



# Workplace Savings

## An Isio blog

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## Sleepwalking into retirement

### Who's this for: Trustees, Pensions Managers and Governance Committees

The FCA's 2019 Retirement Outcomes Review found that a shocking 1 in 3 consumers entered drawdown without knowing how their funds were invested. What can be done to prevent so many pension savers sleepwalking into their retirement solution?

Investment decisions become increasingly crucial in the run up to retirement when members begin to draw upon their savings. This is when pots are at their largest and there is the least time to recover from any bouts of severe market volatility. However, while pensions flexibilities give greater choice about how to spend retirement savings, they also make these important investment decisions more complex.

So how to help members wake up and smell the coffee? The FCA's newly launched Investment Pathways framework aims to switch the lights on for the estimated 100,000 customers that enter drawdown without taking advice each year. Since 1 February, providers must give members 4 simple investment choices based on how they plan to access their funds over the next 5 years. The options are:

1. I have no plans to touch my money in the next five years.
2. I plan to set up a guaranteed income (annuity) within the next five years.
3. I plan to start taking a long-term income within the next five years.
4. I plan to take my money within the next five years.

Research from Legal & General suggested that 60% of respondents were positive about the solution and would feel confident making a decision about their retirement savings using this approach. However I think it's unlikely to rouse all members from their slumber, with the tempting option to hit snooze on the alarm and stay tucked up in their existing investment strategy often feeling like the path of least resistance. And even if this approach manages stir some into action, there's still a big question mark around whether non-advised members have enough resources to be able to make the right selection themselves.

At Isio we support our clients in understanding their provider's approach to Investment Pathways and wider at-retirement solutions, to give members the best chance of making retirement decisions with their eyes wide open.

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