Summary
• With the evolution of the market, members are likely to require some form of guidance as to what will provide them with the most financially-secure retirement.
• New regulations can be 'unnerving' for advisers, but can also see greater numbers of members seeking advice.
• Many advisers welcome the introduction of new technologies such as the pensions dashboards.
• The LISA and other savings products have complicated the pensions versus property debate even further, with advisers having to consider all areas to advise on expected retirement income.
• The 'best' route for securing retirement income is individual to the client.

Advising change

In the changing retirement landscape, Talya Misiri discusses IFAs' experience of pension regulations, new technologies and alternative retirement income sources

With more retirement income options than ever before, it can be argued that the role of the independent financial adviser has significantly increased.

Where purchasing an annuity is no longer the single route on offer, growing numbers of members are transferring from defined benefit to defined contribution schemes to take advantage of pension freedoms and tax efficient income solutions.

"Pensions are now in vogue," says Charles Stanley director of financial planning Richard Venner, and with the evolution of the market, members are likely to require some form of guidance as to what will provide them with most financially-secure retirement.

But, it is not just the pensions sector that is evolving, new technologies are working to bridge the advice gap or assist IFAs, while new savings products such as the Lifetime ISA complicate the pensions versus property debate even further.

Regulation

In recent years new regulations and their continued development have not been foreign in the retirement income and savings landscape. As a result, advisers have expressed mixed views as to how they deal with these changes and how it affects their work.

Brewin Dolphin financial planner Lee Clark notes: "The continual change in the pensions landscape is unnerving for the advisory community, with successive Budgets and autumn statements bringing yet more change.

"The recent proposed reduction in the money purchase annual allowance being deferred due to the Prime Minister calling a snap election is a classic example of political will interfering with policy implementation."

In addition, the pensions freedoms, introduced in April 2015, has been a key regulation that has had a noteworthy impact on the financial advice sector. With an extended array of pensions options, those approaching retirement are now more likely to seek professional advice.

Selectapension national accounts director Peter Bradshaw comments: "Advisers have found that the April 2015 pension freedoms have completely changed the retirement landscape. This offers ample opportunity to work with more clients seeking support with their pension options and decision making. But this also presents a challenge as advisers may feel pressurised to remain abreast of new developments and products being introduced to the market."

In order to keep up with the evolution of the market, many IFAs attend continued professional development (CPD) events, as well as engaging with the regulator's guidance and consultations. Advisers then decide upon which changes clients need to be informed of. With each client having differing backgrounds, it is important that these communications are targeted and personalised to the individual.

Ascot Lloyd head of advice Jade Connolly states: "Each of our advisers will also discuss any industry changes with clients as and when appropriate to their circumstances. Not all pension changes are relevant to all clients and therefore it is down to our advisers to identify those changes that need to be discussed."

St James's Place divisional director for pensions Ian Price shares a similar view that: "Naturally, clients will have very specific needs so it's important to us to also have in place extra measures to support advisers in understanding the impact of any changes, and how to apply them in the appropriate way when helping clients plan for retirement."

Nonetheless, regulatory changes and developments, such as the freedom and choice reform, have also been viewed as beneficial for the financial advice market and their clients.

Venner states: "Before the loosening of pension rules, clients were reticent to invest in the knowledge that at some point the pension savings would die with them; today it is different. The focus now is for individuals to maximise their contributions and use their allowances to build a fund of critical mass, often aiming to reach the lifetime allowance (currently £1 million) by the time they retire."

Technologies

Moreover, IFAs have noted that new technologies, including the pensions dashboards, can help to improve pensions and savings advice as more information will be more immediately available, enabling advisers to assess a broad view of clients' savings.

Bradshaw maintains that new technologies could assist both advisers and their clients with their financial concerns and provide greater autonomy over their savings.

"Advisers incorporating new technology and planning tools into their communication processes will find queries greatly reduced and anxieties better managed; leaving clients feeling better informed and more in control of their financial plans," he says.

Connolly adds that developments such as the pensions dashboards and similar technologies will maximise the quality and efficiency of the advisory process.

"The pensions dashboards will not only be an improvement for individuals, but for advisers too as much of our advice and work is impacted by not being able to see the whole picture. If a client can quickly and easily gain information about all of their pensions, it should improve the speed and quality of our advice to the end client," Connolly notes.

Nonetheless, while these developments will be beneficial to assist with pensions advice, those approaching retirement may have more than just a pension to consider.

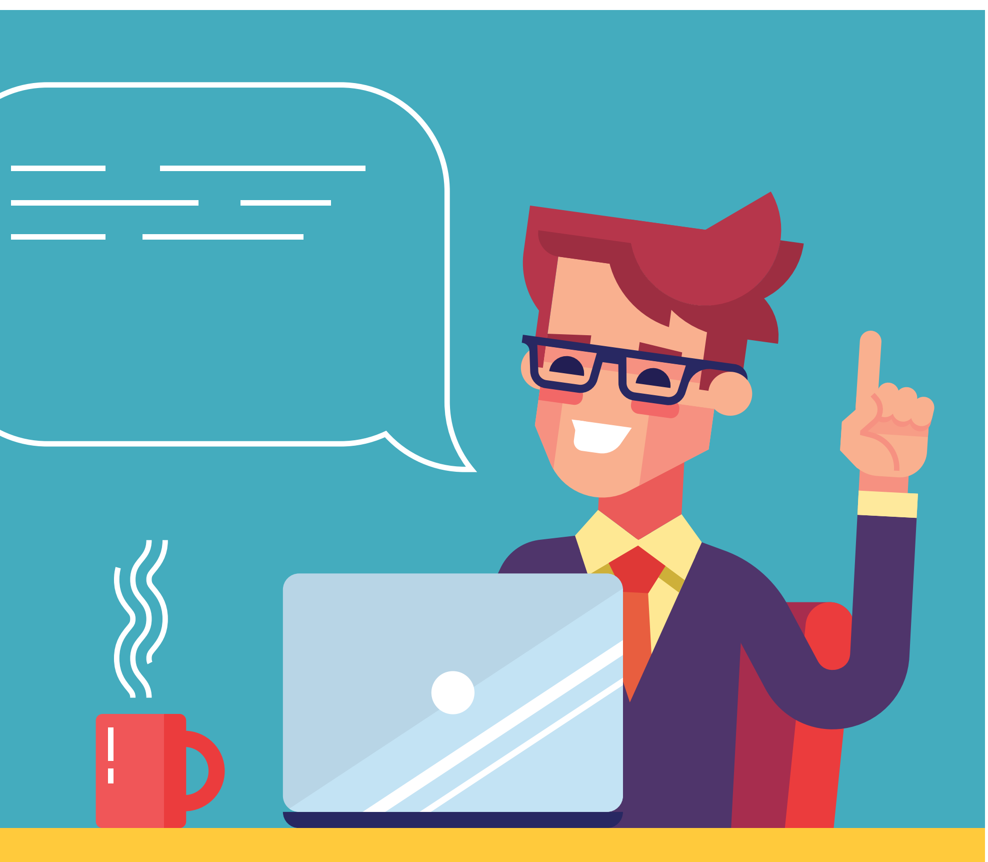
Retirement income

When it comes to funding one's retirement, a pension is now not the only source of income that is considered, and so advisers are likely to have to consider other savings products, as well as clients' assets to provide a view of expected retirement income.

Price explains: "In today's world, planning for retirement often involves a lot more than just getting pension plans in order. That's why we see ever more people earmarking other assets as part of this process – all of which can play an important role."

It can be noted that property is still a key frontrunner that either replaces or complements retirement savings. According to research by NOW: Pensions, of over seven million Britons that will be retiring over the next decade, 63 per cent of them will rely on property to finance their retirement.

Although property is a popular option among those reaching retirement in the next 10 years or so, however, NOW: Pensions CEO Morten Nilsson says: "Whilst property is often the biggest asset many people own and the temptation may be there to rely on accessing their property wealth to fund their retirement, the costs associated with downsizing are often far more expensive than people think."



Furthermore, with the introduction of new savings products such as the Lifetime ISA, the pensions versus property debate is no longer binary, and more hybrid solutions may need to be advised upon.

Nonetheless, "given the tax reliefs available, clients still tend to fund their pension and any ISAs they may hold in the first instance. However, with a growing number of people being caught by either annual contribution limits or the lifetime allowance, we often see other investments vehicles being used, such as venture capital trusts and enterprise investment schemes," Price adds.

Clark concludes that, when it comes to deciding on the most beneficial solutions for clients, the argument for which route is 'best' will vary from client to client. He explains: "If a client can afford to fund both, then great, but if not, then a compromise is achieved to assist the client in attaining their planning objectives."

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