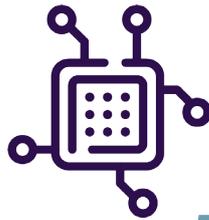




Insurance and long-term savings: Innovation in the retirement market



Achieving
good retirement outcomes



Innovating
products and processes



Engaging
through technology

The introduction of pension freedoms in 2015 brought about fundamental changes to the way consumers access their pension savings. As highlighted in [‘The New Retirement Market: Challenges and Opportunities’](#), there is a wide range of retirement products on offer to meet the diverse needs and aims of consumers. While the interim report of the FCA’s Retirement Outcomes Review suggested that product innovation has been limited to date, this leaflet demonstrates how ABI members and industry are already developing a variety of innovative products, processes and services to help customers achieve a comfortable retirement.

Retirement Advantage: The Retirement Account

The Retirement Account is a product that helps customers manage their retirement income by combining savings, guaranteed income, flexible income and a cash account all within a single tax-advantaged wrapper. This combination offers greater flexibility and tax control around income, investment and death benefits. Customers have the ability to take a tax-free lump sum on a phased basis and the product allows customers to reduce, stop or start their guaranteed income at any time.

Age: 60
 Status: Married, no children, mortgage free
 Pension info: £120,000. Keen to receive £30,000 tax free cash. New State Pension at age 66 of £9,654.
 Retirement plans: Wanted at least £12,000 income post-retirement. Needed £3,000 guaranteed income to replace lost earnings whilst working part time.



The Retirement Account (TRA)

Age 60

Michelle had £89,850 available after tax-free cash.

She used a blend of annuity and drawdown. £71,757 of her fund produced the £3,000 target income.

This left £18,092 in drawdown which was invested in the balanced Index Portfolio.

Age 66

Michelle stopped work at age 66 and began to receive her State Pension of £9,654.

This coupled with the £3,000 from her annuity satisfied her income requirement.

Her drawdown fund value when she reached age 66 was £22,629.

Age 75

Michelle had a bad time the previous year. She had heart trouble and her husband passed away. She inherited a successor drawdown fund of £45,000 which she left in the existing SIPP.

She was no longer willing to invest everything in the markets so used the money she built up in her own drawdown portfolio over 15 years (£18,092 to £31,655) to buy more guaranteed income.

This gave her an extra £2,114 per year until her death.

LV= : The Robo Paraplanner

The Robo paraplanner is an efficient telephone advice service that makes advice accessible to all customers, regardless of pot size. It improves efficiency for telephone advisers by combining algorithms developed from the industry-first, LV= Retirement Wizard, together with expert financial planning, so they are able to ask customers the right questions to automate a tailored and adviser-guided retirement journey. The combination of automated and human elements results in a much more streamlined advice process for customers, for example with the production of an advice report within minutes after the call.

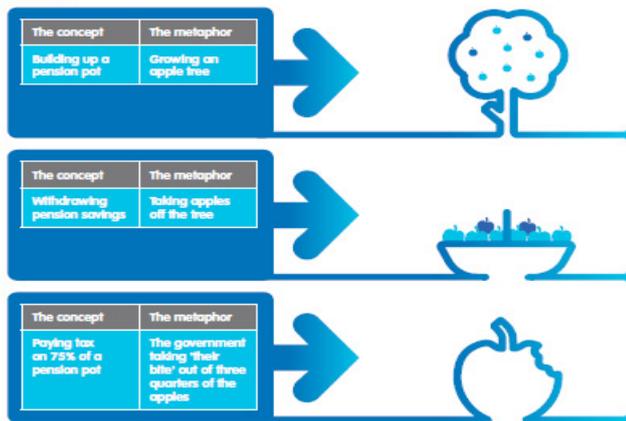


Scottish Widows: Dynamic Volatility Management

Scottish Widows' new Retirement Portfolio Funds uses algorithms to lower the risk of capital loss for income drawdown customers if equity volatility becomes significant. The innovative system can detect periods of significant volatility, helping to both lower the risk and keep costs down for customers.



The visuals

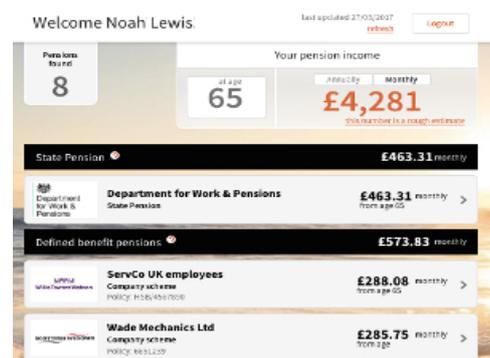


B&CE: Retirement Options Language

B&CE are removing jargon from their retirement communications by replacing them with practical labels, visual aids and metaphors instead. By explaining the process using everyday terminology, B&CE's communications are more engaging, easy-to-understand and relatable. A good example is their use of a growing tree to represent how a pension pot grows, and taking apples off the tree to demonstrate the many ways a pension can be accessed.

Industry: The Pensions Dashboard

Pensions dashboards will allow an individual to see all of their pension pots together online – all in one place. Collaboration between the long-term savings sector and FinTech partners from across the UK resulted in the successful creation of a pensions dashboard prototype led by the ABI. The dashboard project interim report recommends the right for consumers to access information about all of their pensions in a place of their choice in a standardised digital format, via regulated services. It is the Government's objective for the service to be available by 2019.



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