

Guaranteeing Real Pension Freedom: A snapshot

Here is a taster of our new report which explores the realities facing consumers in a post pension freedom world and the new challenges associated with securing an income in retirement.

Questions around the realities of pension freedoms are building as fewer retirement savers seek to secure their financial futures by turning their pension savings into guaranteed lifetime income.

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Pension freedoms were meant to remove the shackles on how retirement savers spend their funds and give them control.

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However, increasingly people are being forced to choose between low-rate and inflexible annuities, or flexible but risky drawdown.

We believe retirement conversations need to change to include a wider range of options and that consumers need greater support from the Government and advisers to understand the risks, such as sustainability of income and the impact of investment market performance on their retirement.

This is why we are calling for the new guidance framework to include a more accurate reflection of the retirement income options available, including the recognition of guaranteed drawdown as an equal option alongside annuities and drawdown.

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The clear message from MetLife's independent research among savers, pensioners and advisers is that they value guarantees.

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EXPERT INSIGHT FOR CONFIDENT DECISIONS

To receive a full copy of the report, please contact your MetLife representative.

 0800 022 3131

 salesresource@metlife.com

 www.metlife.co.uk

Independent research for this report was commissioned by MetLife and conducted in August and September 2016 among nationally representative samples of 1,006 retired people, 1,141 employed people aged 45-plus and among 107 specialist retirement advisers.

The key themes of the research



The value and importance of a guaranteed income is widely recognised



Around **three-quarters** (75%) of over-45s agree guaranteed income for life is important



55% of advisers say clients should aim for half of their retirement income to be guaranteed

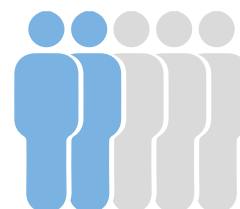


On average, retired people say **52%** of their income is guaranteed for life

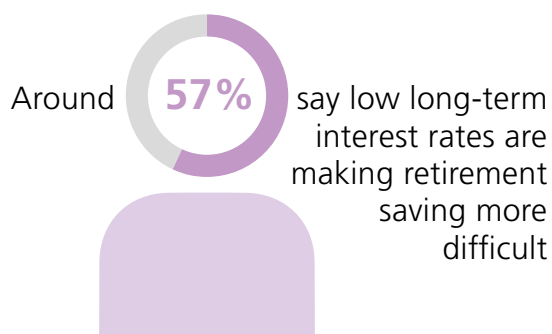


One in four (23%) say all their income is guaranteed for life

Two out of five (38%) retired people worry the level of guaranteed income they have in addition to their State Pension is too low



However, uncertainty is deepening concerns



Two out of five over-45s fear annuity rates will continue to fall and damage their income

Particularly when people want greater flexibility and choice



Over **two-thirds**
(67%) of
advisers...

...and **over half**
(53%) of retired people
are concerned about the
lack of choice of lifetime
income solutions

Nearly
HALF

(45%) of over-45s believe
a lack of guaranteed
income choice is driving
people to take risks with
their money

58%

of advisers want a Government
review of the market

Two out of five
(40%) would consider
investing in solutions
combining income for
life and the flexibility
to invest in retirement

Nearly **one in three** (31%) over-45s are
considering cashing in final salary schemes for cash

Without clear understanding of all of the options available, people are at risk of travelling hopefully into drawdown



More than one in 10
(11%) retired drawdown
customers regret their choice

Around 58% of over-45s admit they
do not understand the risks of investing
in conventional drawdown

On average advisers say **25%** of their
clients have suffered drawdown losses

Nearly half (48%) have seen an increase
in clients facing cuts to drawdown
income and losses of capital

A fifth (21%) of drawdown customers
say they did not fully understand the
risks before investing

More than half of advisers (51%) say
clients need at least £80,000 if they are
going to invest in drawdown

Delivering real pension freedom – our key recommendations

Our research has identified the risks that some people may now be facing due to pension freedoms.

The opportunity to make changes to the guidance framework is coming. However, the industry and Government need to do more and our recommendations for change are set out below.

We want to see more choice for consumers and more competition in the guaranteed drawdown market. We also want to see more recognition of alternative retirement income solutions to help savers maximise their retirement.

The guaranteed income challenge

- Ensure that the new guidance framework includes a more accurate reflection of the retirement income options available, including the recognition of guaranteed drawdown as an equal option alongside annuities and drawdown.

The advice challenge

- Expand retirement conversations to include all types of guaranteed lifetime income options, ensuring that retirement savers are given the freedom of choice they deserve.
- Strengthen warnings on Government guidance services and within the advice process to drive consumer understanding of key risks, including:
 - Running out of money in retirement
 - Giving up guarantees for non-guaranteed options
 - The impact of poor investment market performance both in the run-up and early in retirement.

The innovation challenge

- Finally, we challenge the industry to expand choices for retirement savers by recognising the guaranteed drawdown category and increasing competition in the market.

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