

# The “at retirement” process

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# Some background

April 1999 – Approved Retirement Option introduced

2011 – Extended to all Defined Contribution schemes

June 2016 – Extended to all private sector schemes

2017 – Auto-enrolment by 2021

# Deciding on ARF versus Annuity

- How long will someone live? Enhanced annuities?
- Do their financial circumstances allow them to take any risk? What is their attitude to risk?
- Is there a risk of overspending? Or underspending?
- Tax free lump sum; Income taxes; Tax payable on death
- Will this improve my overall sense of wellbeing? What happens as I age?

# What many members ask

- How much do I have?
- What income can I get with that?
- What do I need to do?
- Who will help me?

# The role of Trustees

- Should we help?
- Could we help?

A worked example.....

# Should Trustees get involved?

Do Trustees seek to generate cost and quality efficiencies?

Or take the view that the assets cease to be trust assets which trustees have a legal duty to safeguard?

# The retirement “pattern”

Do members follow a “pattern”?

Is that a desirable pattern?

Could it be improved?



# What is the opportunity?

Better due diligence around at / post retirement advice?

Improved *minimum* quality of outcomes?

Lower costs?

Greater clarity around services provided pre-retirement?  
(e.g. advice versus information)

# Could we help?

Initial commission terms: 0.5% - 1%

Renewal commission terms: 0.15% - 0.25% pa

- Pre-retirement - where funds are invested and the opportunity to make tax efficient pension contributions
- Whether to opt for cash, an income for life or an Approved Retirement Fund and
- Advice around the management of funds in retirement

# Focusing on low cost

It can't be a sole focus – there is a benefit in “cost”, for example where it facilitates better fund choices, or where an individual situation is significantly complex.

Key is understanding where and why costs are incurred.

# Final thoughts

Retiring DC members just want “help”

Bringing clarity to the process is a very helpful step