Synaptic guide to Pensions

Laura Vingoe, Capita Financial Software, talks to providers following the recent changes to look at the headline issues that advisers should be aware of as they steer their clients through the new pensions world.

AJBell Investcentre

Billy Mackay
Marketing Director
AJ Bell

AJ Bell is a leading provider of online investment platforms, and the creator of the UK's first online SIPP. Over the last 20 years we have expanded our offering to include ISAs and dealing accounts, but pension products remain a core part of the business. Our flagship adviser-led investment platform is AJ Bell Investcentre, which offers SIPP, GIA, ISA and JISA accounts with access to a wide variety of investment types, including almost 5,000 clean share class funds. AJ Bell Platinum, another of our products, offers a bespoke SIPP and SSAS.

As a company that has often lobbied Government to improve the rules affecting retirement savings, we were quick to embrace the wide-reaching 'pension freedoms' when they were announced. As a result, customers with money in our SIPP and SSAS products were able to access the full range of regular and ad hoc benefit options right from the word 'go' on 6 April.

Thanks to the improvements that we recently made to our benefit processing procedure, both flexi-access drawdown and UFPLS payment requests can be turned around within as little as two days of us receiving the required information.

Of course, the new pension freedoms mean that our customers and their advisers now face some very serious decisions, and we are keen to ensure that all parties are fully informed about the options available. To this end we created special 'pension freedoms' pages on our websites, featuring a selection of guides, case studies and flow charts.

At AJ Bell Investcentre we take great pride in the quality of our events, which range from small workshops to large regional seminars covering technical, investment and platform-specific issues. Every November we also hold a national investment conference, Investival, which draws in hundreds of advisers from around the country. Following our sell out event in 2014, we have chosen a bigger venue this year to allow for the additional demand. In any given year circa 2,000 advisers will attend our events. You can learn more about AJ Bell Investcentre by registering at **www.investcentre.co.uk**

AVIVA

Tim Orton
CEO Aviva Platform
Aviva

The Retirement Spotlight: Aviva's new retirement planning hub for advisers

With the new pension freedoms bringing unprecedented opportunities in retirement planning, we recognise you'll be adapting your business to handle increased demand for your services. That's why we've launched a new online retirement planning hub to give you valuable, practical support.

Called the Retirement Spotlight, it will help you make the most of the business opportunities around pension freedoms. It will also help you prove the value of advice to your clients.

Expert insight, opinion and practical support in one place

The Retirement Spotlight is about much more than simply presenting views from within Aviva. It also brings together valuable input from your peers and features contributions from prominent industry experts.

We'll be adding content to the hub over the next few weeks focusing on:

- Pre – and post-retirement investment strategy
- The right balance: making the fund last, with easy access to cash
- Tooling developments
- Blended solution approaches

The Retirement Spotlight will help you to:

- Access insight and opinions from industry experts like Steve Gazzard of the IFP, Abraham Okusanya of Finalytiq, and Michelle Cracknell from TPAS
- Discover valuable behavioural science tips on how to approach difficult issues such as longevity, to help you build productive client conversations about retirement planning
- Get valuable support to make sure your income and service proposition models are fully prepared to help you face the future with confidence.

To find out more speak to your Aviva consultant or visit the Retirement Spotlight now.

You'll find it at
http://bit.ly/retirementspotlighthub

David Thompson
Managing Director of Business Development and Proposition
AXA Wealth

A fresh approach to retirement planning

To help advisers and their clients tackle the new world of retirement we've identified the four big financial risks people face in retirement: longevity, volatility, inflation and a lack of flexibility. We've developed a new model, Retirement LifePlanning, to help advisers and their clients think about how much money they will need to pay for the things they want however long they live – as well as the things they need.

Our new model is detailed in a report, commissioned by AXA Wealth from independent global consultancy Milliman, and provides advisers with a 'bucket' approach to break down their clients' financial needs in retirement. And will help mitigate the Big Four retirement risks:

- **Longevity:** by offering access to income guarantees, advisers can reassure clients that the essentials like food and housing will be covered for life
- **Volatility:** diversified investments can help reduce the impact of market volatility over time, while a cash holding can be used to fund 'discretionary spend' over the shorter term so that people don't have to worry about more immediate market movements
- **Inflation:** these investments also aim to provide asset growth over time to meet ongoing discretionary spend and aim to protect income from falling in real terms
- **Lack of flexibility:** by investing through products that offer greater access, people can plan to cover their known income needs, without worrying that their money is locked away in their pension when they need it.

Underpinning our new model is a range of fully-flexible pensions: our Elevate Pensions Investment Account offers new and existing customers all the flexibility they may want via our wrap platform. Our Retirement Wealth Account, one of the first SIPPs into the market, offers advisers and clients looking for a standalone SIPP the full flexibility for generating income in retirement. Our group SIPP, Family Suntrust, offers groups or families a more niche retirement solution. And knowing people want both guarantees and flexibility, we've added access to Secure Advantage+, to provide the security of an annuity, but with all the flexibility and benefits of income drawdown.

With new additions to an extensive income range from investment specialists Architas, such as the Diversified Global Income Fund and Diversified Real Assets fund, we have funds to meet changing income needs. We are also offering our advisers exclusive access to AXA Investment Managers new Lifetime Distribution Fund until the end of August.

Martin Wigginton
Head of Product
Cofunds

Post freedoms – the many hats of the adviser

New pension and ISA freedoms are set to make regulated advice more vital than ever. **Martin Wigginton**, Head of Product at Cofunds summarises the opportunities that are set to evolve the adviser's role.

The intergenerational planner

Individuals can now pass their full unused retirement funds to a nominated beneficiary if they die before 75, missing out on the 55% tax charge.

Pensions will be able to be treated not only as a retirement fund, but also as a legacy gift for future generations. ISA subscriptions can also be inherited by surviving spouses.

The mass-market counsellor

Pension guidance guarantee entitles everyone with a defined contribution pension fund to access free (at the point of delivery), impartial guidance. HM Treasury has made it clear the guidance is only intended to signpost individuals to other sources of advice and information,[1] Advisers may want to consider how they'll respond, whether that means offering packaged product solutions or a full wealth management service.

The income manager

The removal of the restrictions on income drawdown and the abolition of compulsory annuity purchase offer opportunities to defined-contribution pension-holders. But these freedoms put a burden on individuals to make some highly complex investment decisions in order to generate sustained retirement income.

The annuity champion

March 2015 saw the opening of consultation on a second-hand annuity market. It's hard to see how individuals will effectively weigh up the risks of giving up their defined annuity income for a cash sum without advice.

The vast majority of retirees will still want an element of predictable return in order to pay bills and other fixed outgoings. While sustained low interest rates have played their part in poor annuity returns, it's still the case that open-market annuity rates for the same risk can still vary by a third.[2]

1. PS14/17 – section 4.6: "The pension's guidance service should be viewed as part of a package of measures that support consumer decision-making across the spectrum, from the information provided by the pension provider to full regulated financial advice. For many the appropriate route will still be to take regulated financial advice."
2. Based on Hargreaves Lansdown research based on ABI: www.pensionsworld.co.uk/pw/article/difference-between-best-and-worst-annuity-rates-is-34-12333881

FundsNetwork™

Paul Richards
Head of Sales
FundsNetwork

Tomorrow's opportunity. Today's pension solution.

With the new era of choice and freedom in retirement fully effective, our flexible pension allows you and your clients to make the most of the new rules.

Our pension offers all the flexibility you need to cater for a diverse range of needs. So, if a client wants to continue in capped drawdown and make additional designations, take out flexi-access drawdown or an uncrystallised lump sum, we've got it all covered.

Our pension has always offered simplicity, choice and great value-for-money. So whether you've recommended it before or are new to its features, here's why many firms, like yours, are already using it:

- Competitive charges – just a Service Fee of 0.25% with no set up or annual administration fees*
- Over 2,600 clean share class funds
- No additional charges for drawdown
- Highly accessible with low minimum contributions

Managing client accounts is as easy as ever with online dealing, illustrations and reporting.

All-in-all, it's a complete solution for your clients whether they are building their savings, already at or well into retirement.

We also know that comprehensive support is as important as great choice and value-for-money. That's why our pension is fully integrated with all the features firms find so valuable from a platform, for example:

- Flexible adviser charging
- Model portfolio management
- Access to our multi-asset solution – FundsNetwork™ Navigator
- A wide range of low-cost passive investments
- Management information reports to identify business opportunities.

As always, we provide helpful support guides, regular insight and seminars to keep you up-to-date with all the latest developments. What's more, our specialist pension helpline team is here to assist you with your more complex queries.

Find out more at
fundsnetwork.co.uk/pension

* An annual investor fee of £45 also applies if a client is not already paying this on another account

JAMES HAY PARTNERSHIP

Chris Smeaton
Director of Marketing
James Hay Partnership

James Hay Partnership hit the ground running on 6th April offering new and existing clients the ultimate in access to flexibility based on the new rules, complementing 20 years' worth of SIPP innovation.

The James Hay flexible retirement income solutions include:

- **Capped Drawdown**

  For clients already in drawdown as at 6th April 2015 we continue to offer this option, enabling our clients to take a regular income and if eligible enjoy the full annual allowance. Clients can take a pension commencement lump sum (PCLS) and income payments up to the published GAD limits. Payments can be made monthly, quarterly, 6 monthly or annually and can be increased and/or adjusted at any time.

- **Flexi-access Drawdown (FAD)**

  Open to all clients from minimum pension age either starting drawdown or wishing to convert an existing capped drawdown fund. Advisers and their clients can take PCLS and income payments of any level. Income payments can be made monthly, quarterly, 6 monthly or annually.

- **Uncrystallised funds pension lump sum (UFPLS)**

  This option allows the client to take a lump sum of at least £1000 from their uncrystallised funds, 25% being tax free with the remainder subject to income tax.

- **Freedom to move**

  All our SIPPs are able to accept transfers from crystallised and non-crystallised pensions whether or not the receiving pension is in full drawdown. Conversely, we can facilitate a drawdown transfer to an alternative provider whether or not the plan is already in any type of drawdown.

- **Whole of Market Investment Choice**

  Clients and advisers benefit from having access to one of the widest range of investment options of any platform to manage pension assets leading up to and during retirement.

Peter Elliott
Head of Marketing Proposition
Legal & General

Freedom and choice for pension savers

Members of Legal & General's WorkSave range of pension plans will enjoy access to the full range of options in the new world of freedom and choice. So, from the age of 55, they can:

- Take up to 25% of their pot as tax free cash
- Enter into flexi-access drawdown for a regular income and occasional lump sums, subject to income tax at their highest rate
- Take occasional cash in the form of uncrystallised funds pension lump sums where 25% of each lump sum is tax free with the remainder charged at the member's highest rate of income tax
- Transfer their pot to another registered pension scheme
- Buy an annuity from Legal & General or another provider
- Take their whole pot as cash in one go

We provide a range of online support services and printed materials to help members make the right decisions for their money including:

- Secure online account management facility
- Annual statements by email and available online
- Retirement planning and attitude to risk tools
- Educational videos
- Warm-up packs issued four months before selected retirement age
- Quote packs

In line with government requirements, we've introduced a 'second line of defence' mechanism to help ensure members don't make unwise decisions without full consideration of the facts. It takes the form of an online questionnaire which must be printed out and signed before we can release their money.

With the new freedoms comes new complexity so we're working to make the choices as clear as possible while directing our members to sources of advice and guidance so they make best use of their retirement savings.

Theresa Carruthers
National Account Manager
LV=

The LV= Retirement Pathfinder: test drive a range of retirement options with your clients before they buy.

We'd like to introduce you to a new and intuitive online tool to help you easily design, compare and agree the right retirement outcomes for your clients.

We've listened to what advisers need, and so this new tool has been carefully designed for you to start using with your clients now, so that you can bring the different retirement journeys to life.

It only needs a few client details for you to easily compare and contrast any single/ and/ or blended combination in pound and pence scenarios throughout every year of their retirement, on a like for like basis.

Take it for a test drive today!

Its provider neutral

This means that the spectrums of retirement income scenarios aren't just limited to those products offered by LV=. Although we will use LV= specific rates in some instances for illustration purposes.

Scenario comparison

The LV= Retirement Pathfinder provides you with a clear and easy to understand visual comparison of individual retirement scenarios to discuss with your clients

Personalised Retirement Options Report

Produces a personalised report in a convenient PDF of all the retirement options considered, providing you with a great audit trail of your advice process.

Free to use

The LV= Retirement Pathfinder is available for all paraplanners and advisers to use at no cost.

Arrange an online demonstration?

If you would like further information then please contact your usual LV= contact or the LV= Retirement Desk on **08000 850 250** or visit **lv.com/retirementpathfinder**. You can also visit our **takeheart.lv.com** website for further useful retirement information.

MetLife

Charlotte Cowell
Head of Wealth Management Product
MetLife UK

MetLife's Guaranteed Drawdown – the best of both worlds

Everyone aged 55 and over now has the freedom to withdraw the money they have invested in their defined contribution pension as they want. We know that some people will still value the certainty of a guaranteed income, but we also know that flexibility is important.

MetLife's Retirement Portfolio with Guaranteed Drawdown gives clients both the certainty of a guaranteed income for life, and the flexibility to adapt their arrangements as their needs change. With Guaranteed Drawdown the client's money remains invested and has the potential to grow, and there is also a guaranteed death benefit which can be passed on to their beneficiaries.

Guaranteed Drawdown could be right for clients who:

- Are at retirement and want an income they can rely on
- Are continuing to work and want to start using their pension to supplement their income
- Are in retirement and are worried about the performance of their existing drawdown plan
- Are cautious and cannot afford a drop in their income, but are prepared to invest in equities for growth potential
- Want the flexibility to start, stop and restart their income and keep their options option
- Do not want to give up access to their fund and want their unused pension fund to provide a legacy

Guaranteed Drawdown can give clients the confidence that their lifestyle is protected, and the peace of mind that the money they rely on won't run out.

How does Guaranteed Drawdown compare to annuities and conventional drawdown pensions?

	Annuity	Guaranteed Drawdown	Drawdown
Guaranteed income for life	✓	✓	✗
Income protected from market falls	✓	✓	✗
Funds remain invested – potential to benefit from growth	✗	✓	✓
Guaranteed lockins of growth	✗	✓	✗
Income flexibility	Limited	✓	✓
Death benefits	Limited	✓	✓

PRUDENTIAL

Darren McAinsh
Technical Manager, Distribution Technical
Prudential

The largest reform to pension benefits is upon us! The best advice may be to leave the money within a pension (and perhaps even top it up) but eventually the time comes when money has to be withdrawn. And then comes the taxman: will he collect the correct amount or use an emergency rate? How should overpaid tax be reclaimed, and when can this be done?

How much tax?

Where the scheme holds a current-year tax code for the client this may be used. However, where it is the clients first withdrawal in a given tax year the scheme will not hold a tax code. This will result in one of three scenarios:

Scenario	Detail	Outcome
1	• Withdraw full fund • No tax code held by the scheme (i.e. a P45)	**Emergency Month 1** to be applied.
2	• Regular withdrawals • No tax code held by the scheme (i.e. a P45)	**Emergency Month 1** for first payment then HMRC intend to work with providers to apply a tax code to future payments.
3	• Partial withdrawal • No tax code held by the scheme (i.e. a P45)	**Emergency Month 1** for first payment then use P55 to reclaim tax in same year or wait until end of the year when HMRC will reconcile their account and correct via PAYE.

Getting it back

Three new forms allow repayment of overpaid tax where the above is not possible.

Form	Use where
P50Z	• Individual has taken their full pension pot • They have no other income
P53Z	• Individual has taken their full pension pot • They have other taxable income in this year
P55	• Individual has taken a partial withdrawal • There is no intention to take another withdrawal this tax year from the same scheme • The scheme is unable to make a refund (as described above).

ROYAL LONDON

Isobel Langton
CEO of Intermediary
Royal London

Pension freedom, endless possibilities

New laws. New opportunities.

With the new pension laws now in place, your clients will be looking for your help to guide them through an unfamiliar world of opportunity and choice.

At Royal London, we fully believe in the value of impartial advice. And, as part of our commitment to supporting your business, we want to make it easier for you to talk to your clients about their new retirement options.

We also want to give you the tools you need to make their vision of retirement freedom a reality.

For your business

- Download our support materials to get the conversation started with your clients.
- Use our new At Retirement tool to design a roadmap based on your client's individual retirement goals.
- Take a look at our new lifestyle strategies, each developed to hit a specific retirement target.

For your clients

- Your clients can access new content on our customer website to find out more about their retirement options.
- Our dedicated team of experts are on hand to answer any questions your clients might have around the latest pension reforms.
- Rest assured, we'll always promote your role as their financial adviser.

So, while the changes may bring new demands from your clients, you can trust Royal London to deliver the same award-winning support to your business.

adviser.royallondon.com/personal-pensions/pension-freedom/

SCOTTISH WIDOWS

Robert Cochran
At Retirement Pension Specialist
Scottish Widows

Scottish Widows welcomed the new pension freedoms and with over half a million customers in pension plans aged over 55, we have a lot of customers looking to take advantage of the changes.

Our product response to the freedoms was twofold.

1. To ensure that **existing customers** could access the new pension freedoms from their existing products including our Group Pension Plans.
2. To develop the functionality of our **Retirement Account** to simplify processes and update the product so it would be a fully functioning Flexible Access Drawdown.

Existing Customers

- All customers over 55 can now take their entire pension fund as a lump sum.
- Plans from the last 20 years will allow customers to take partial pension encashment from their funds. Older policies will need to move to a new plan.
- In order to access Drawdown, customers will need to move to a Retirement Account plan.

New Business

- Our Retirement Account plan has always been one product that allows money to be held across both pre and post retirement so can be used to accumulate benefits and also to draw benefits from.
- It now allows the full element of Flexible Access.
- The most popular funds have been the Governed Investment Strategy Funds (GIS) – lifestyle funds charged at just 0.1%TER.
- Scottish Widows have now introduced new versions of these funds for people targeting different outcomes of Cash, Annuity or Continued Investment – these are available in our Group Pension Schemes and Retirement Account.
- New funds have been developed for the Drawdown market again with the charge of 0.1% TER and all targeting different levels of income in retirement.
- The new funds are all a blend of equities and bonds.
- Aside from the product changes, we have used the changes to pension freedoms as a catalyst to improve our customer **engagement** material – revolutionising our At-Retirement Packs – you can get a sense of this change in focus by visiting our newly enhanced retirement planning website, designed to support advisers and customers in understanding and interacting with the new pension freedoms **www.scottish-widows.co.uk/retirement-planning**

Standard Life

David Tiller
Head of Adviser Propositions and Strategy
Standard Life

Diligence is the mother of good luck… should it be?

Traditionally a concern for platform enabled advisers, the principles of good due diligence are just as relevant for choosing the right drawdown provider.

A pension must now see a client through both their accumulation and decumulation stages, a completely different challenge to the days of old. Our calculations suggest this could lead to a 5-fold increase in the demand for drawdown over the next 5 years.

There is no disputing that this increase in demand will be a huge opportunity for the advice industry, but it could equally prove to be a significant challenge for many firms on both sides if their businesses are not scalable enough to cope with the demand.

Later in the year, the FCA will conduct its thematic review on retirement advice. Therefore, it's important to ensure now that your choice of provider helps deliver the best possible retirement outcomes to your clients.

We're advocating a balanced scorecard approach, covering financial strength and scale, functionality and operational capability.

The scale and efficiency of your chosen provider will be important in helping your business meet the increased demands of managing clients in retirement. Understandably, clients may place greater demand on both advice and service at this stage, so reliability of a providers operation is also essential.

Equally important is the ability of that provider to offer a full suite of drawdown options and to amend the date or frequency of income payments, to help you meet the needs of your clients.

Based on the questions we receive from advisers, we've developed a clear 5 stage process to help advisers build their client retirement proposition.

1. Evidence clear segmentation of your client bank
2. Match your service proposition to each client segment
3. Initial shortlist of the market using identified key metrics
4. Refine initial shortlist by functionality and features required to deliver client retirement proposition, by rating 'must have' and 'nice to have'.
5. Thoroughly document thought process and rationale for selection.

It was Benjamin Franklin who once said that diligence was the mother of luck, but when it comes to retirement, clients deserve better than a game of chance.

Build your business on ours
transact

Brian Radbone
Head of Technical Services
Transact

Transact – Pensions Ready

At Transact we have responded to the new pension freedoms in the usual way by having a comprehensive offering available from the effective day of the new rules on 6 April 2015.

As well as offering full flexible-access drawdown (FAD) capability we also now allow clients to access their pension savings direct from their accumulation arrangements as uncrystallised fund pension lump sums (UFPLS). We have also simplified the process for phased drawdown so a single standing instruction can be given rather than a separate instruction each time an additional withdrawal is made.

The death benefit options are also fully catered for including the ability to set up FAD pensions for dependants, nominees and successors with the correct tax treatment being applied in line with the age at date of death of the member and dependant/nominee.

The recent changes have further highlighted the fact that planning for the later years is becoming less 'pension-centric' and that a broader 'cross wrapper' approach is increasingly important in achieving the best outcome for a client's particular objectives. Such an approach is, of course, more easily managed on a platform that provides fully integrated tax wrappers with a full range of options.

ZURICH

Having highlighted the changes we were making to our platform ahead of the reforms, we are pleased to report that everything was in place to support advisers and their clients with the new 'Pension Freedoms'. Advisers are able to decide which of the new freedoms suits their clients, Flexi-Access Drawdown (FAD), Uncrystallised Funds Pension Lump Sum (UFPLS) or moving existing capped drawdown clients to Flexi-access drawdown.

As expected, and within the first couple of days of the new freedom, advisers were making the changes online, accessing Flexi Access Drawdown (FAD), UFPLS and converting capped to FAD on behalf of their clients on our Platform.

Advisers have been quick to take the opportunity to help their clients understand the impacts on their income and residual fund when using annuities, FAD, UFPLS and available combinations.

eValue's Pension Freedom Planner available to advisers coincides with the regulator's desire to see increased availability of such tools in the marketplace. The information and outputs are personal to the individual client and clearly remind people some of the challenges faced by out-living their pension pots.

It is so important for such tools to be able to include all assets, not just those held on a platform. eValue has developed a comprehensive, forward looking planner and we are delighted to be able to make this available.

We differentiate ourselves in a number of ways, from offering pre funding to help advisers and clients to have faster access to move and withdraw their money, offering the option to take Investment Life Cover as a simple way to provide protection for assets held on platform in the event of death, to having a strong network of support for advisers across the UK, on the ground and over the telephone.

We continue to see platforms as an excellent way for advisers to support their clients with the new regulations and provide controlled income in retirement, not necessarily just from pension pots.