

**➤ Will offering more flexible, personalised choices of retirement income options or designing effective default pathways – or a bit of both – provide the best outcomes for pension scheme members? David Adams looks at efforts within the industry to harness both the power of choice and the power of inertia**

**T**he two most significant changes made to pensions during the past 15 years have been based on two very different aspects of human behaviour: the desire to make active choices and the desire to sit back and let someone else look after us. The introduction of the pension freedoms in 2015, allowing DC scheme members and savers much more choice about how they use their pension pots, has been appreciated by many people during the past decade. But even more significant, so far, has been the way the power of inertia has been harnessed by auto-enrolment, which has brought millions more people into workplace pensions without them needing to lift a finger.

Arguably, inertia has worked a little too well, with many auto-enrolled workers seemingly uninterested in their pensions and happy to let their retirement planning be guided entirely by defaults. But in the years to come, defaults may be more widely used to decide what happens after retirement too. That will work well for some, but others will end up with worse outcomes than they might have experienced if they had accessed guidance or regulated advice, and taken more active decisions about their pension savings. The question for the industry, scheme trustees and

**➤ Summary**

- The two biggest changes in pensions during the past 15 years were based on two very different ideas: making active choices (the pension freedoms) and inertia/default-based processes (auto-enrolment).
- With more people set to be relying on DC pensions for a greater share of their retirement income, there is a need either for services and solutions that enable people to take informed decisions, or for defaults that deliver decent outcomes, throughout both the accumulation and decumulation phases.
- Policymakers are likely to focus on these issues during the next few years in an effort to improve outcomes overall.
- Providers are already developing useful solutions for guided retirement, which may incorporate both informed choices and some default options.
- Use of technology will be important in delivering those solutions, alongside information, guidance and regulated advice.

## Choices, choices



managers, employers and policymakers is: What is the best way to use both freedom and defaults to achieve the best outcomes for as many people as possible?

That question is becoming increasingly important as more people rely on DC pots to provide most or all of their pension savings. A reliance on inertia during the accumulation phase may mean default lifestyle investment strategies based on an assumed retirement date prevent as much of a saver's pot being invested in growth assets as might otherwise have been the case.

"People need to be thinking about what their retirement age will be and how they plan to take their pension, then that should shape their investment strategy as they're coming up to retirement," says Hargreaves Lansdown head of workplace saving analysis, Clare Stinton.

Employers, providers and scheme trustees or managers all have roles to play

in helping individual scheme members engage with their pensions during both the accumulation and decumulation phases. The midlife MOT concept, as offered via the Money and Pensions Service (Maps) MoneyHelper toolset and by various providers, can be useful particularly for those in their late 40s, their 50s and early 60s. But scheme members of all ages may benefit from encouragement from a provider, an employer or policymakers to engage with their pension.

"At decumulation you need people to be informed enough to be able to make good decisions, or you need default decumulation solutions for the people who aren't very engaged," says Hymans Robertson head of DC corporate consulting services, Hannah English.

#### Guided retirement

We know the government is aware

of these issues. They have already announced a new requirement for providers to deliver a default decumulation solution – but more flexible options will lead to better outcomes for some individuals, if they can be given the information and support they need to be able to make good choices.

A May 2025 report by the Pensions Policy Institute, sponsored by The Pensions Regulator (TPR), concluded that a "fragmented and inconsistent" guidance and advice landscape leaves too many DC savers unsure what to do, increasing the risk of uninformed and poor decisions. It also confirmed that 70 per cent of people accessing DC pension pots using the pension freedoms do so without taking regulated advice or tailored guidance.

"We want to avoid savers being left to make complex, high-stakes decisions on



their own,” says TPR interim director of evidence and external risk, Sarah Tune. “This requires the industry to focus on providing more help and guidance to make sure savers can access the right user-friendly retirement products for their circumstances.

“We recognise that there may be a risk that savers will have to engage with an excessive choice, which could lead to inertia, confusion, or poor decisions. However, TPR believes there is an opportunity, through better use of digital tools and more flexible products designed around savers’ needs, to stop the system falling short at the decumulation stage.”

This would include a government-backed guided retirement concept, offering “a structured, supportive approach to managing their pension income without overwhelming them with too much choice,” says Tune. “A small number of curated pathways based on common retirement goals could reduce decision fatigue while still allowing for personalisation.”

Tune notes that there are some promising innovations already visible in the industry, “with providers looking at bucketing strategies, default decumulation solutions and combinations of flexible and guaranteed income to better reflect evolving saver needs”.

People’s Partnership proposition director, Kirsty Ross, says it wants to use “information and transparency to enable people to make well-informed decisions”. It has created a change comparison tool to help its customers make better informed decisions when considering consolidating pensions.

Other providers are developing more flexible decumulation solutions. Examples include a new tool launched by Pathlines with Guide and Invesco in May, which offers DC pension savers who have not taken regulated advice extra support on planning how to use drawdown; and Aviva’s guided retirement service, which splits a scheme member’s savings into three pots - for

flexible income, guaranteed income and occasional spending.

“You’ve got flexibility, but we suggest a recommended amount of money that will provide a level of income we think it is prudent to take during the drawdown years,” explains Aviva wealth policy director, Emma Douglas. The guaranteed income pot can be used at an appropriate time to buy an annuity.

## **“It is our responsibility as an industry to ensure that we’re not relying on engagement alone to deliver good outcomes”**

### **Technological assistance**

The full roll-out of the pensions dashboards will also help.

“Dashboards will be really important for the member, to help them understand what they’ve got,” says English. “But dashboards will also help providers and trustees [creating and managing] default decumulation options.”

Other new technologies will also help delivery of both default and flexible decumulation solutions.

“Digital platforms are making retirement planning more accessible through modelling tools and engaging educational content,” says Tune. “Developments in data collection, integration, and AI have the potential to help trustees better understand saver segments and provide tailored services. But it is clear more innovation, particularly in the design of retirement income defaults, and co-ordinated action is needed from industry.” TPR has launched an innovation design service, to help providers improve functions including scheme member communications and apps, as well as guided decumulation products.

Meanwhile, the number of people using various different guidance services

and regulated advice will both surely rise as more people approaching retirement need to decide how to use multiple, and larger, DC pots. Maps’ Pension Wise guidance service is also now accessible online, alongside face-to-face and telephone based versions of the service.

Aviva and the charity Age UK both advocate use of a later in life version of the mid-life MOT: a mid-retirement MOT, offering retired people additional financial guidance and support. Elements of such a service might also be delivered efficiently using digital technologies.

Maps senior pension policy and proposition manager, Adam Gifford, thinks technology may help widen access to regulated advice in future. “The great hope is that it can reduce some of the costs and the problems accessing to advice that are holding people back,” he says.

So, it seems that both government-backed services and the pensions industry will continue to use both flexibility and defaults. Some DC scheme members and savers will use the freedom to try to achieve an optimum outcome through informed decisions – while others will trust default solutions that provide a decent outcome and perhaps also allow further engagement and flexibility at a later stage.

“It is our responsibility as an industry to ensure that we’re not relying on engagement alone to deliver good outcomes,” says Ross. “We’ve got a collective role to play in designing retirement journeys that support good customer outcomes, regardless of how actively engaged those customers are.”

“There isn’t a silver bullet – it’s got to be a mixture of policy, product innovations and new ways of delivering guidance,” says Gifford. “If you bring all of those elements to bear you’ve got the potential to improve outcomes for people.”

 **Written by David Adams, a freelance journalist**