



Workplace Savings

An Isio blog

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DC retirees following their dreams...right off a cliff?

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

There is a lot of focus on helping members save for retirement and understandably this is also in the providers' interest. More needs to be done by employers/trustees, in conjunction with their providers, to support members in the approach to and in retirement.

As DC pension members get ski lifted up the retirement mountain, they have support from their employer/trustees, the government and their provider to build their savings. Once they reach the summit, they are on their own and have a decision to make:

- **Hang around at the top of the mountain** - no clear plan and not sure what to do.
- **Take the ski jump** - full encashment. Risky but necessary for a lot of people who just need to get down.
- **Steady hike back down** - safe option taking consistent, regular steps. Fewer are choosing this option nowadays but it has a place as the mountain can be a treacherous place.
- **Go off piste** - a new flexible path taking ad hoc withdrawals en-route, but only a small number of members feel they have the equipment to do this currently. Many who want to go in this direction often end up taking their 25% cash before taking a detour to the Après Ski and never actually planning the rest of their route down.

With mountains getting trickier to navigate, members need to understand the routes and go at a pace to suit, often changing speed to react flexibly to the terrain. Members want to feel in control and understand the risks of going too fast or too slow. With the DC ski lifts getting busier, there will be more members approaching the top of the mountain and needing greater support.

The DC pensions industry expects all members to be expert skiers, knowing what they plan to do when they get to the summit, and how to do it when they get there. In practice, members need:

- Early and regular guidance on the climb;
- Support to understand available options once they've arrived;
- Clarity on an appropriate solution(s) that best meets their needs;
- Prompts, review points and tools to support them as they begin to navigate their journey; and
- Oversight from a governance body to provide assurance that the routes are safe.

This is in line with the PLSA Decumulation Framework of minimum standards to help employers, trustees and providers address members' decumulation needs.

At Isio we can act as your experienced mountain guide, supporting employers and trustees in assessing approaches to pre-retirement and decumulation support.

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