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EVOLUTION OF THE DC MARKET

EMMA DOUGLAS

HEAD OF DC

LEGAL & GENERAL INVESTMENT MANAGEMENT



DRAWDOWN – FALLING THROUGH THE CRACKS?

Non-advised drawdown

?



Small pots



£250K+

FCA cracks down on firms giving advice to Tata Steel pensioners

Watchdog investigating transfers from £15bn scheme



The Port Talbot steelworks in south Wales © Gareth Iwan Jones/FT

A NEW TYPE OF INSTITUTIONAL SOLUTION NEEDED

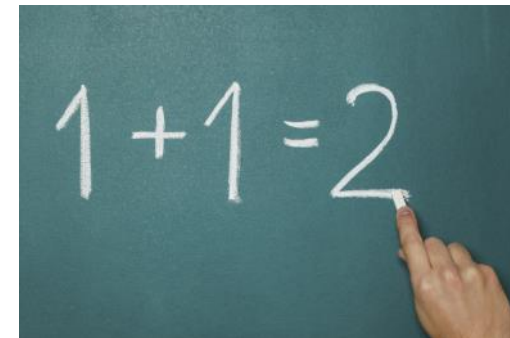
Choice via IFAs & SIPPs

- ▶ Full flexibility
- ▶ Tailored personalised approach
- ▶ BUT **AT** a cost



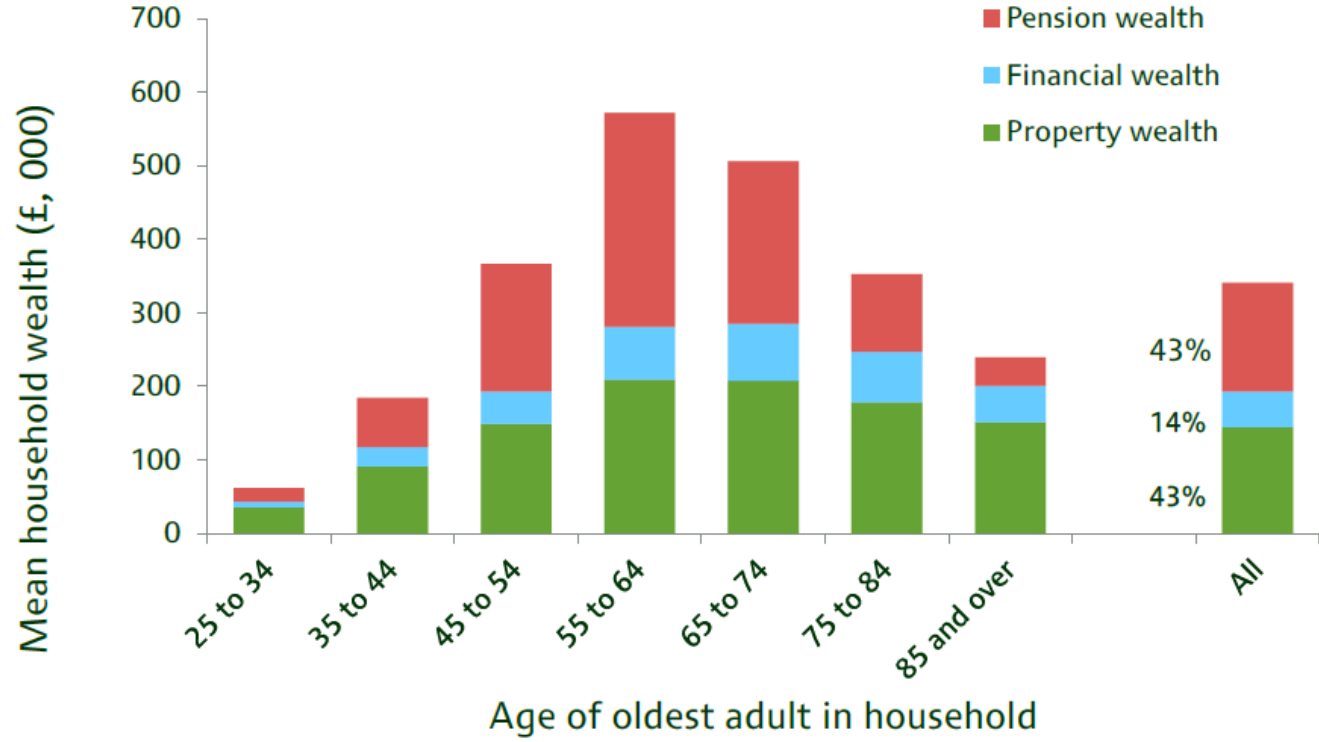
Workplace Pre-retirement default

- ▶ Limited flexibility
- ▶ Easy to understand
- ▶ Low cost
- ▶ Default approach



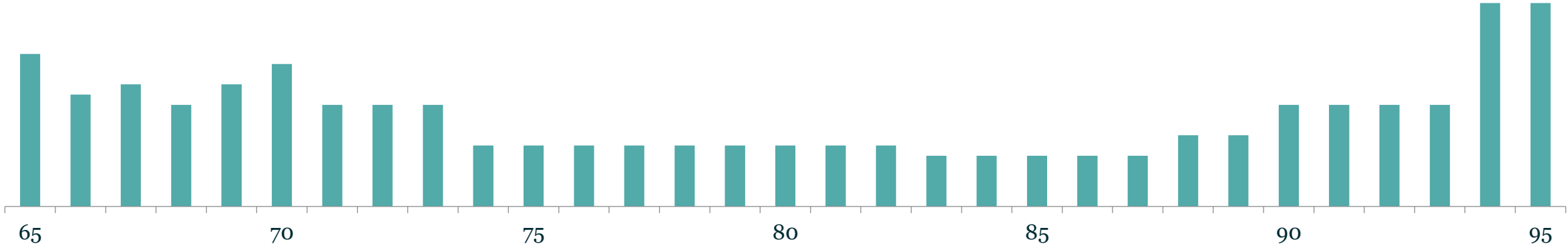
WHO ARE THE PEOPLE RETIRING IN THE NEXT 5-10 YEARS?

- ▶ Generation DB
- ▶ Generation Property
- ▶ Generation DC



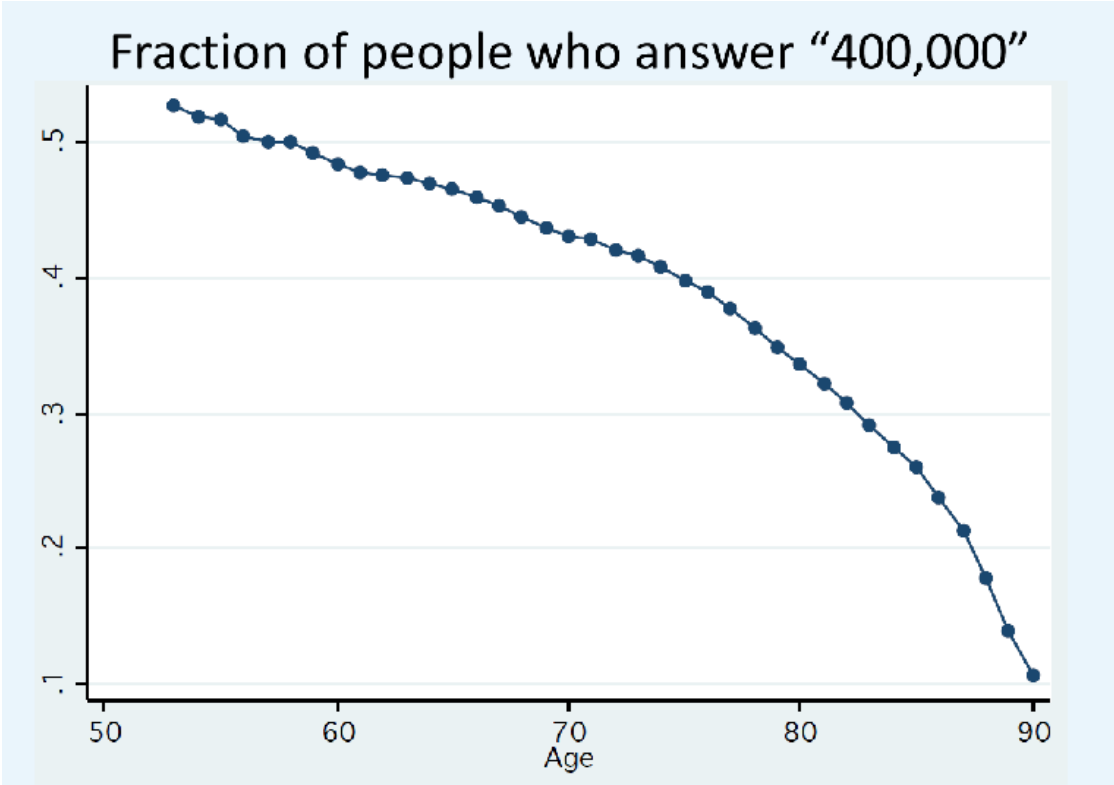
Source: IFS, data for 2010-12

SPENDING IN RETIREMENT CHANGES

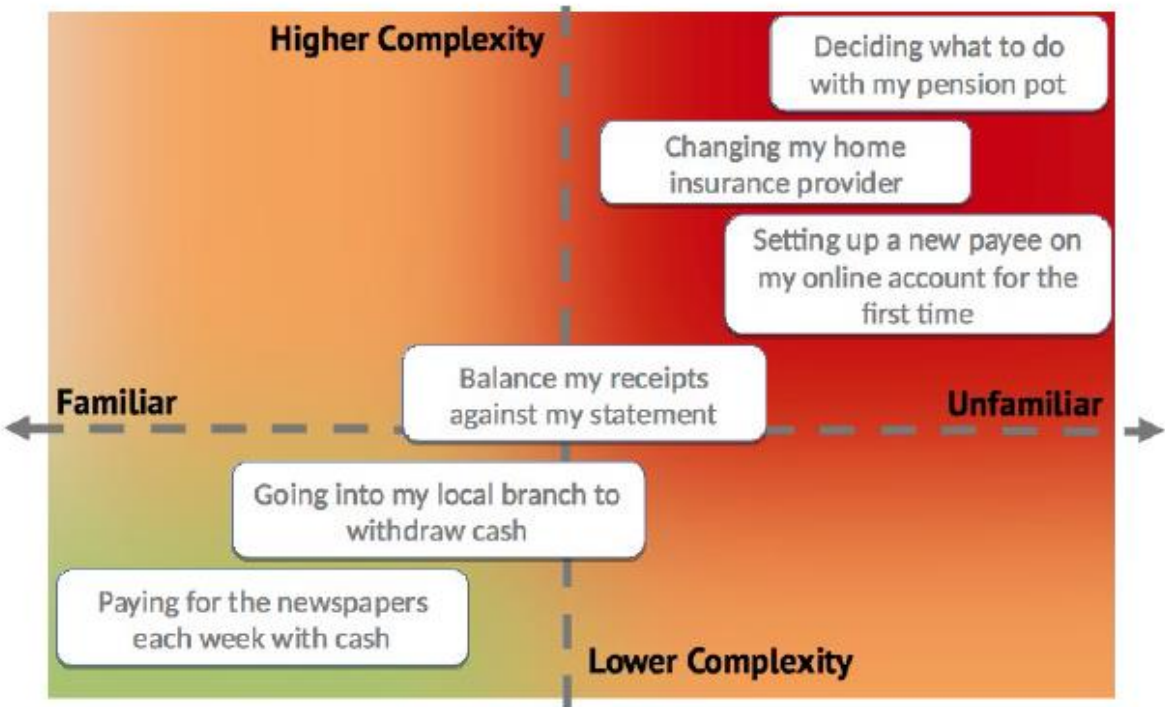


INVESTMENT DECISIONS LATER IN RETIREMENT?

“If 5 people all have the winning numbers in the lottery and the prize is two million dollars, how much will each of them get?”



FCA’s Aging Mind report: familiarity-complexity map



Source: HRS; Agarwal, Driscoll, Gabaix, Laibson (2009).

Source: “The Ageing Population: Ageing Mind. Literature review report”, 2017, The Big Window for FCA

ONE PENSION POT FITS ALL?



Spending now
Cash



Medium-term spending
Medium risk DGF



Kids' inheritance
Higher-risk DGF



Safety net /Long-term income
Annuity-matching assets

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**DRIVING
THE ECONOMIC
MACHINE**

