- How valuable to consumers is a directive 'this is your next step' output from GG when compared to a more informational one of 'these are your options'
- The effectiveness of GG in driving consumers to take further action, testing the attractiveness to target consumers of the subsequent customer paths, following the receipt of GG.

Our approach

We carried out a qual-into-quant study with the key consumer audience for GG – the ‘at-retirement’ market i.e. consumers who are between one and five years from retirement.

Findings from the qualitative phase were used to inform the questionnaire used in the subsequent online survey

Qualitative phase

Six consumer focus groups with consumers who:

- Are 12 months from retirement
- Hold one or more DC pensions with pot sizes between £10,000 and £49,999 or £50,000 and £100,000
- Reside In Manchester, London and Birmingham

We carried out five groups with consumers who are employed and one with self-employed individuals

Timing

21 - 23 July 2014*

**Quantitative phase
1,000-participant, 15-minute
online survey with consumers
who:**

- Are aged 50+
- Plan to retire within the next 5 years
- Hold DC pension funds (including personal pensions/SIPPs) worth £5,000 or more
- Do not hold other assets exceeding £100,000
- Do not use a financial adviser on a regular basis

Timing

1 - 6 August 2014

An online approach was suitable as the target group is well represented within online panels. The online environment enabled concept statements to be viewed on screen and allowed participants to complete the questionnaire at their convenience, facilitating a considered response.

*We incorporated the announcements of the 21st July into the discussion materials as shown in the Appendix.

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Consumers look forward to retirement and having the freedom to dedicate time to what is most valued

They look forward to being able to relax, travel, enjoy hobbies and spend time with loved ones

To be comfortable and to be able to treat grandkids.
(£51,000 - £100,000 Birmingham)



I'd like to spend my time abroad...have holidays. I don't have a mortgage. The house can be locked up and we can go!
(Self-employed, Birmingham)



(Retirement is) having that time and freedom again. The freedom before you started work as a teenager.
(£51,000-£100,000, London)



Retirement is holidays and doing the things I can't do when I'm working.
(£10,000-£50,000, Manchester)

There is a strong sense of having waited for (and earned) a good retirement. Any delay or thwarting of this would be extremely disappointing.

However, for many their excitement is mixed with apprehension...

Many 'unknowns' may impact the quality of their retirement – and a substantial number relate to money

Finance. Will there be enough?
(Self-employed, Birmingham)

Being in financial need

Cost of long-term care

I worry about becoming sick and not being able to pay for it. Having no money left as inflation has eaten it. You've got to pay others to take care of you. (£10,000-£50,000, London)

Ill-health

Being incapable of helping children/grandchildren financially

Unexpected changes to pension/retirement regulations

Provision for spouse

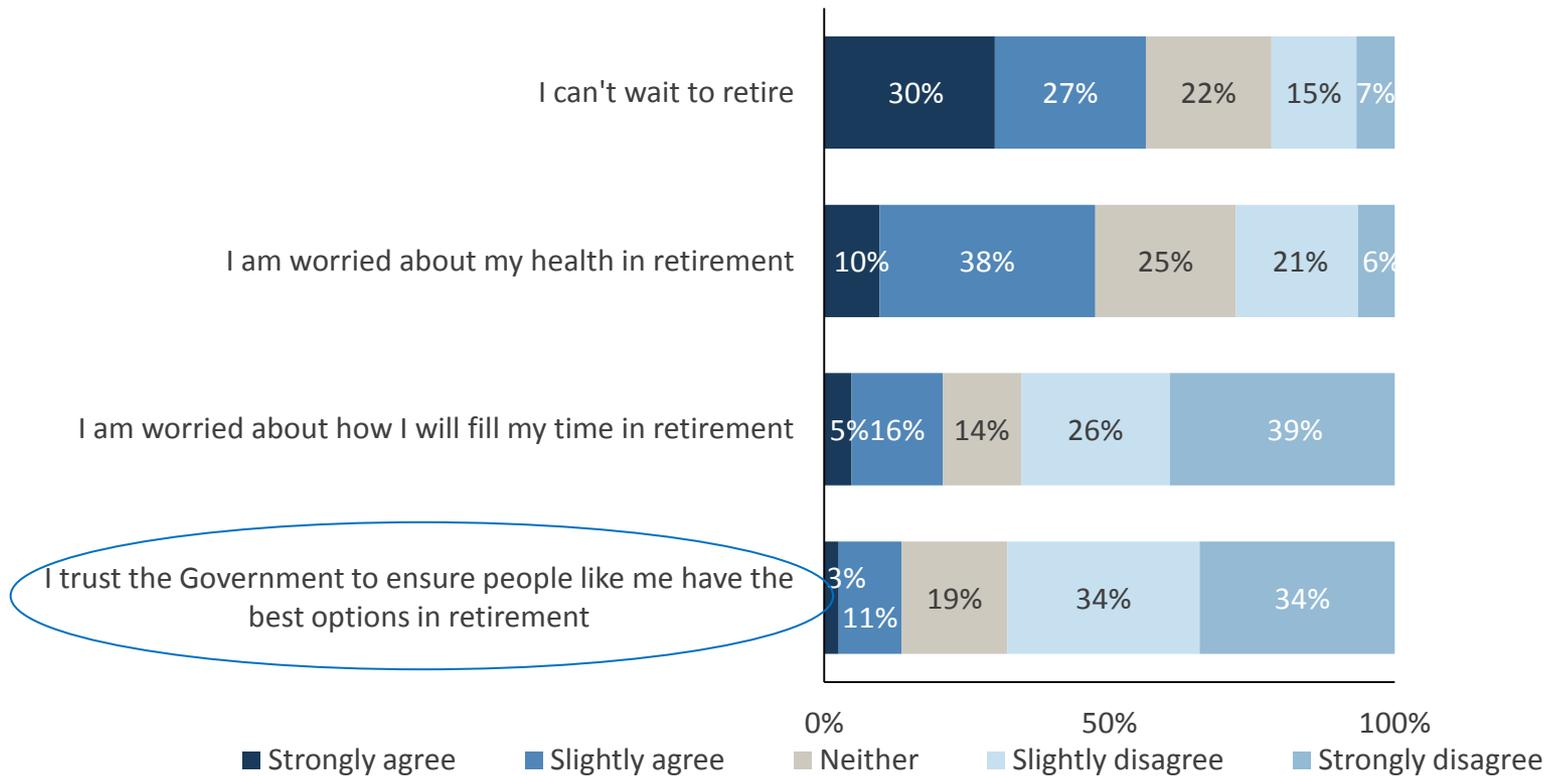
Boredom

Inflation and rising cost of living

Consumers are very aware that they may have few, if any, opportunities to accumulate in retirement and that decisions taken now will have a lasting effect on their quality of life.

Feelings toward retirement in general are positive with most looking forward to it

However, there is a low level of trust in the Government providing the best options (14%)

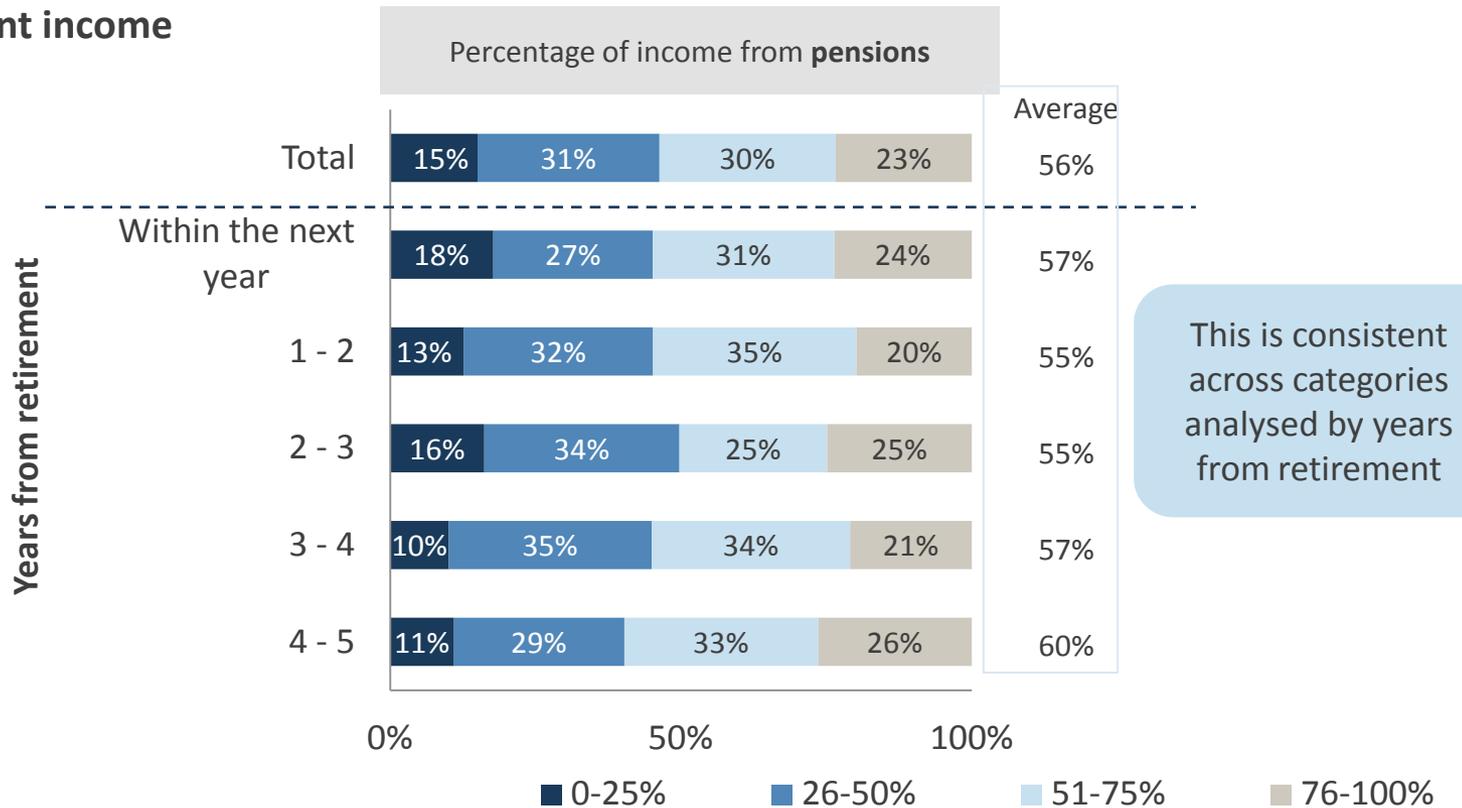


Base: All respondents (1000)

Q6 Please select how strongly you agree with each of these statements about how you feel about your retirement.

When thinking about their retirement income, over half say that DC pension funds will account for 50% or more

Around 1 in 4 believe that their DC pension funds will make up more than 75% of their retirement income



Decisions on pension pots are likely to have a major impact on the quality of consumers' retirement.

Base: All respondents (1000)

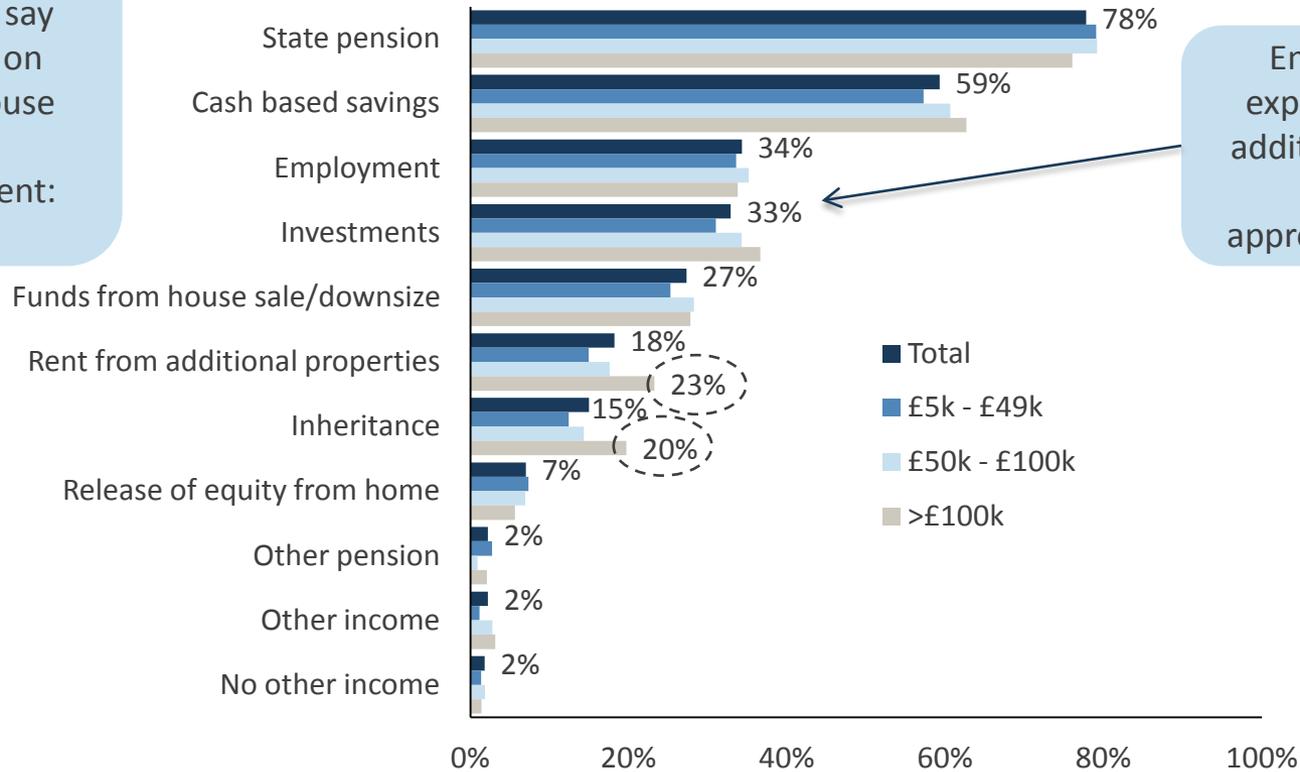
Q4 Approximately what proportion of your income in your retirement will come from your own pension savings (excluding the state pension) and what proportion from other sources?

Across the categories, state pension and cash-based savings are the most frequently cited other sources of income

Consumers with DC pension pots of over £100,000 are more likely to cite rent from additional properties and inheritance as alternative sources of income

Self employed are more likely to say they will rely on funds from house sale: 38% and employment: 45%

Employment is expected to be an additional source of income for approximately 1 in 3

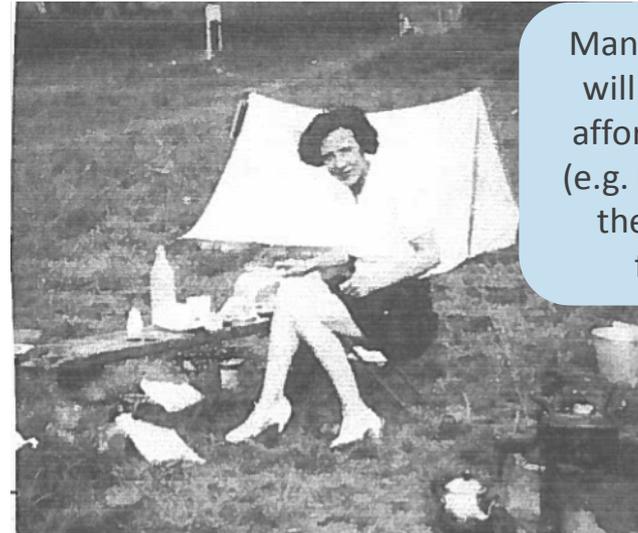
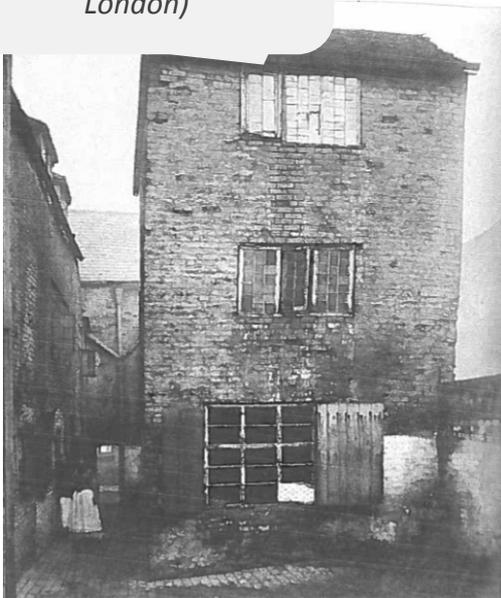


Base: All respondents (1000)

Q3 Other than your pension savings mentioned earlier, what other sources of income do you expect to live on in retirement?

Consumers are very concerned about the risks of making the wrong decision!

I don't want to sit with a single-bar electric fire. (£10,000-£50,000, London)



Many fear that they will not be able to afford the activities (e.g. luxury holidays) they are looking forward to.

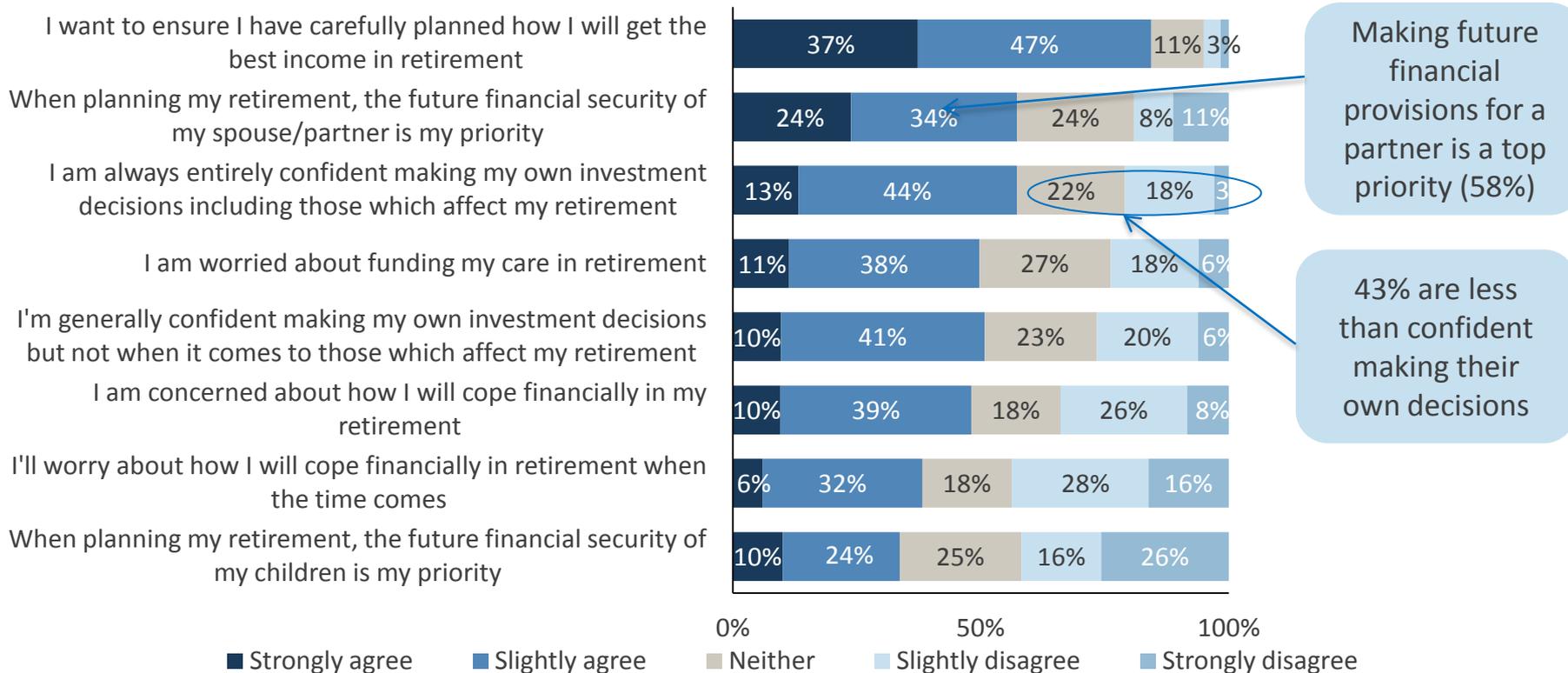
My concern is long-term retirement – that there is not enough money. If I popped off, that there is enough for my wife to have a reasonable standard of living. (£10,000-£50,000, London)



Those with smaller pension pots (and often fewer alternative sources of income) feel more vulnerable - this may point to a key audience for GG.

Consumers appear to be 'engaged' with the need to plan for retirement

80% want to ensure that they have carefully planned how to get the best income in retirement. However, consumer self-confidence in doing this varies considerably.



Making future financial provisions for a partner is a top priority (58%)

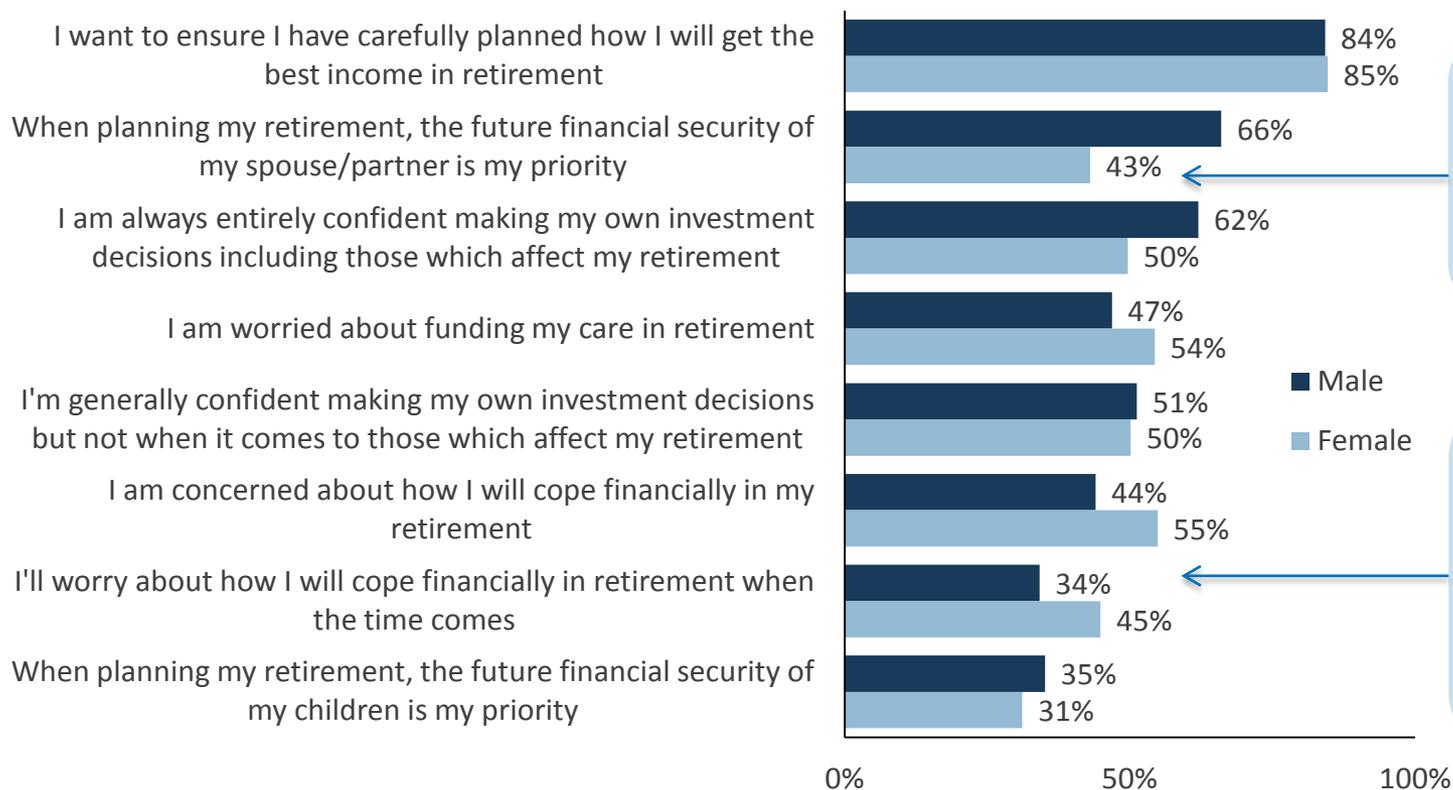
43% are less than confident making their own decisions

Base: All respondents (1000)

Q6 Please select how strongly you agree with each of these statements about how you feel about your retirement.

Analysing by gender, the most frequently mentioned concern amongst men is that they provide for the financial future of their partner

Amongst women, funding long term care tends to be a focus



Males are more confident making investment decisions and more concerned with providing for their partner

Females are more concerned about how they will cope financially in retirement although some will put off thinking about it until the time comes

Base: All respondents (1000)

Q6 Please select how strongly you agree with each of these statements about how you feel about your retirement.

While the majority know that they can shop around, most feel vulnerable when making decisions about pension products

Pension products are complex, decisions are irrevocable and will affect both the individual and their loved ones.

You will need a crystal ball. It's difficult to work out.
(£10,000-£50,000, Manchester)

...their own lack of knowledge/
understanding

There are a lot of questions you need to ask but don't know what.
(£10,000-£50,000, Manchester)

...a financial industry they do not wholly trust



...Government announcements that may 'move the goalposts' in the future

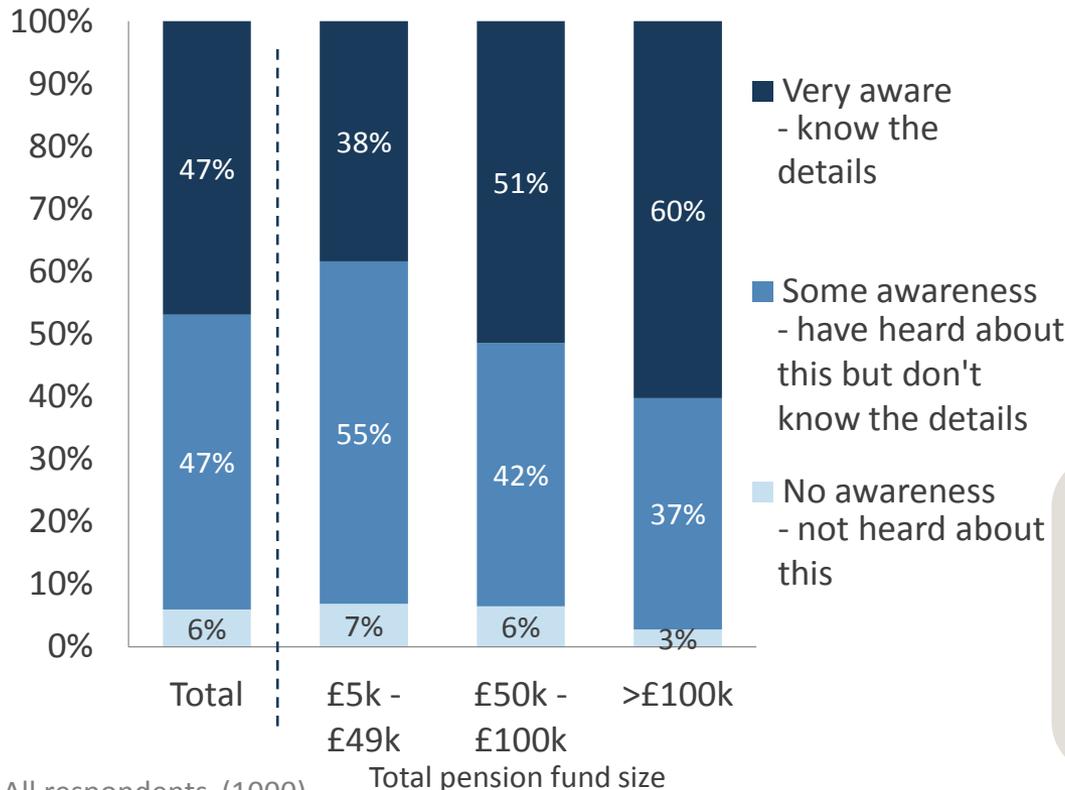
Consumers are often at a loss and may:

- Seek multiple sources of information. (Based on the quant survey, participants have used/expect to use an average of four sources of information. This includes guidance from organisations they trust – like, Age UK - and financial advisers. With c. 1 in 3 expecting to use professional financial advice with regards to their pension)
- Look into alternative sources of income, where possible (downsizing, buy-to-let)
- Do their own research and trust themselves to make the best decisions (Only a minority expect to do this.)
- Procrastinate!

Awareness of the Budget announcement is high with over 90% saying they are aware of at least some detail

Detailed awareness tends to increase with pot size

The ability to access and use your **pension pot** in any way you wish after the age of 55



From the qualitative phase, it is apparent that the general consumer response is positive and that they are aware that it places responsibility with them

It's a good thing. You can still do what you could do before. You have a choice.
(£51,000-£100,000, London)

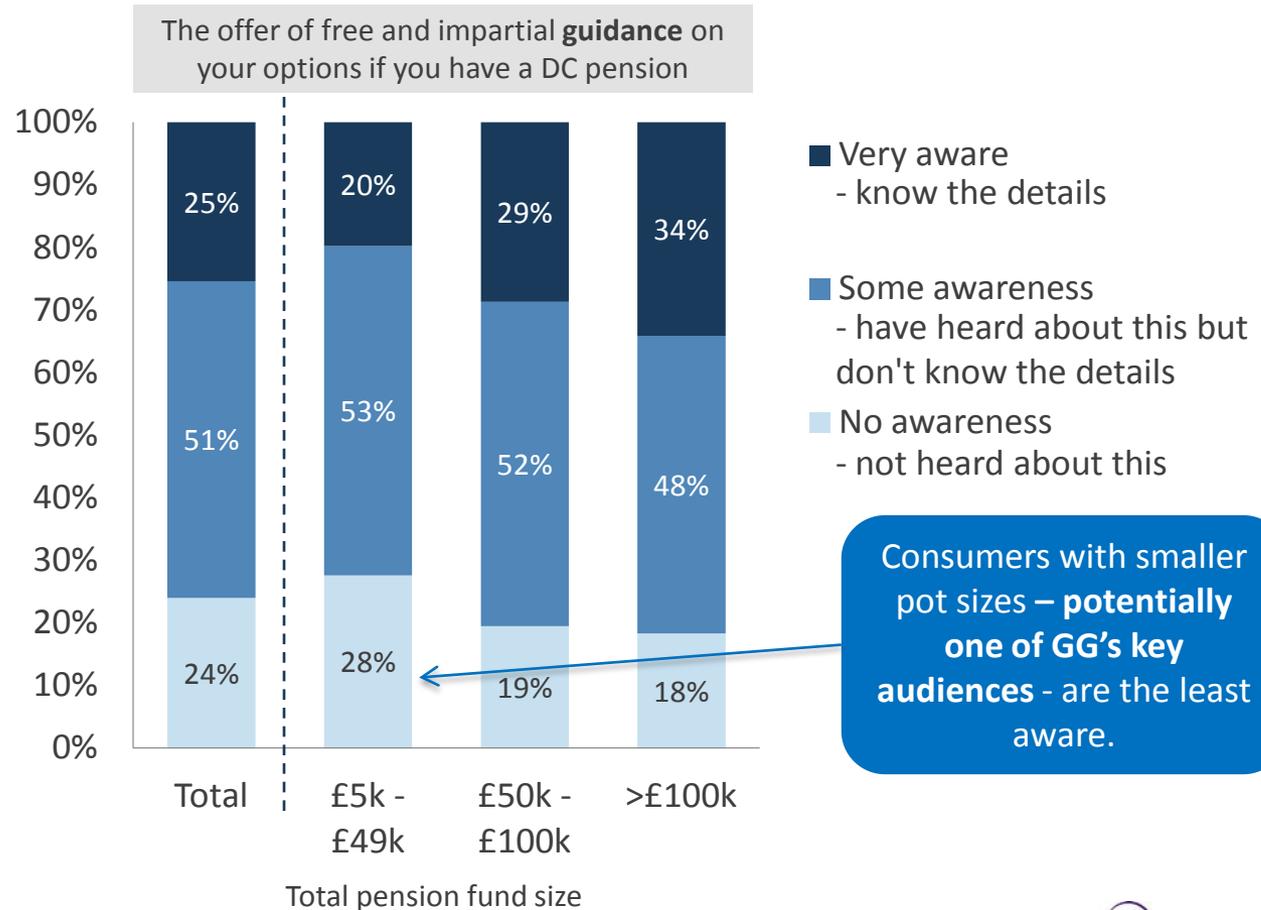
I think they're giving a choice, which is good. It's up to you. You will seek advice. You have to be careful what you take.
(£51,000-£100,000, Birmingham)

Base: All respondents (1000)
Q8 How aware are you of these changes announced in the most recent Budget?

Awareness of *GG proposals* is lower, with approximately 1 in 4 saying that they are unaware of this

Detailed awareness of GG is highest amongst consumers with pension pots of over £100,000

Awareness of both the pension reforms and the guidance guarantee is slightly higher amongst those who are within 12 months of retirement



Base: All respondents (1000)

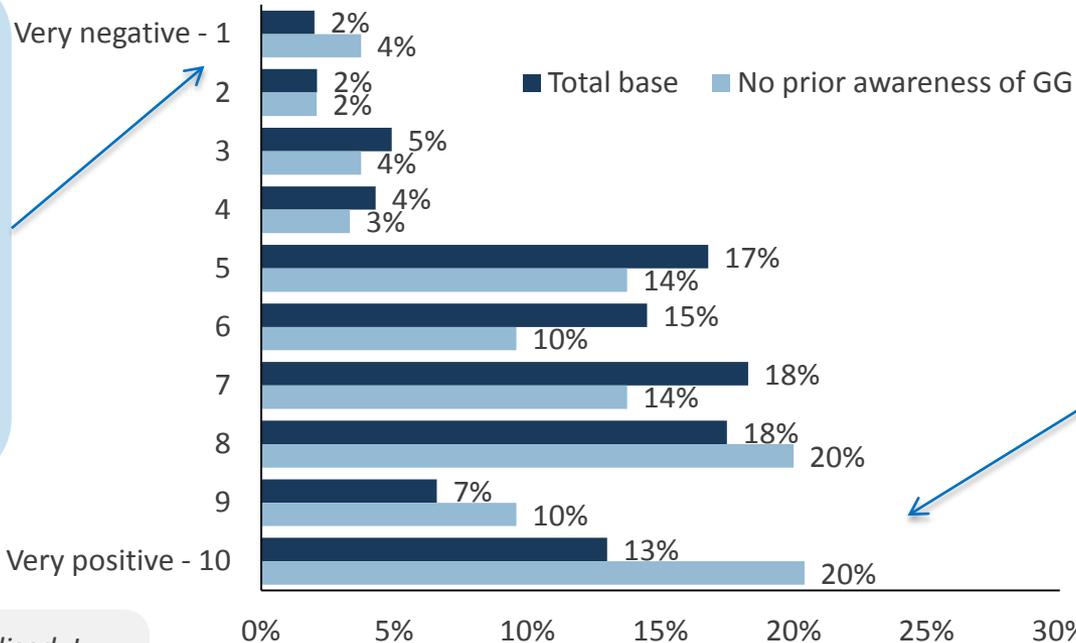
Q8 How aware are you of these changes announced in the most recent Budget?

Reactions to the *concept* of GG are somewhat cautious but generally positive

Few are particularly negative about the concept

“From April 2015 you will be offered free and impartial guidance on your options if you have a defined contribution pension (which could include a company pension or personal pension/SIPP)”

The qual suggests that negative reactions are driven by a mistrust of the motivations behind the initiative and some perceptions of Government initiatives often being underfunded and ineffective.



Average
 Total = 6.7
 No prior awareness = 7.1

Positive reactions tend to be stronger amongst those with no prior awareness. The qual strongly suggests that the idea of GG immediately resonates with a need for *information they can trust*.

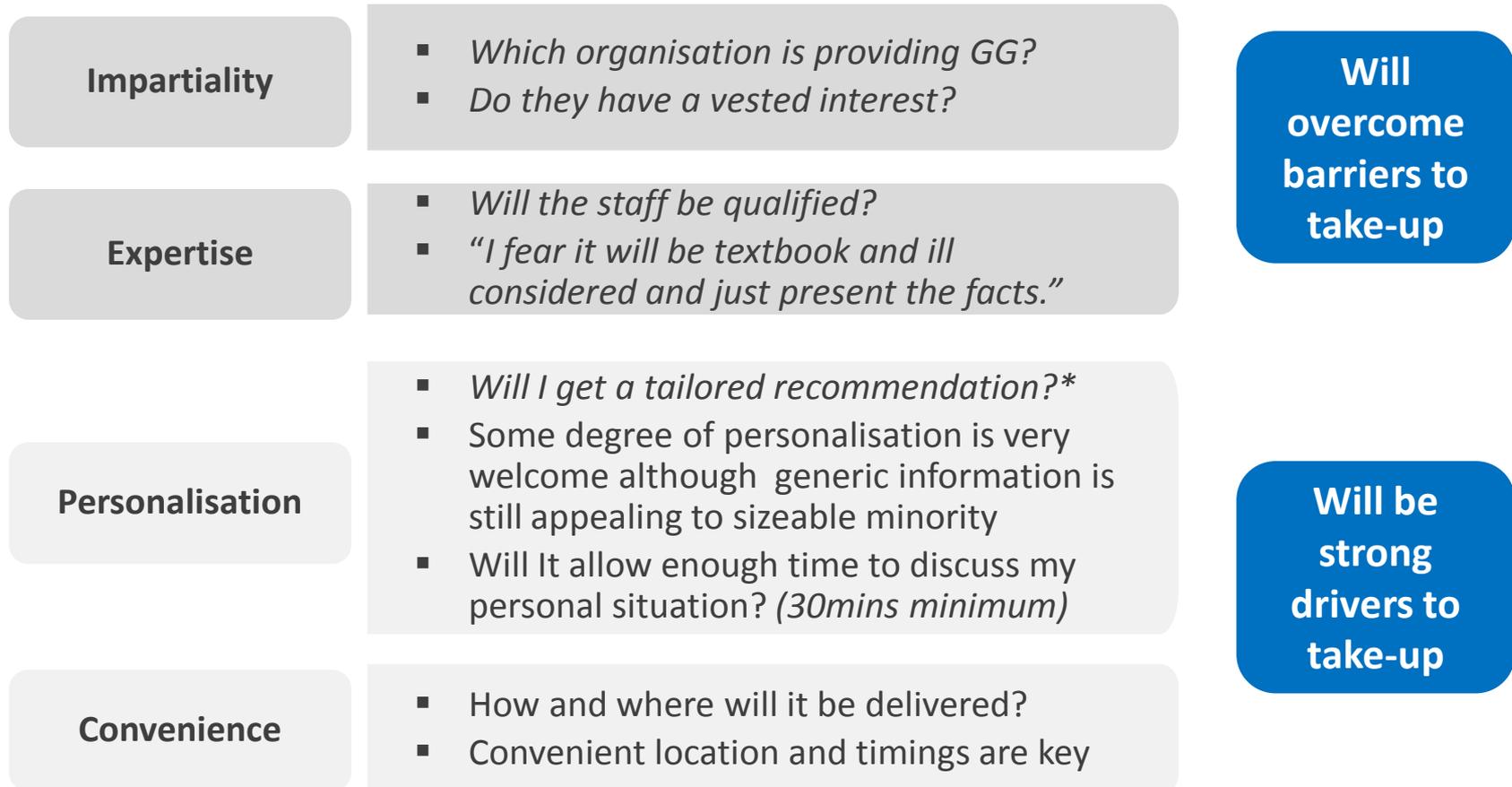
Much slower, less personalised. I imagine a call centre. (£10,000-£50,000, Manchester)

For some people it's more than they have had before. If it (...) pointed you in the direction of what you needed to do, then there are a lot of people it would be suitable for. (£10,000-£50,000, Manchester)

Base: All respondents (1000)
 Q9 What is your initial view of the offer of free and impartial guidance?

However, the idea of GG immediately prompts questions and it is clear that the service must meet some key requirements

In particular, any doubt around whether GG is impartial AND delivered by qualified individuals will be a barrier.



*Relevant personalisation is discussed in detail in the next section

In consumers' own words, GG *must be* impartial and delivered by knowledgeable staff

I would consider GG if the advice is unbiased. No commission to them behind the scenes. If there is no pressure and they don't profit.
(£10,000-£50,000, Manchester)

*It needs to be linked to a trusted organisation**
(£10,000-£50,000, London)

If they employ them and give them just two weeks' training...I wouldn't want that.
(£10,000-£50,000, Manchester)

I expect them to be independent if it is a Government run one
(£10,000-£50,000, Birmingham)

As well as being honest, they need to be very good at what they do.
(£10,000-£50,000, Manchester)

It sounds good in theory. Who is it coming from?
(£50,000-£100,000, Birmingham)

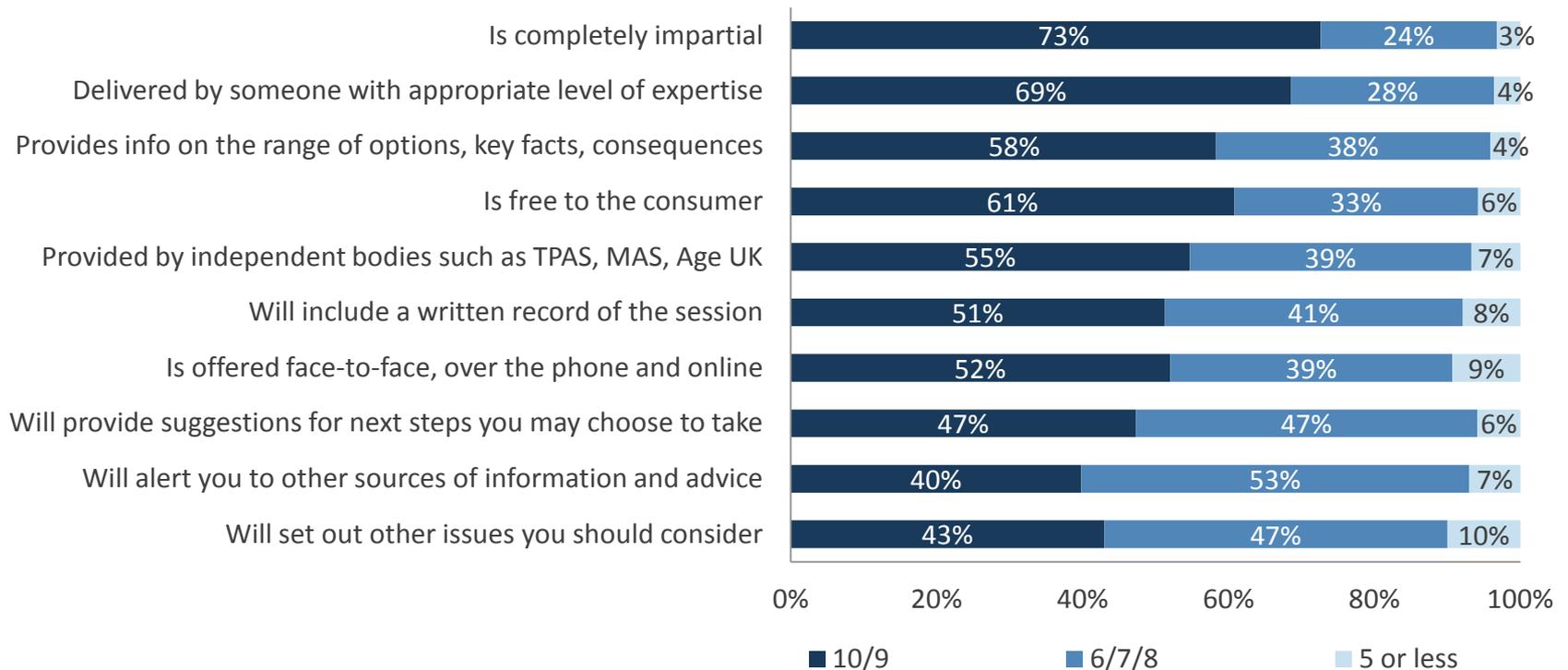
Being told that the initiative is being led by the Treasury is generally reassuring.

Consumers want 'evidence' that staff are knowledgeable enough to guide them towards the right options. There is some scepticism that enough funds and time will be invested to ensure this.

**Participants mentioned the DWP, Age UK and MAS as organisations they would trust.*

As confirmed in the survey: features influencing decision to take up guidance – impartiality and expertise are key

The impartiality and expertise of the guidance provider are key drivers in the decision to take up the offer of free guidance



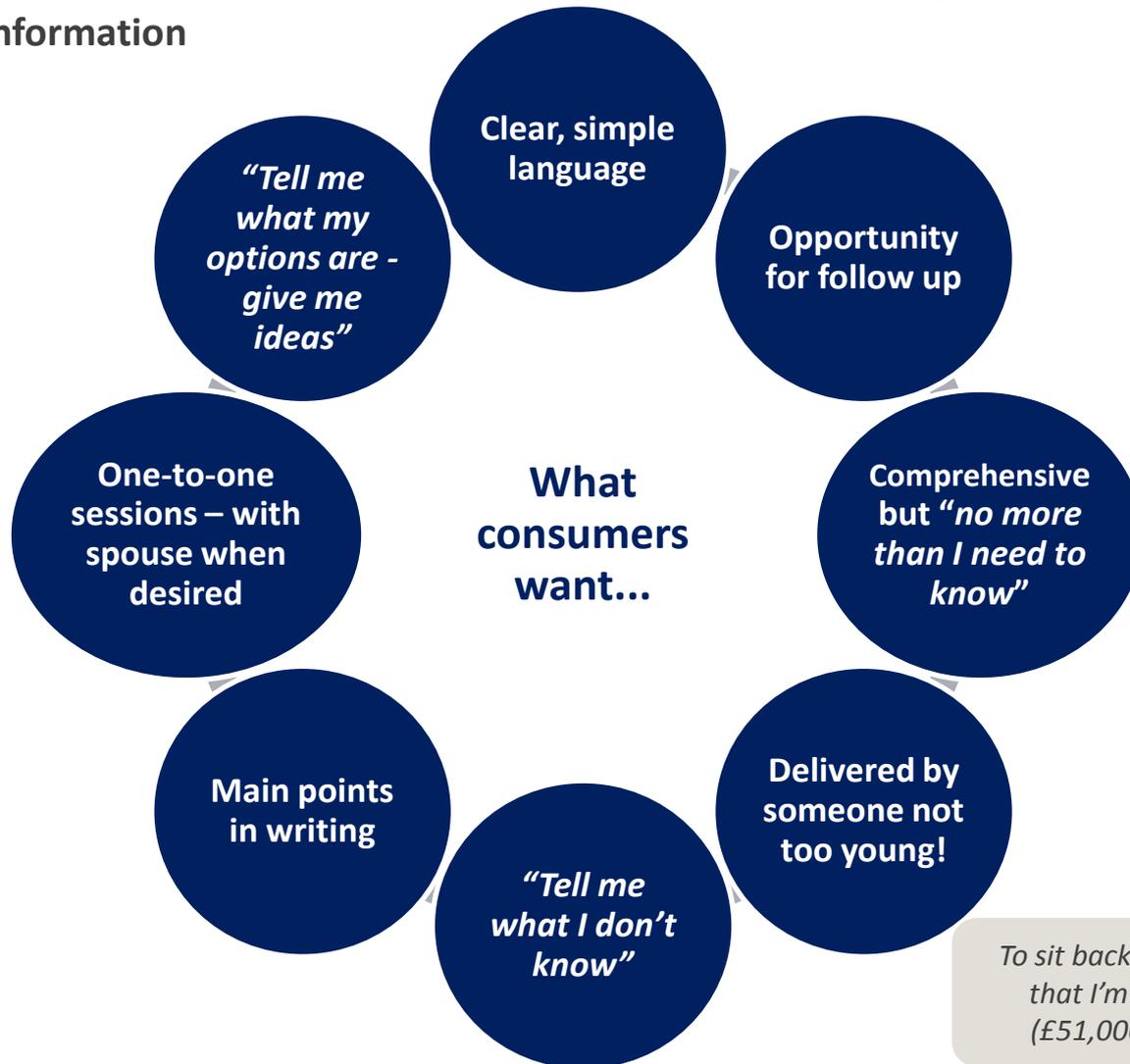
10 = very important → 1 = not at all important

Base: All respondents (1000)

Q16 How important would each of these features be in influencing your decision about whether or not you would take up this offer of free guidance? Please use a scale of 1 to 10 where 10 is very important and 1 is not at all important.

The key expectations of GG is that it is presented in layman's terms and is comprehensive

This expectation relates to a strong need for clear, comprehensive and comprehensible information



The key benefits are that GG will:

- Pare down the information and highlight what they need to know
- Give consumers the confidence that they have the understanding to make the right choice
- Reduce stress!

To sit back and see that it was useful – that I'm less stressed than before. (£51,000-£100,000, Birmingham)

In their own words, consumers have a number of expectations of GG...

I want ideas. Even if they give ideas, it is your personal choice because some people are risk takers and some are more cautious.

(£10,000-£50,000, Manchester)

An understanding, There are a lot of parts of the pension you don't know about. If they can translate it and leave you with an understanding...

(£10,000-£50,000, London)

I think it has got to be explained for everybody to be able to understand it. I've heard stuff on Radio 4 and I don't know what they are talking about. It has to be simplified.

(£51,000-£100,000, Birmingham)

Options and implications. Do I leave it where it is or put it somewhere else? And what are the implications of doing that?

(£10,000-£50,000, London)

A financial report based on your circumstances. You have something concrete, You can consider and take action

(£51,000-£100,000, London)

It needs to be comprehensive. There's no point having it otherwise. You want all your questions answered and all the questions you haven't asked because you don't know

(£10,000-£50,000, Manchester)

Clear, plain English. No financial terms.

(£10,000-£50,000, London)

People our age don't want to be advised by some 20-year-old so they need to be careful who they employ to do this.

(£10,000-£50,000, Manchester)

Then you'd go back to finalise. You need some follow-up to know you've made the right decision.

(£51,000-£100,000, Birmingham)

A follow-up session. You want someone to check you've done it properly. Another meeting. There needs to be some follow-up.

(£51,000-£100,000, Birmingham)

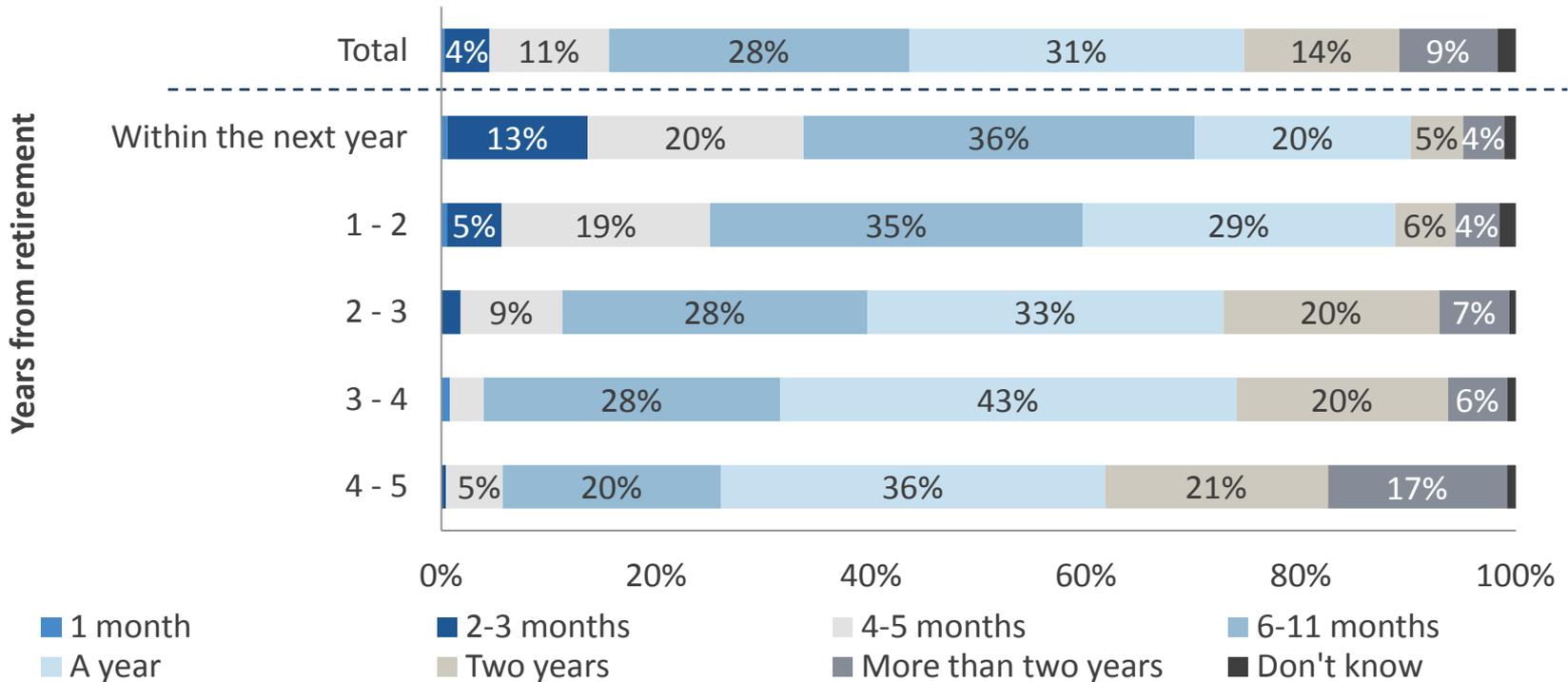
The need to clarify and check understanding through a follow-up session was spontaneously and strongly stated.

To have feedback so you can go back and say, 'That didn't work. What do I do now?'

(£10,000-£50,000, Manchester)

To meet consumer requirements, GG should be available between six and 12 months from retirement

Note: Those further from retirement would expect to have access to GG earlier, with almost 40% of those 4-5 years from retirement opting for two years before retiring or earlier



This may be indicative of an appetite for using GG at an earlier 'retirement planning' phase.

Base: Those who would use guidance (998)
 Q20 How far in advance of your planned retirement date would you prefer to receive this guidance?

In summary, consumer expectations are...

'Must-have's

- **Guarantees of impartiality/independence**
- **Delivered by qualified/licensed staff**

Setting up appointments

- Online (preferred by the majority), telephone
- Within two to three weeks

Session

- 'Live' interaction for the majority (A self-completion questionnaire highlighting options would be appealing to a more confident minority)
- At least 30 minutes long
- To include face-to-face (main channel), telephone and online options
- Convenient to access – face-to-face opportunity to be within 30 minutes travel and outside regular working hours

Delivered by...

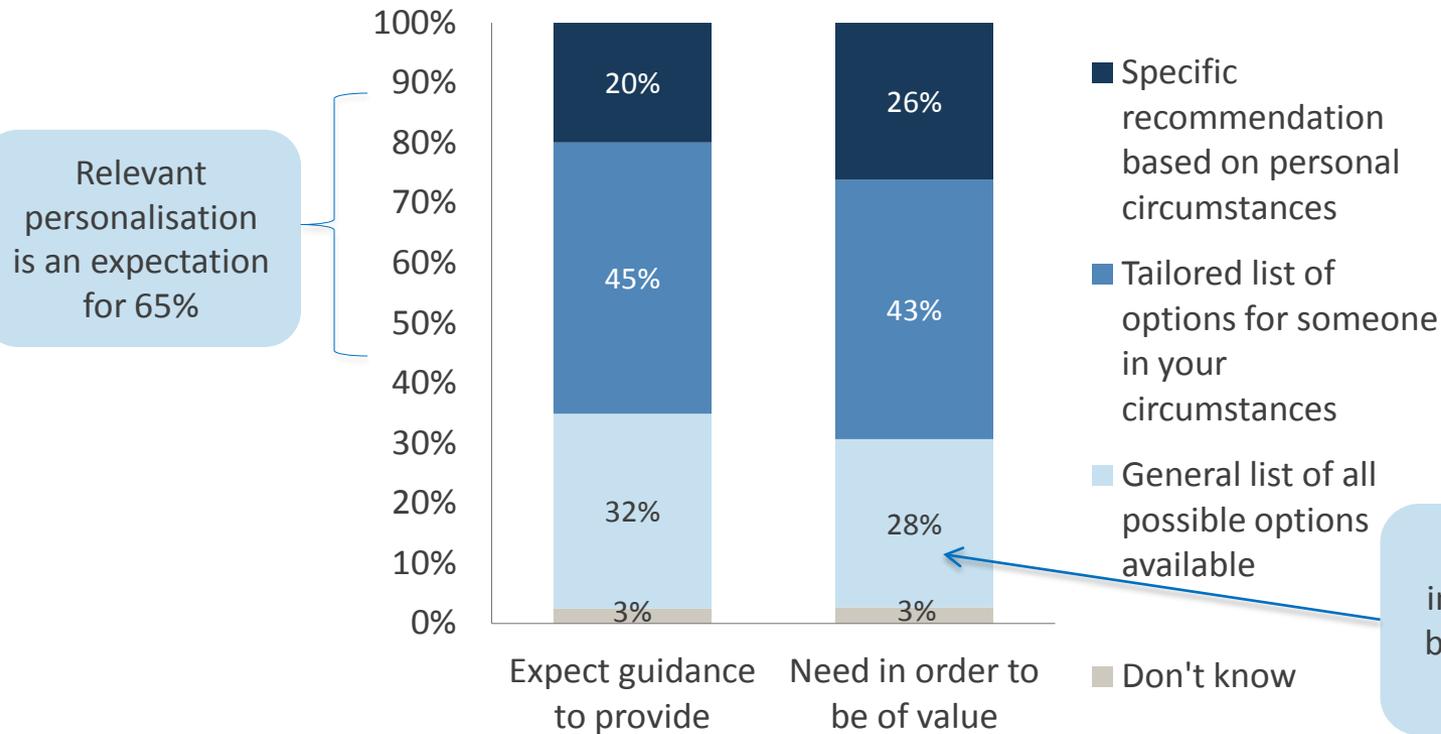
- A trusted provider/Government, e.g. Age UK, MAS

Other requirements

- Offered within 12 months from retirement or more
- Reassurance of confidentiality
- A record of the conversation – ideally emailed as an attachment
- Opportunity for a follow-up conversation to ask further questions (telephone probably sufficient)

Most are realistic in their *expectations*, with only 1 in 5 expecting fully personalised recommendations

However, the majority (69%) would need some form of personalisation i.e. GG would *need to* provide more than simply information on all the possible options.



(Q17) When told that GG would not recommend particular products or make specific recommendations, 60% of all consumers rated usefulness between 8 and 10 on a scale from 1 to 10 (where 10 is very useful)

However, generic information would still be of value to almost 1 in 3 consumers.

Base: All respondents (1,000)

Q14 Which of the following would you expect the guidance to provide?

Q15 And which of these would you need the guidance to provide in order for it to be of value to you?

However, some degree of 'tailoring' is strongly required and the way the GG session is conducted is key

'Unscripted' interaction and detailed questioning will enable the GG session to be tailored to consumers' needs

The person providing the guidance is fully interacting with me and not reading from a script

They ask me detailed questions about my circumstances, e.g. other financial holdings, family, health, my attitude to risk

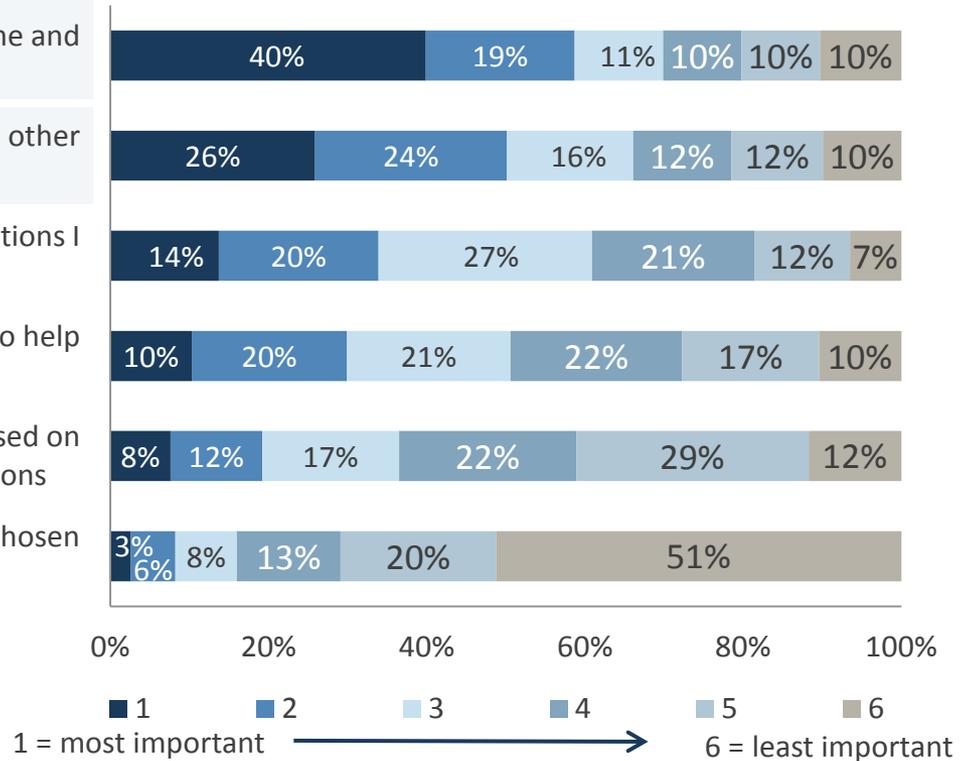
It provides me with the pros and cons of the different options I have for my retirement income

It equips me with the relevant questions that I need to ask to help me make my decisions

It provides scenarios that show the likely income available based on my pensions, and the risk level & flexibility of different options

It shows me examples of what people in my situation have chosen to do with their pension money

For those who are 12 months from retirement or less, equipping them with the questions they need to ask is rated more important



The importance given to a more 'personalised' delivery points to a need for a service that speaks to consumers' emotional concerns as well as their need for information.

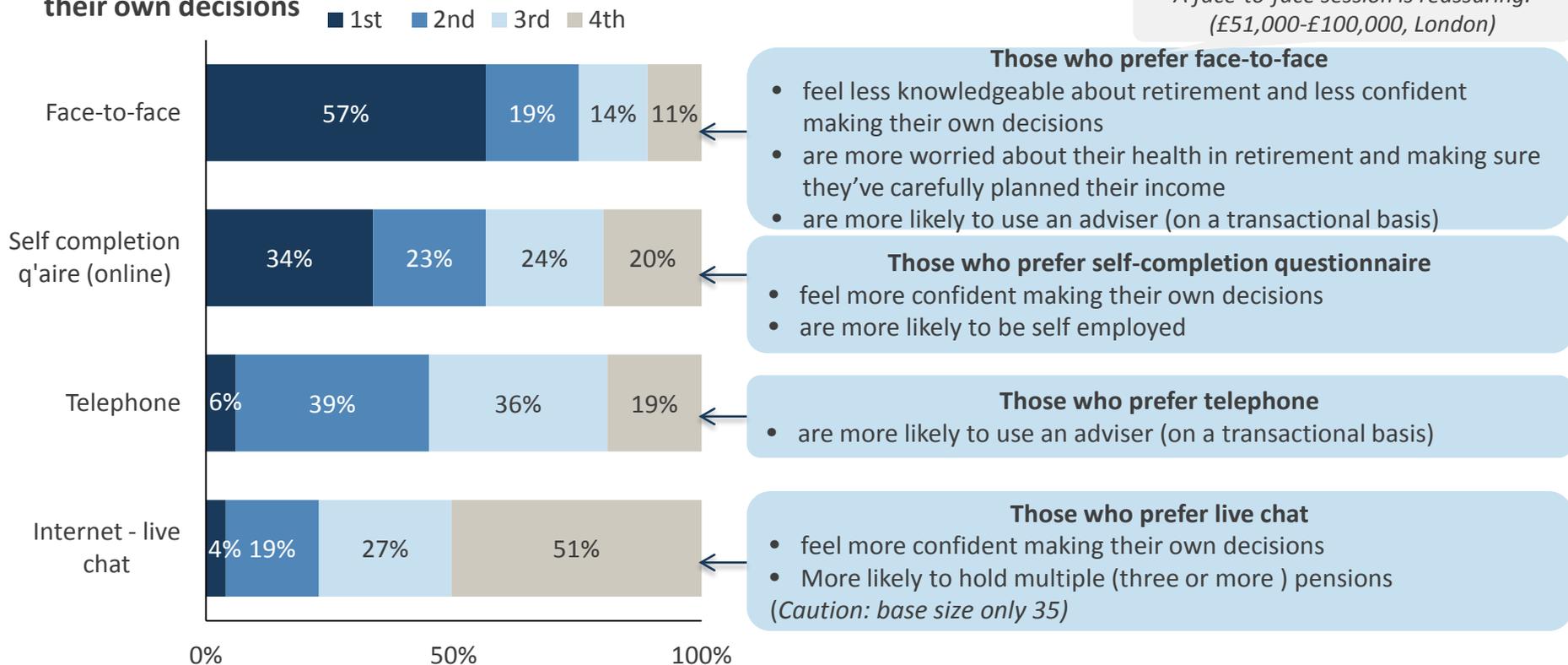
Base: All respondents (1000)

Q18 Please rank the following in order of how important each would be in ensuring the information discussed during the guidance session is sufficiently tailored to your needs?

While face-to-face sessions are the overall first preference, there is a link between channel preference and degree of confidence/concern

Face-to-face sessions are more frequently mentioned by those who feel less confident/have concerns about their retirement future while online channels are more likely to be preferred by those more confident making their own decisions

*A face-to-face session is reassuring.
(£51,000-£100,000, London)*



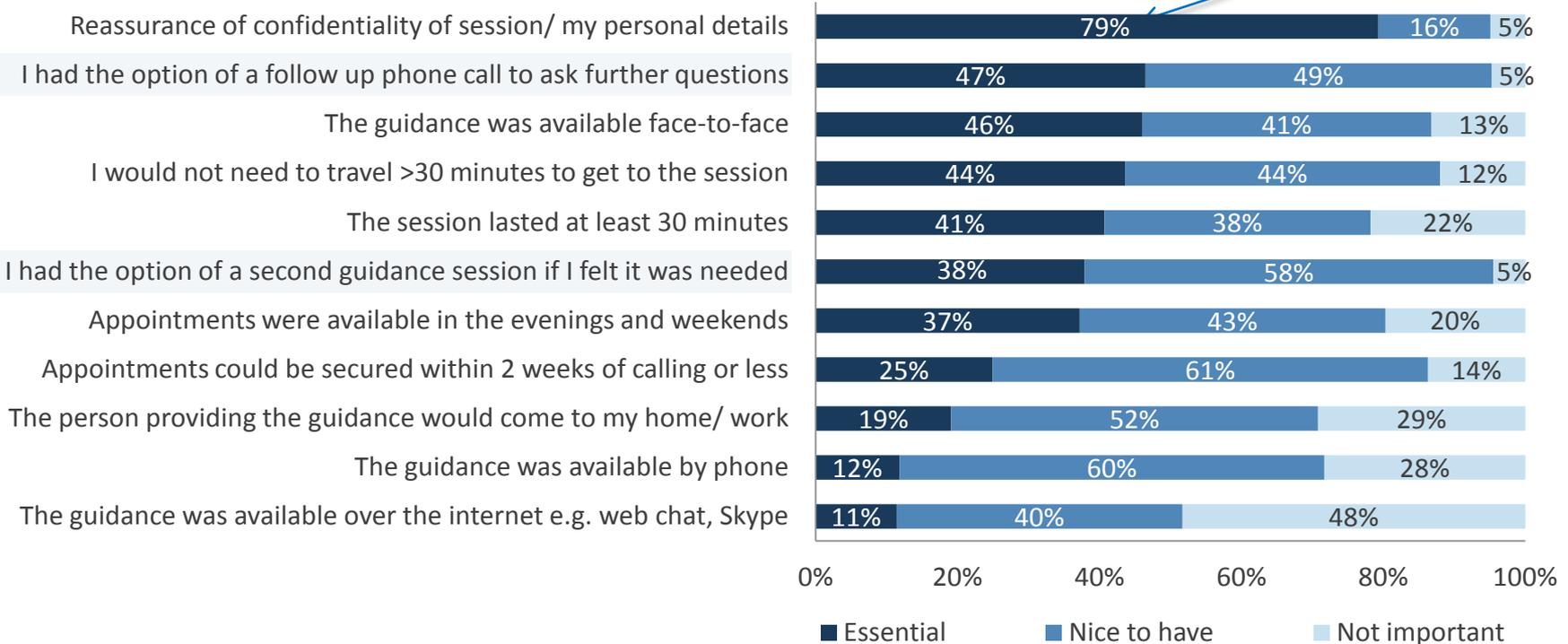
It is important that GG meets both the emotional and informational requirements. Mode of delivery, and not only content, will carry weight.

Base: All respondents
Q13 How would you prefer to receive the guidance itself?

Knowing that they had the opportunity for a follow-up session would be a strong driver

Other drivers would be having the main GG session delivered face-to-face, convenience and timeliness

From the qual, it is clear that respecting confidentiality is taken as a given.



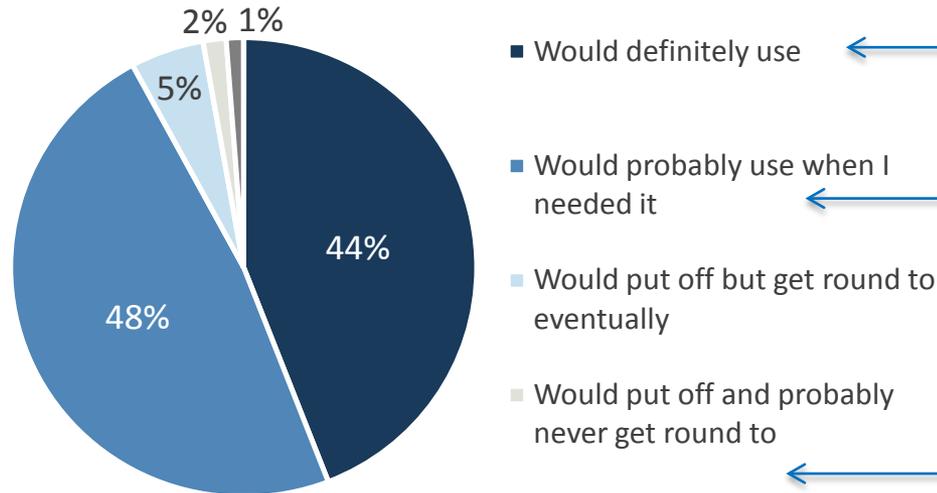
As mentioned, earlier the qual revealed a strong demand for a follow-up opportunity.

Base: All respondents (1000)

Q22 Please consider each of the following possibilities for the guidance session and select how important each option would be in influencing your decision about whether or not you would take up this offer of free guidance.

The propensity to use GG is very high, with 92% saying they would probably or definitely use it

While this question does not forecast percentage take-up, it illustrates that i) the concept of GG *does* resonate with a consumer need, and ii) there is a link between concern/a lack of confidence and a propensity to take up GG



- Would definitely use
- Would probably use when I needed it
- Would put off but get round to eventually
- Would put off and probably never get round to
- Would never use

Those who would **definitely use**

- Feel least knowledgeable about their retirement options
 - Have/will use more sources of information
 - More likely to be working full time

Those aged 65+ (and not yet retired) are more likely to say they will probably use when they need it (61%), rather than they will definitely use (32%)

Those who would **put off/ never use**

- Expect to be more reliant on non-pension income sources
- Feel more knowledgeable about their retirement options
 - More likely male (72% vs 62% overall)

Only 12 respondents said they would never use guidance. Reasons given are 'wouldn't trust it to be impartial' and 'already confident in my knowledge of retirement options.'

This points to a key audience for GG: those who feel less knowledgeable/confident about their retirement options

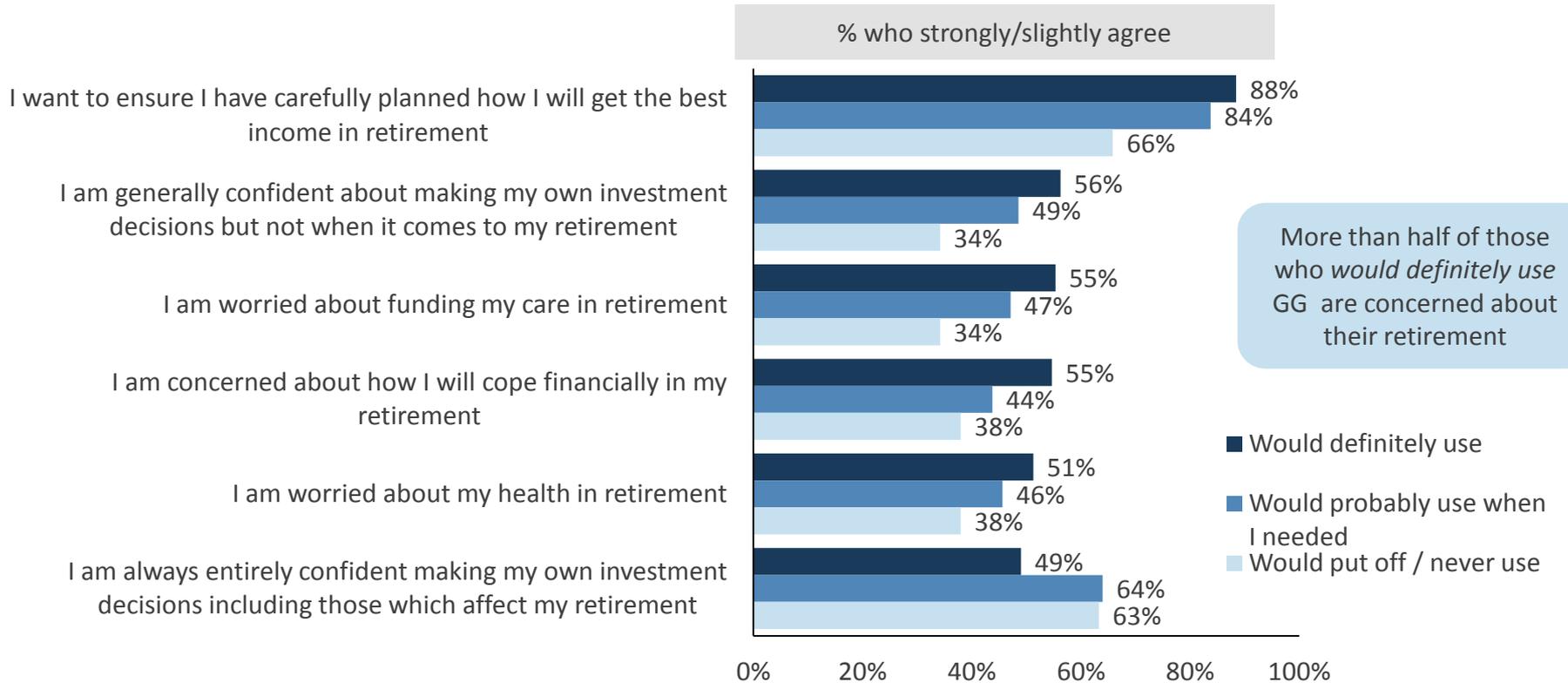
Base: All respondents

Q19 Which of these best describes your likely use of this free guidance?

Q21 Why do you say would you never access this guidance?

Consumers who are already engaged with the need to plan their retirement are highly likely to use GG

Evidence suggests that those who are confident making their own decisions will also consider GG. From the qual, we know that they are most likely to treat GG as a welcome, additional source of information



There may be scope for using a combination of emotional and informational ‘hooks’ when communicating about GG.

Base: All respondents (1000)

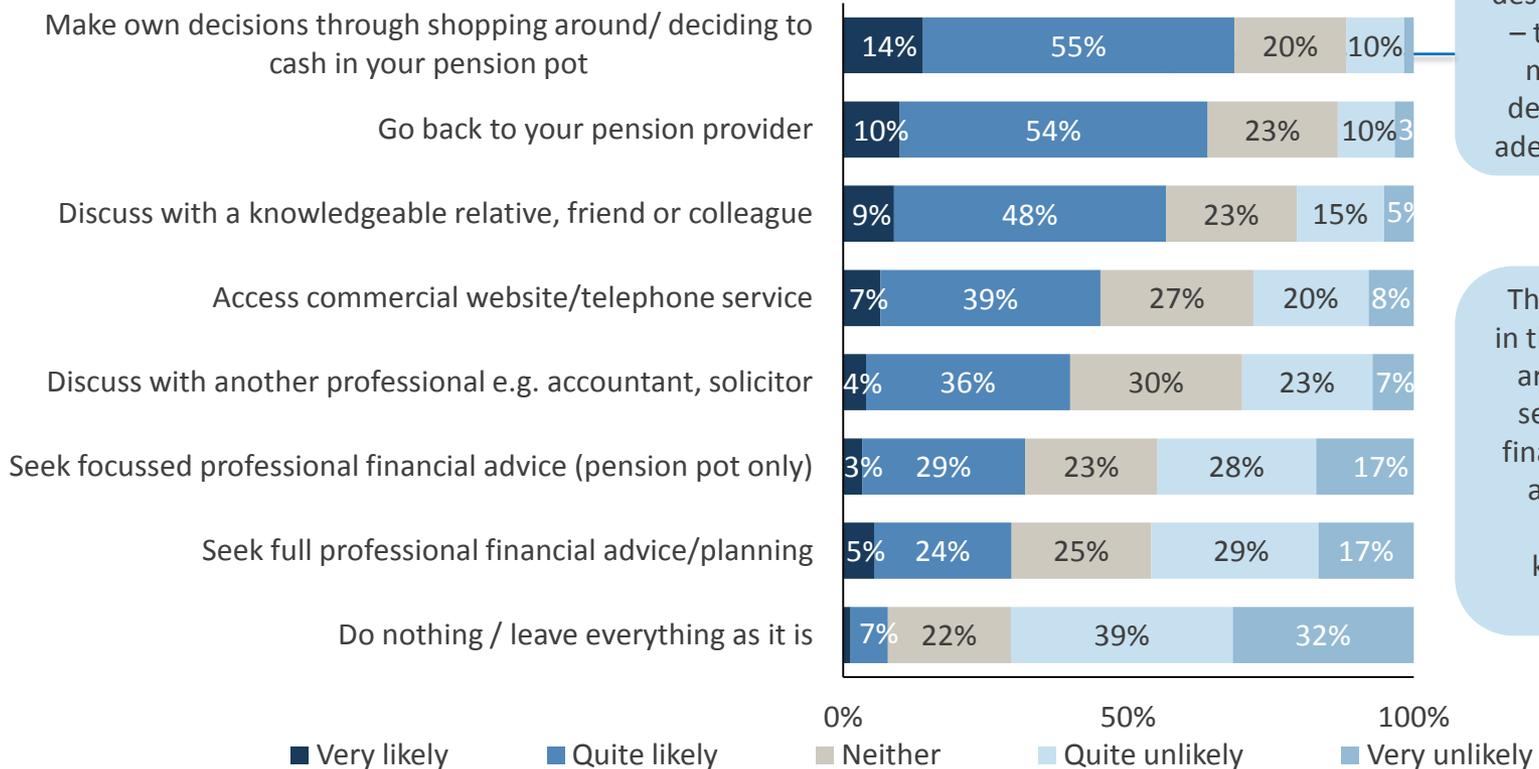
Q6 Please select how strongly you agree with each of these statements about how you feel about your retirement.

The great majority of consumers are likely to carry out a number of follow-up actions

These could include shopping around and making their own decision and consulting a number of other sources of information

NB: detailed descriptions were given of each option

Likelihood to take each action



This may point to a desired benefit of GG – the autonomy to make one’s own decisions based on adequate knowledge

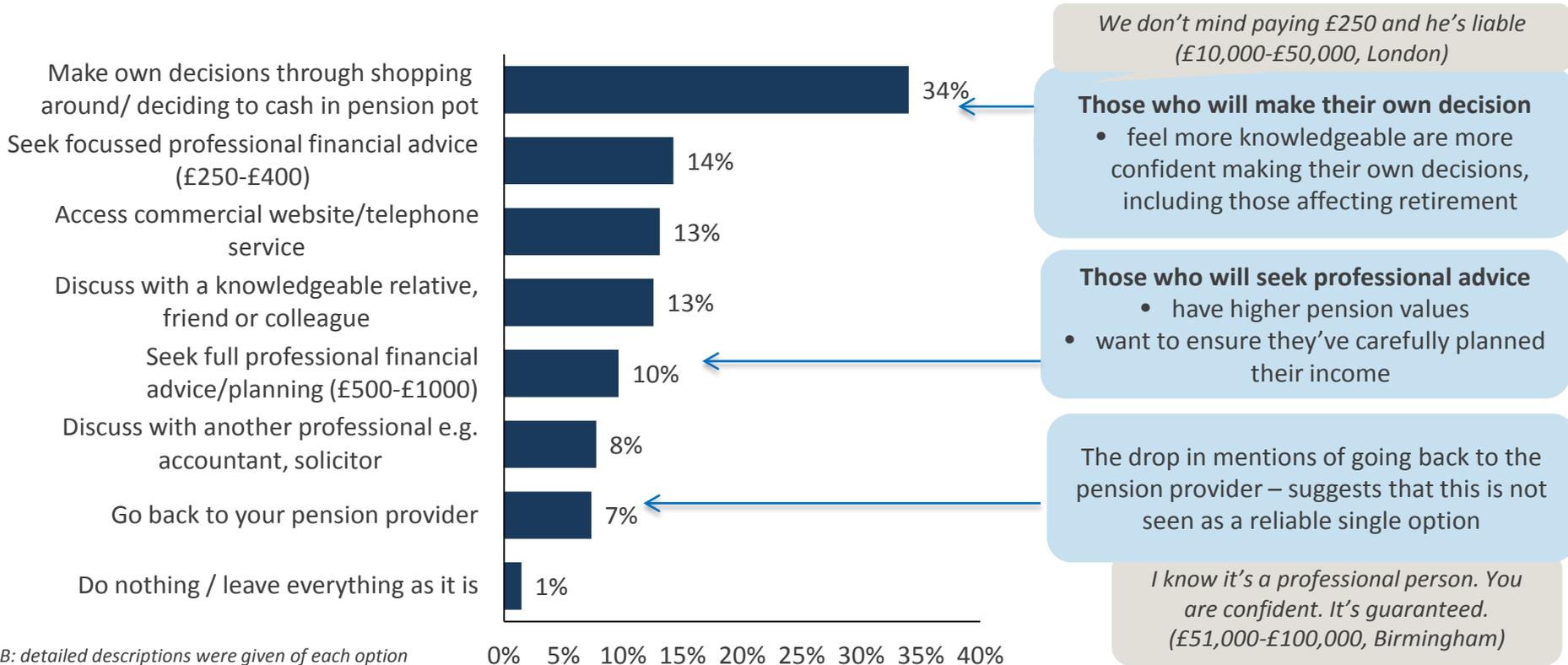
Those with £100k+ in their pension fund are more likely to seek professional financial advice and are less likely to discuss with a knowledgeable friend .

Base: All respondents (1000)

Q25a How likely would you be to undertake each of the following after receiving this guidance?

When asked to choose the single most likely follow-up action, consumers believe that they would opt to ‘make their own decision’.

However, around 1 in 4 believe that their next step would be to seek professional advice. The interest in professional advice was also a very strong finding from the qualitative phase.

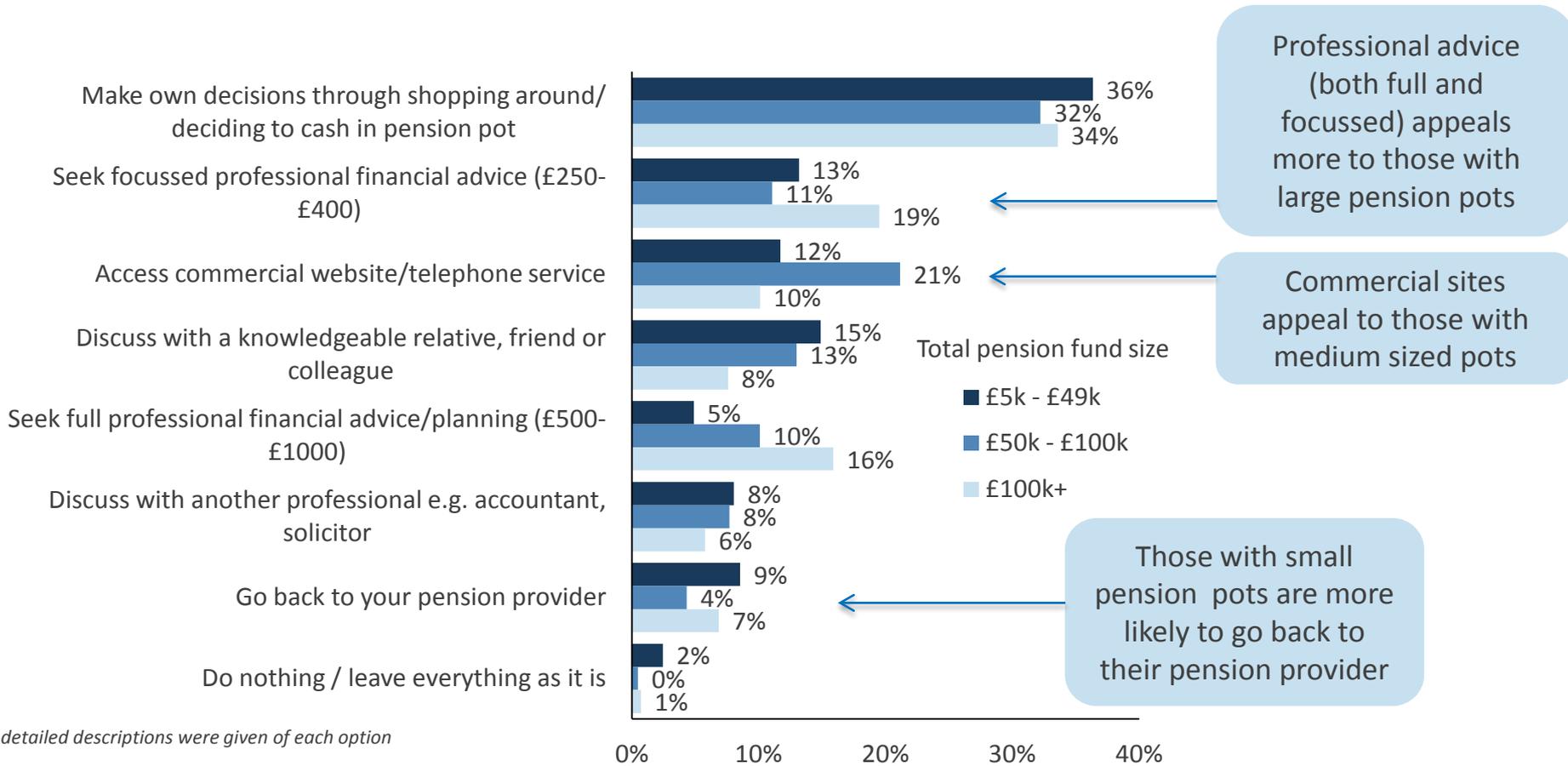


This suggests that the majority expect GG to be an additional (not definitive) source of information.

Base: Those likely to take any actions (956)
 Q25b Which of these would you be most likely to do after receiving the guidance?

'Making own decision/deciding to cash in pension pot' is the most common response across each category by pension fund size

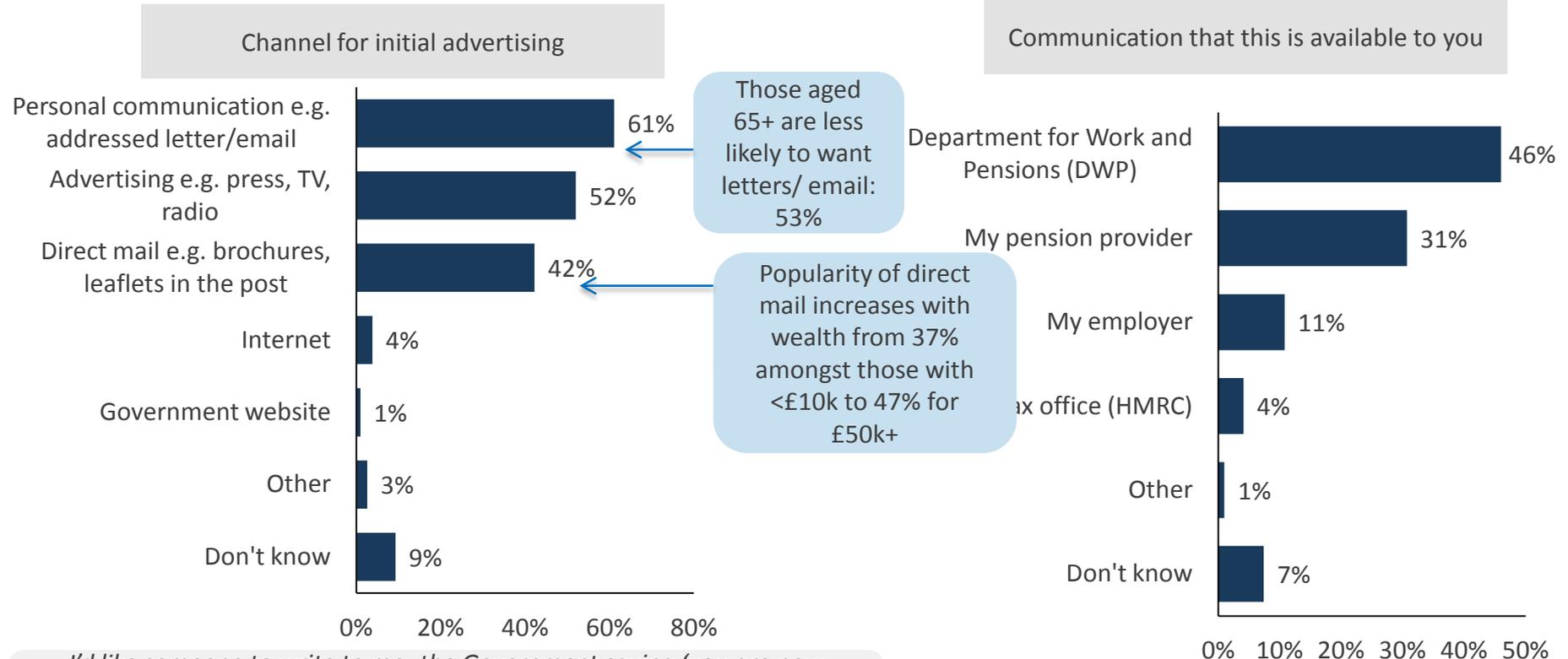
Advice options are less popular amongst those with small pension pots



Base: Those likely to take any actions (956)
 Q25b Which of these would you be most likely to do after receiving the guidance?

The majority of consumers expect to hear of GG through personalised communications and national above-the-line campaigns

There is a preference for the 'personalised' actual communication about GG to come from DWP, followed by their pension provider



I'd like someone to write to me -the Government saying 'you are now coming up to retirement, book a consultation using this free number.'
 (£51,000-£100,000, Birmingham)

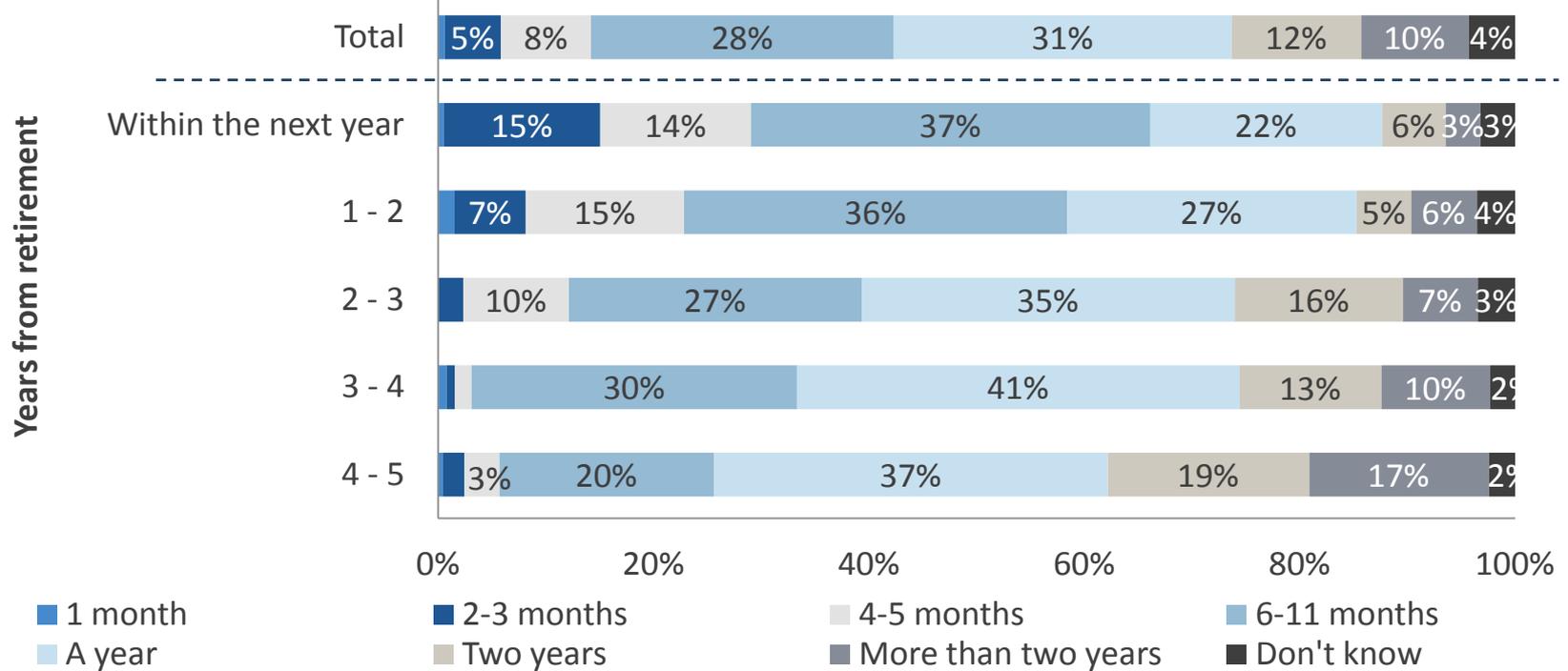
Base: All respondents (1000)

Q10 Through which of these channels would expect to find out about this offer of guidance?

Q11 When you are informed that this guidance is going to be available to you, who would you expect this communication to come from?

In terms of communications, the majority would expect to hear about GG between six months and two years before they retire

Note: Those further from retirement expect to hear further in advance, with those between 4 and 5 years away wanting to hear within 2 years of their retirement date.



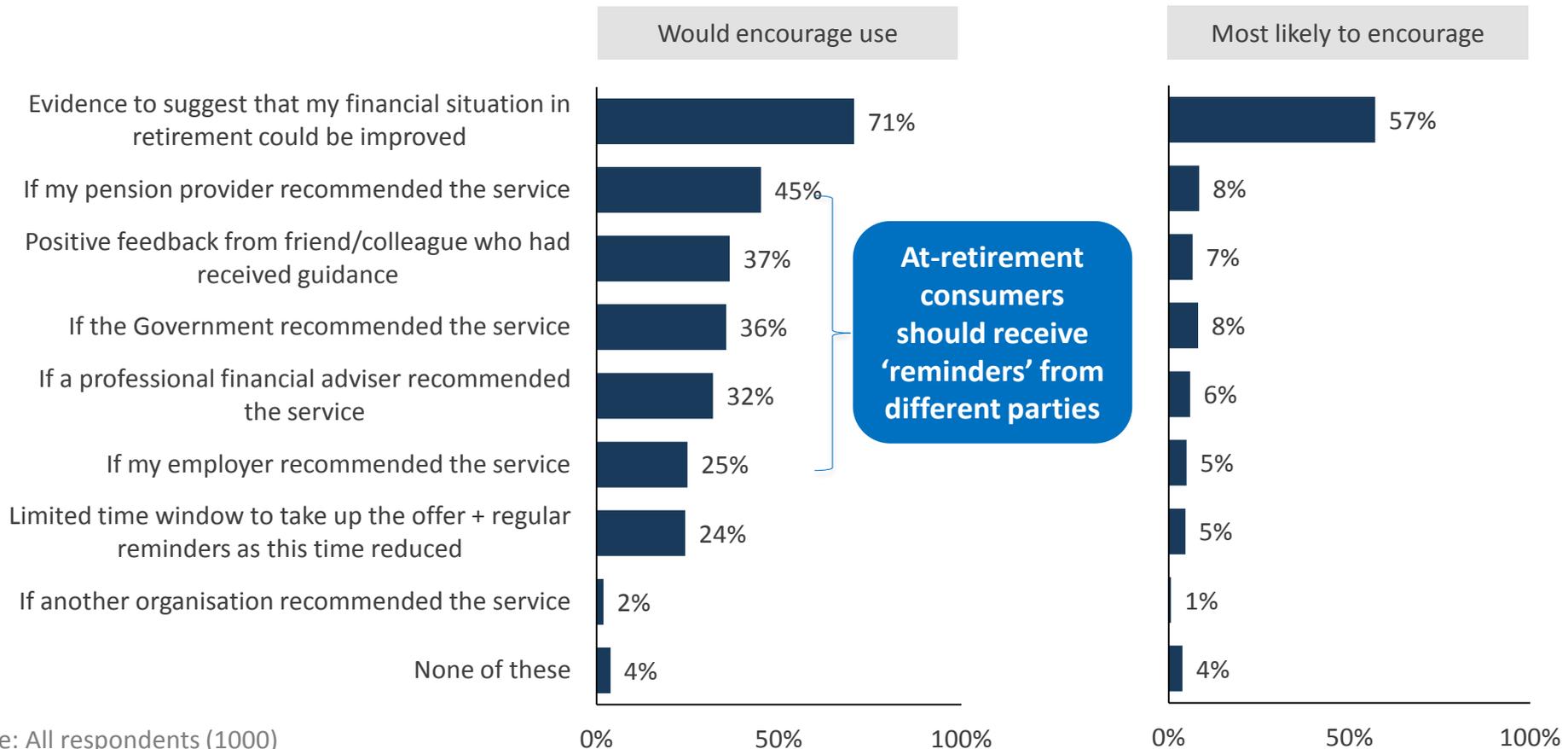
While there is an obvious association with time to retirement, this points to a possible appetite for GG to be available earlier – while consumers are planning rather than making decisions.

Base: All respondents (1000)

Q12 How far in advance of your planned retirement date would you expect to receive this communication to inform you that this guidance is going to be available to you?

The most effective 'nudge' to take up GG is a strong message that their financial situation in retirement could be improved

Recommendations/reminders about the service from a number of third parties and imposing a limited time-window are also likely to be effective



At-retirement consumers should receive 'reminders' from different parties

Base: All respondents (1000)
 Q23 Which of the following would encourage you to take up this offer of guidance?
 Q24 And which if these would be most likely to encourage you to take up this offer of guidance?

GG needs to take into account both emotional and informational needs of at-retirement consumers. This has implications for **content**....

While generic 'introductory' information would still be appealing to a significant minority, GG will be most useful if it is 'tailored' in that it:

1. **Pares down the information** they need to know and options they need to look at
2. **'Arms' consumers with the knowledge they need** to shop around i.e. to ask the right questions

Specifically GG would deliver:

- A list of relevant options based on their circumstances
- A thorough understanding for consumers to formulate the right questions to ask providers/advisers to better equip them to engage on more equal terms
- Relevant tax information
- Provider information e.g. an expert assessment of their expertise and quality
- A written summary of what was discussed during the session

...and delivery

GG would be best delivered through **a variety of channels** (including face-to-face, phone and online algorithms) as different audiences will show a preference for different channels.

A variety of channels (FTF, telephone and online) should be offered

As resulting from the research, the **key audiences for GG** are likely to be those:

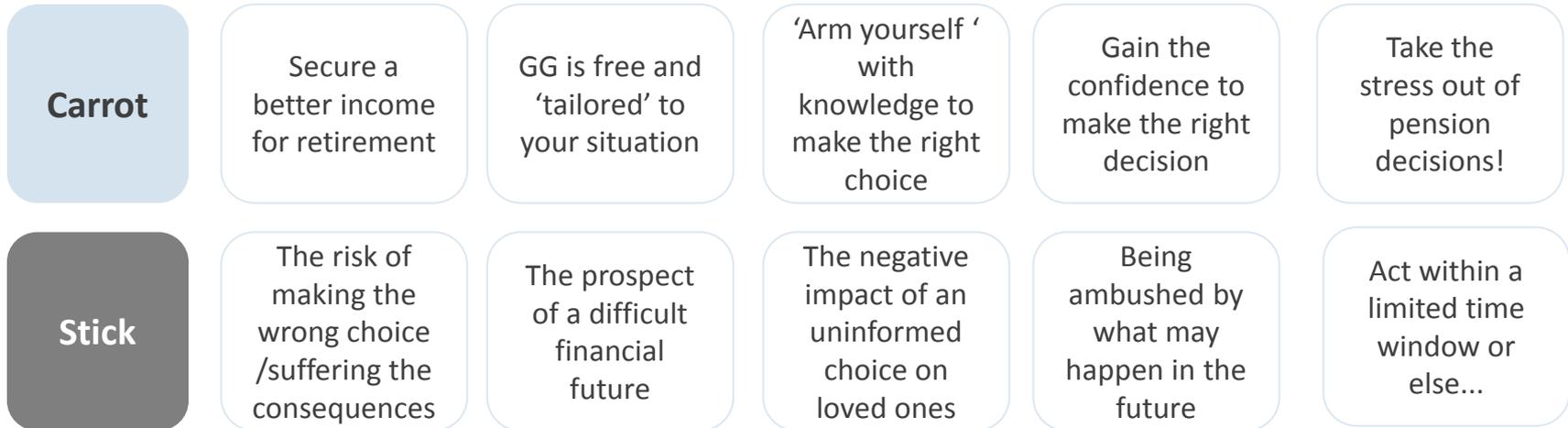
- with smaller DC pension pots (and potentially fewer alternative sources of income in retirement)
- those who feel less knowledgeable and confident making their own retirement decisions, will find face-to-face sessions more reassuring.

A **personalised interaction** is also important to this group:

- The session must be 'unscripted'
- The session must hinge on a discussion around personal circumstances and objectives in retirement
- When desired, some consumers would appreciate being able to attend a GG session with their spouse/partner

Communications about GG should use emotional ‘hooks’ using both ‘carrot’ and ‘stick’ messages

This will leverage the strong emotional component of pension decision-making and resonate with top-of-mind hopes and fears



Always reassure consumers that GG is an impartial service delivered by qualified/fully trained staff

Communicate about GG via

- Above-the-line media campaigns and, where possible, direct and/or personalised communications
- Direct or personalised communications to be sent out between one and two years from the consumer’s retirement date
- Reminders from relevant third-parties e.g. employers, pension providers, Government etc will be effective triggers to setting up a GG appointment

Encouraging take-up and GG outputs

To encourage **take up**

- Raise awareness using direct channels e.g. with their final year pension statement
- Set a limited time-window for accessing the service
- Ensure consumers receive reminders ('nudges') from relevant third parties (e.g. employers, pension providers, DWP)

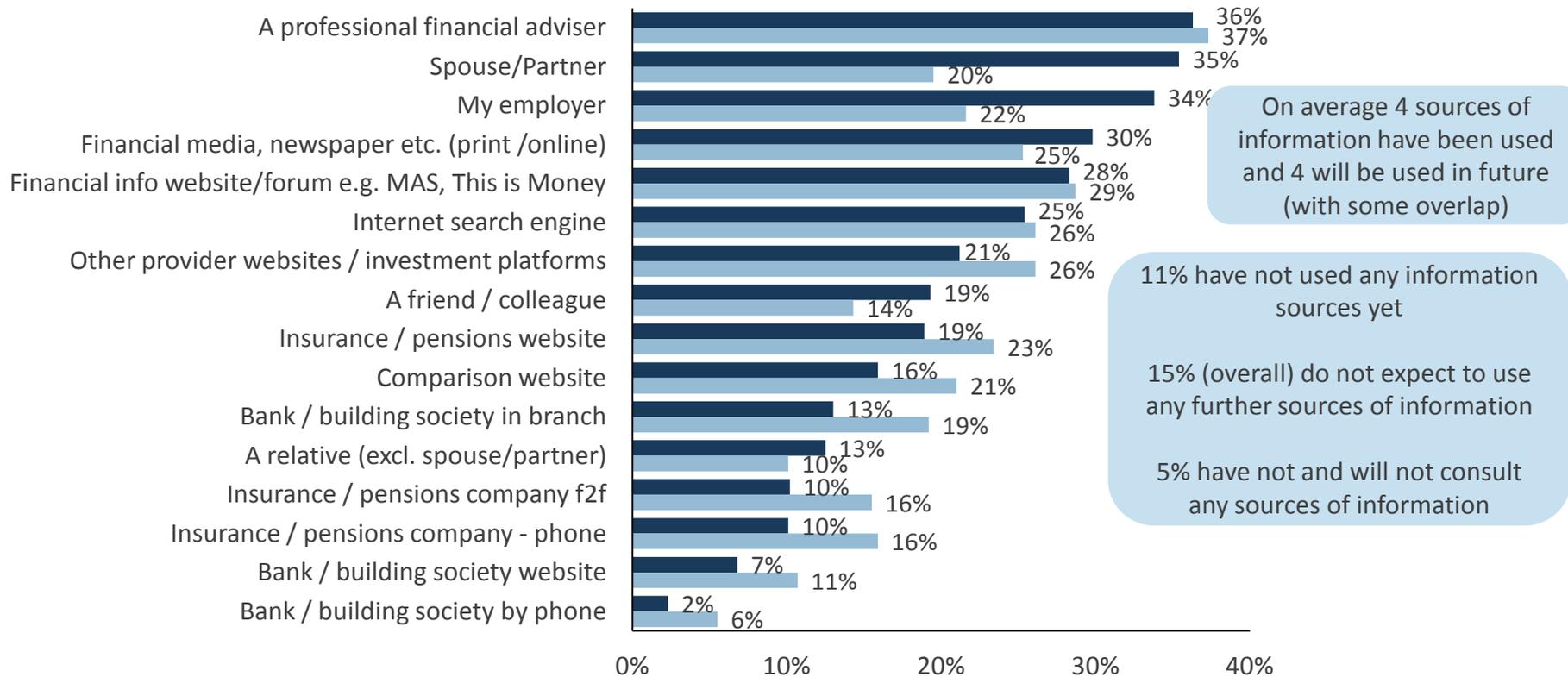
Given the two most likely 'next actions' that will be taken by consumers, **GG output** needs to take into account different needs and:

1. **Tell consumers who will shop around and make their own decision** what they need to know/ask providers and potentially a list of 'approved' providers
2. **Help consumers who will seek more information/advice** to identify the best sources of information – free or otherwise

There may be scope for offering GG at an earlier 'planning stage' - two to four years from retirement.

Information sources

On average four sources of information have been used already when planning retirement, and four will be used in future (with some overlap)

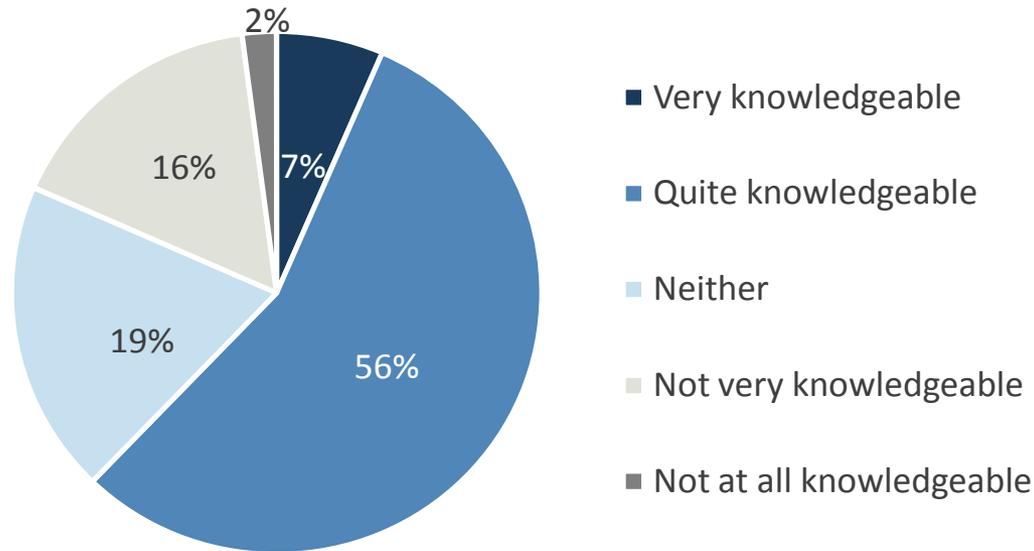


Base: All respondents (1000)

Q7 What sources of information or advice have you used already when planning your retirement and which do you expect to use?

Knowledge of retirement options

Few say they feel 'very knowledgeable' about their options for retirement although there is a considerable percentage in the 'quite knowledgeable' group



Base: All respondents (1000)

Q5 How knowledgeable do you feel about what options are available to you when you come to retire?

Qualitative phase: Focus group profiles

The qualitative phase consisted of six, two-hour discussion groups carried out between the 21st and 23rd of July. The group profiles were as follows:

| Group | Employment status | Pension pot size | Location | Common recruitment criteria |
|-------|---|------------------|------------|---|
| 1 | Employed | £10k - £50k | Manchester | <ul style="list-style-type: none"> All age 55 plus 12 months from planned retirement date Holders of DC pension scheme (may also hold other occupational and personal pensions) Approximately equal male:female split |
| 2 | Employed | £10k - £50k | | |
| 3 | Employed | £10k - £50k | London | |
| 4 | Employed | £51k - £100k | | |
| 5 | Employed | £51k - £100k | Birmingham | |
| 6 | Self-employed (<i>without active accountant relationship</i>)* | £10k - £100k | | |

**We recruited self-employed consumers without an active accountant relationship on the basis that this can constitute a form of financial advice.*

Profile of quantitative sample (1)

The 1,000 respondents break down as follows:

| | | |
|------------------------|-------------------------|-----|
| Age | 50-54 | 20% |
| | 55-59 | 36% |
| | 60-64 | 33% |
| | 65-69 | 10% |
| | 70+ | 1% |
| Gender | Male | 62% |
| | Female | 38% |
| Retirement date | Within the next year | 19% |
| | In the next 1 – 2 years | 20% |
| | In the next 2 – 3 years | 17% |
| | In the next 3 – 4 years | 13% |
| | In the next 4 – 5 years | 25% |

| | | |
|--------------------------------|--------------------|-----|
| Pension funds | £5,000 - £24,999 | 28% |
| | £25,000 - £49,999 | 16% |
| | £50,000 - £100,000 | 22% |
| | More than £100,000 | 28% |
| Other investable assets | Less than £5,000 | 13% |
| | £5,000 - £24,999 | 29% |
| | £25,000 - £49,999 | 23% |
| | £50,000 - £100,000 | 31% |

Profile of quantitative sample (2)

| | | |
|---|--|-----|
| Adviser use for investments | I will see a professional financial adviser if I want to arrange savings or investments, but I do not see the same adviser on a regular basis | 25% |
| | I mainly do my own research if I want to arrange savings or investments and then buy directly from a financial company or through the internet | 66% |
| | I do not hold / do not buy savings or investments | 7% |
| | Don't know | 2% |
| Pensions held | Defined contribution (DC) company pension | 52% |
| | Defined benefit (DB) company pension | 40% |
| | Personal pension / SIPP | 62% |
| | Don't know | 3% |
| | Other (Non-DB) pension | 1% |
| Financial decision maker for household | Yes, solely | 35% |
| | Yes, jointly | 64% |
| | No | 1% |

| | | |
|-----------------------|--|-----|
| Working status | Working full time (30 hours + per week) | 56% |
| | Working part time (8-29 hours per week) | 15% |
| | Working part time (under 8 hours per week) | 1% |
| | Self employed | 13% |
| | Unemployed and seeking work | 2% |
| | Semi-retired (i.e. you are drawing some income from money you have accumulated during your working life but also working part time in some earning capacity) | 6% |
| | Retired (i.e. you are drawing an income from the money you have accumulated during your working life and not carrying out paid work) | 3% |
| | Not in paid work due to other reason | 4% |

Profile of quantitative sample (3)

| Region | London | 11% |
|--------|----------|-----|
| | South | 33% |
| | Midlands | 27% |
| | North | 27% |
| | Other | 2% |

| Housing | I own my property outright | 52% |
|---------|---|------|
| | I own my property, but am still paying a mortgage | 39% |
| | I am part of a shared ownership scheme | 0.4% |
| | I live in accommodation rented from a Local Authority / Housing Association | 2% |
| | I live in accommodation rented from a private landlord | 5% |
| | I live in other rented accommodation | 1% |
| | Other | 1% |

| Marital status | Single | 9% |
|----------------|---------------------------------|-----|
| | Married / civil partnership | 70% |
| | Co-habiting / living as married | 8% |
| | Widowed | 2% |
| | Divorced / separated | 11% |

| Financial responsibility for others in household | Adult children | 25% |
|--|-----------------------------------|------|
| | Children / grandchildren under 18 | 10% |
| | Parents | 2% |
| | Other family | 1% |
| | Other non-family | 0.1% |
| | None of these | 67% |

Showcard A – pension definitions

SHOWCARD A

A defined benefit pension – this means a company pension in which the level of benefit paid out on retirement is based on the level of the employee's salary when they retire/left the scheme and the number of years in the scheme. (e.g. 2/3rds of final salary)

May be referred to as Final Salary Pension, Company Pension or Occupational Pension.

A defined contribution workplace pension – this means a company pension where the value of the pension pot depends on the amount of contribution paid in and the investment growth of the pot. Usually you and your employer pay a percentage of your salary into a defined contribution pension.

May be referred to as a Group Personal Pension, Company Pension, Stakeholder Pension, Occupational Pension, Staff Pension or Money Purchase.

A personal pension – this means a pension that you set up yourself (or with your adviser), usually paying in an amount each month though you can pay in annually or make one-off contributions.

May also include a:

- **SIPP** (a self-invested personal pension) where you have more freedom over how the pension fund is invested, or
- Separate funds on top of your main company pension scheme that you decided to set up yourself to boost your pension savings

May be called an Additional Voluntary Contributions (AVC)

Showcard B – changes to pension regulations

SHOWCARD B

From April 2015, you will be able to access and use your pension pot in any way you wish after the age of 55.

You will be able to:

- take up to a quarter (25%) of your pension pot in cash tax free
- convert some or all of the rest into a regular retirement income (known as an annuity), and/or
- leave the remaining cash invested and draw on it later either as cash (subject to tax at your highest rate) or to buy an annuity at a later time

From April 2015 you will be offered free and impartial guidance on your options if you have a defined contribution pension.

Showcard C – GG concept description

SHOWCARD C

The Government proposes to introduce a new guarantee that all individuals with a defined contribution pension in the UK approaching retirement will be offered guidance at the point of retirement that:

- Is impartial and of consistently good quality
- Covers the individual's range of options to help them make sound decisions and equip them to take action, whether that is seeking further advice or purchasing a product
- Is free to the consumer
- Is offered face to face, over the phone or online

Showcard D – Prompts for ‘nudges’ discussion

SHOWCARD D

Checking whether I should change my utilities provider

Getting a well woman/man check at the GP

Joining a book club

Updating my wardrobe/Sorting out my image

Sorting out/reviewing my will

Making a dental check-up appointment

Renewing my home insurance with another provider

Sorting out small home repairs

Going for a routine eye check

Checking whether I can get a better deal on my mobile phone contract

Cancelling my gym membership (even if I haven't been in over a year!)

Moving my home broadband, cable television and mobile phone monthly contracts into a single (cheaper) package

Showcard E – Scenario questions

SHOWCARD E

- Where do you think they would hear about Guaranteed Guidance?
- What will make them feel that Guaranteed Guidance is for them and is really relevant to their circumstances?
- What is the *one thing* that would ensure that they would take up the service?
- What would make them consider taking Guaranteed Guidance?
- What would stop them from considering using the service?
- What information would they need to hear/learn?
- What would they find most useful in terms of output of the service? What would this look like?
- What should their next steps look like?
- What can be done to encourage them to take the next steps after their Guaranteed Guidance experience?

Showcard F – Follow-up actions

SHOWCARD F

FOLLOW UP ACTION (SHOWN ON INDIVIDUAL CARDS)

- Professional Advice – full retirement plan
- Professional Advice – what to do with your pension pot
- Commercial website/telephone service
- Make your own decisions
- Go back to your pension provider
- Leave everything as it is

Showcard G1 – What GG will deliver

SHOWCARD G1

The guidance will inform, educate and help empower pension savers. It will equip consumers with information about their options when accessing their pension savings. The guidance will give consumers key facts and information about the consequences of the relevant options, for example taxation.

It will also set out other issues the consumer should consider based on the information the consumer puts into the discussion; for example, the needs of the family where a consumer has a spouse or dependants. It will provide clear next steps and appropriate signposting to further sources of information and advice. The consumer will receive a record of the session for future reference and continuation of their retirement journey.

Showcard G2 – What GG will not deliver

SHOWCARD G2

...the Government response makes it clear that guidance is not intended to stray into areas such as specific product or provider recommendations, which would be better handled by an authorised IFA. Therefore, the guidance will not tell consumers which options to choose or recommend a particular product, provider or adviser. Ultimately, consumers will be responsible for the decisions they make.

Consumer Scenarios - £10,000 - £50,000

Meet Rosa

This is Rosa. She is 63 years old and lost her husband two years ago. Most of her life, Rosa has worked at home raising their three children but for the last ten years she has worked three days a week at a local travel agency. She supplements her income from this with the benefits she receives from her late husband's state pension.

She has recently started thinking about retirement and a few years back set up a personal pension which she believes is worth around £28,000. She does not know the value of any state pension entitlement and would like to look into her options if she were to retire in July 2015.

She would like her personal pension to provide her with an additional source of monthly income.

Rosa does not have a relationship with a financial adviser but had consulted an adviser ten years ago when she set up her pension.

How can Guaranteed Guidance help Rosa?



Consumer Scenarios - £10,000 - £50,000

Meet John

This is John. He is 64 years old, married, with two grown-up children. He has worked with an accounting firm for the past 18 years and he is planning to semi-retire in July 2015 and work for firm on a part-time basis. He has a personal pension pot worth around £45,000.

He understands that he is entitled to a State Pension and thinks that this, together with the income from his part-time work, will give him enough to cover his day-to-day requirements.

However, he would like to use his increased leisure time to travel with his wife and would like to understand whether he can access his personal pension to finance this. He would also like to plan for the time when he retires completely in three years from now and understand what his options might be then.

How can Guaranteed Guidance help John?



Consumer Scenarios - £51,000 - £100,000

Meet David

This is David. He is 56 years old, divorced, and has a long and successful career as a marketing consultant. He has always planned to take early retirement and would like to take the first steps towards this over the next 12 months.

David has a company pension which he believes, will pay him around £15,000 a year. He believes that this will be enough to cover his living expenses. He also has a personal pension which he set up around 20 years ago. Based on his last statement, this pension is worth £86,000.

David would like to make sure he makes the best decision in planning for his retirement. He has no particular plans for any surplus cash that may be available and is interested in ensuring that exploring the best options for this and make sure that he is provided for well into late retirement.

How can Guaranteed Guidance help David?



Consumer Scenarios - £51,000 - £100,000

Meet Neeta

This is Neeta. She is 59 years old, married, with one grown-up daughter who lives in the US. She works full-time at a local beauty salon and is very popular with clients.

Neeta would like to stop working and use her free time to spend more time with her daughter and grandchildren.

Neeta has a personal pension that she has been paying into since she was 18 years old. Based on the last annual statement, this is now worth around £60,000. Her husband still plans to be in paid employment for a few years and his salary covers most of the household expenses so Neeta would like to access her pension and use some of it to pay for a visit or two to the US.

She would also like to look into how her pension can provide an income in around five years time when her husband may also retire.

How can Guaranteed Guidance help Neeta?



Consumer Scenarios – Self-employed

Meet George

This is George. He is 60 years old and runs a small but successful local decorating business. He is thinking of reducing his working hours and passing the steer of his business to his oldest son.

He has an work pension from a previous job which is worth around £20,000 and a personal pension which he believes is worth around £65,000.

As he reduces his working commitments, he will still be able to benefit from a share of the business' dividends. He is also planning to downsize his home and believes that this will provide him with a capital of around £100,000.

He would like to start making plans for moving into semi-retirement as from July 2015 and stop working completely at age 65.

How can Guaranteed Guidance help George?



Consumer Scenarios – Self-employed

Meet Catherine

This is Catherine. She is 59 years old, single, and enjoys working as a freelance theatre director.

Catherine has a small portfolio of investments worth around £50,00 which she manages herself and an occupational pension from a previous job worth around £35,000. She also has a couple of personal pensions that she set up herself and that are worth around £35,000 and £28,000 respectively.

She would like to look into what her financial future would look like if she were to decrease her working hours as from July 2015. She would like her portfolio to provide a regular monthly income that would allow her to enjoy her current lifestyle and keep up her frequent holidays abroad.

How can Guaranteed Guidance help Catherine?



