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ADVISERS SAY LACK OF CONSUMERS' UNDERSTANDING IS THEIR BIGGEST PENSION FREEDOMS CONCERN

Lack of consumer understanding and awareness of Pension Freedoms are the biggest concerns for advisers, three years on from the launch of the rules, independent research for Prudential¹ shows.

Prudential's research shows that advisers believe Pension Freedoms to be a success, with 81 per cent backing the reforms, while just under a third of advisers (30 per cent) believe the new rules have been very successful.

However, the study highlights that consumer education is regarded as one of the biggest challenges to the ongoing success of the Freedoms regime. Other concerns raised by advisers include the risk of mis-selling, fraud, unexpected tax bills and savers running out of money in retirement.

The potential of savers running out of money in retirement and being unable to support themselves continues to be raised by advisers with just under half of advisers (49 per cent) voicing such concerns. Additionally unexpected tax bills and the risk of mis-selling are the biggest risk to support for Pension Freedoms according to 45 per cent of advisers while two out of five (41 per cent) warn about the risk of fraud.

Ideas to increase the take-up of guidance and advice include offering increased subsidies for advice in the workplace, which is backed by 26 per cent of those questioned, while 23 per cent would support employers being enabled to offer guidance and facilitate advice.

Vince Smith-Hughes, a retirement income expert at Prudential, said:

"This research highlights just how beneficial it is for people to take high-quality advice as they approach the end of their careers. People approaching retirement like the idea of being able to access their pension funds but there are many pitfalls that advisers can help them avoid.

"Advisers recognise that a lack of understanding can lead to consumers drawing too much money and running out of money too early in retirement, incurring unexpected tax bills or saving their money in inappropriate types of investment.

“The earlier those approaching retirement engage with retirement planning, the better. Using the Government’s Pension Wise guidance service as well as the ability to seek advice should enable everyone to improve their understanding of the options.”

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Notes to editors

¹ Research conducted by Citigate Dewe Rogerson and PureProfile among 100 UK financial advisers in April 2018