



TPT Retirement Solutions DC director, Philip Smith

Podcast: From pension pot to flexible income for life

▶ In our latest podcast, *Pensions Age* speaks to TPT Retirement Solutions DC director, Philip Smith, about its first-of-its-kind retirement income solution, built for tomorrow's retirees

“Retirees are going to face much greater complexity than they have in the past, and we know that they’re often unprepared for it. The starting point for us, when we designed the solution, was removing that complexity and simplifying the journey for the DC generation.”

TPT Retirement Solutions DC director, Philip Smith, is referring to TPT’s managed income for life solution – launched earlier this year in a move to provide simplicity and flexibility for future retirees.

The first-of-its-kind solution allows DC savers to remain in the same target date fund (TDF) used in the accumulation phase when they retire. The lifespan of the TDF was extended to age 95, at which point the member has the equivalent of two years’ income in their pot.

This way, says Smith, they avoid common hurdles that can cause uncertainty, like figuring out where to invest and how much income they can sustainably withdraw.

“Broadly speaking, most people don’t take financial advice, so we knew the solution needed to provide a smooth transition from accumulation to taking assets, without the need to change investments or change products.”

The need for flexibility also comes up regularly during the conversation. With an increasing number of savers now choosing to work for longer, or gradually phasing into retirement, there is more

of a need for a solution that can flex to cover unexpected costs or changes in circumstance.

For those who want to self-select, there’s a wide range of asset classes to choose from, although Smith suspects that the vast majority will opt for the fully managed approach.

Any member who doesn’t want the full flexibility until age 95 can take the ‘future annuity income’ approach. This gives them access to the drawdown solution managed by TPT up until age 75, at which point the remaining funds can be converted into an annuity.

Providing flexibility can often come at the expense of simplicity for the member, so, “we put as much thought behind the member journey as we did around designing the rest of the product”, Smith says.

“The member journey is an absolutely key part of this. We designed an online guidance journey that, without straying into financial advice, gets people to consider the key questions they’ll be asking themselves as they move through making a retirement choice. It also enables them to compare the different options that we’re offering them”, he explains.

“Both the managed income for life and the future annuity income option have flexibility built into them,” Smith states. “With the managed income for life option, you can choose to dip into your pension pot at any time and take an ad-hoc withdrawal. If you do that, then obviously you’re reducing the size

of your overall pension pot. So, we will recalculate the income for you at a lower level and then continue to pay that on a sustainable, inflation-linked basis.”

“It’s the same with the future annuity income up until age 75, so until the point they purchase an annuity, they are free to take an ad-hoc withdrawal,” he explains.

The individual also has the flexibility of switching from one approach to the other – “so the only point they are making an irrevocable decision is if/when they buy an annuity”.

Other than that, “they can easily manage their drawdown and enjoy the flexibility that offers, whilst also having the backup of that professionally managed investment portfolio and also the sophistication of the withdrawal strategy and the inflation linking that goes with it”, Smith adds.

“There is a huge amount of complexity,” Smith acknowledges, “but it is possible to distil it down into a really simple and effective approach that will help a lot of people.”

It seems flexibility, combined with simplicity, is the answer to creating retirement products that best meet the needs of today’s pensioners.

In association with

tpt
Retirement Solutions

▶ This is an edited summary. To listen to the podcast in full, visit pensionsage.com