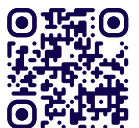


TR24/1

Thematic Review: Retirement Income Advice



Scope of the review

The findings were drawn from a representative sample of 977 firms who responded to a data survey, and a desk-based review of the advice models and advice files of a non-representative sample of 24 firms.

Aims of the review

The FCA outlined the aims of the review as follows:

- To gain detailed insights into how the retirement income advice market is functioning
- To understand whether firms' advice models consider the specific needs of consumers in decumulation
- To consider whether consumers are being provided with suitable retirement income advice when accessing benefits built up through pension savings, and to take appropriate action to tackle any harms identified
- To inform future areas of regulatory focus

Key findings

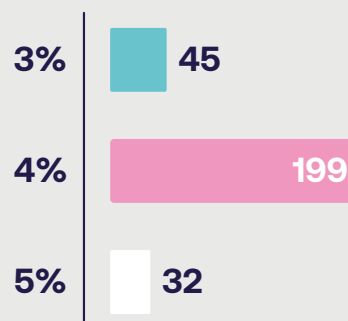
Income withdrawal strategy/methodology

Most, but not all firms used some form of cashflow modelling (CFM) or a specific percentage withdrawal 'guide' rate to demonstrate to clients the income they might be able to draw sustainably in retirement.

Where withdrawal guide rates were being used, it was not always clear how the rates had been decided upon.

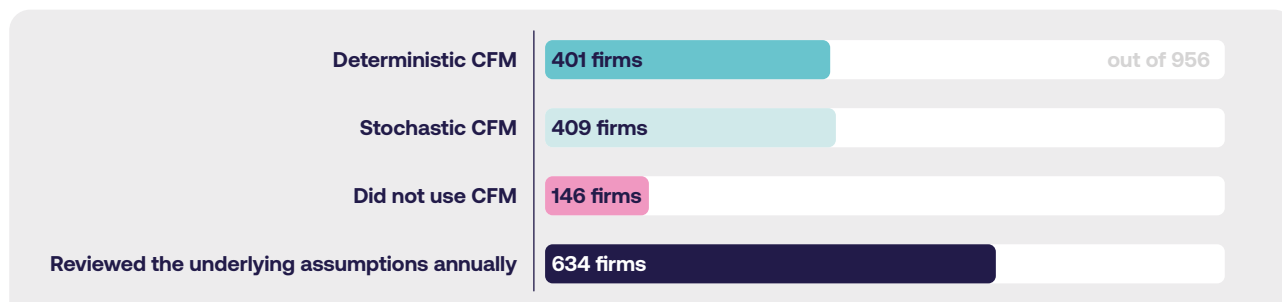
Withdrawal rate used

The data showed that the withdrawal guide rates varied between firms:



Cash flow modelling

Many firms indicated in response to the data survey that they used CFM tools:

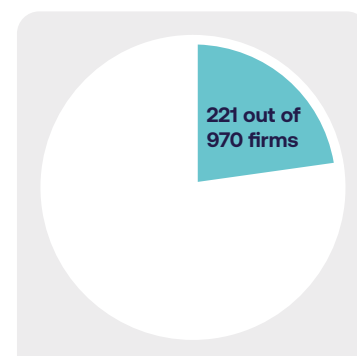


Some firms did not review the assumptions being used in their CFM tool on an ongoing basis, which could lead to poor outcomes for clients.

Risk profiling

In a small number of examples, firms had recognised that an accumulation-specific risk profiling approach had limitations and supplemented this with a more detailed discussion about retirement income needs and the need for secure income.

Only 221 out of 970 firms stated they had a different process for assessing ATR in decumulation (as opposed to accumulation).



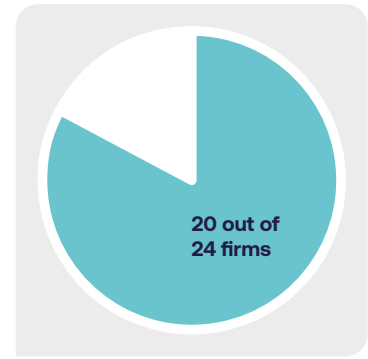
Periodic review Of Suitability

231 firms indicated that **6,108 out of 213,128 customers (2.9%)** had paid for but did not receive an annual/ongoing review in 2022. Some firms were unable to provide the number of missed reviews but proceeded to indicate why reviews had been missed. The key reasons were (more than one option might apply for each firm):



Control framework

From the desk-based reviews, **20 of the 24 firms (83%)** had a governance structure that had clear reporting lines and designated individuals accountable for key areas of the business. For 4 firms, their documentation did not clearly explain how oversight worked in practice, with gaps in the documents or no organisational charts to explain this.



Suitability of advice

The FCA **requested 100 files** for review but due to a range of factors e.g. being out of scope or having documents missing, **67 files were ultimately reviewed**:



The issues identified included, but were not limited to:

- loss of guarantees and features
- relevant alternative options not sufficiently discussed
- unnecessary charges or tax liability
- potential vulnerability was not identified or explored

Conclusion

Despite the headline grabbing statistic of only 11% of reviewed files having suitability concerns, we believe that the thematic review demonstrates that many firms are still not treating decumulation clients with the care needed to avoid poor outcomes in retirement.

The review paints a picture of firms still not having certain documented processes in place that would allow them to deliver a consistent standard of financial advice designed to meet the needs of their clients, putting them in best position possible to meet their objectives. Without a consistent approach across a firm, it might not be possible to ensure that all clients are being treated fairly and in a manner that delivers good outcomes.



// 020 7436 0630
// info@thistleinitiatives.co.uk
// thistleinitiatives.co.uk

