

Public attitudes to financial advice

February 2016



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the
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pension



Foreword

Financial advice and guidance has a massive role to play in helping people make the right decisions at retirement. But as our online research shows, not a lot of people in Great Britain (less than one fifth in fact) have a financial adviser on hand.

Some of this is about simple economics. A large number of DC savers, especially those who haven't been saving very long, have relatively small pots. For them, getting face to face advice could eat into their savings in quite a significant way. That's not to say they shouldn't seek it and that it isn't the best case scenario, but we need to be realistic. Some people won't take advice, some people will be put off speaking to someone face to face. This could leave them at risk of poor outcomes – or even of falling foul of scams.

So we're dealing with a serious advice and guidance gap. And, in the age of freedom and choice, this is becoming more acute. While the Government's Pension Wise will no doubt help, new solutions are needed which ensure that some form of guidance and advice is available to all savers at retirement.

That's why we did this research. We wanted to find out more about consumer behaviour in the advice market, and whether online solutions (the much mooted robo advice) could help fill the gap.

What did we find? Well, the indications are that the advice gap is real. Less than a fifth of GB adults currently use a professional financial adviser, either on a regular basis or as and when they need it. Face to face advice, either from an IFA or from a bank or building society, was popular – but a significant number have also used consumer websites as a source of financial information and advice.

We found strong support for an online, or robo advice, option. A third of GB adults said that they would like to receive information on-line, and over half of those with a pension said they would use a free online retirement planning tool to help them decide what to do with their pension savings. In fact, almost a third of pension savers said that they would prefer using an online tool to plan their finances to speaking to a financial adviser at retirement. I think this shows that there is a clear appetite for robo advice to be part of the mix.

But, this would have to sit squarely alongside more traditional options. Our research showed that face to face advice is still key, and we signpost people to seek it when they contact us to discuss accessing their savings.

But, like so many things in life, there can't be a one size fits all approach to retirement guidance and advice. There's room for simple, low cost, online solutions too. The robots are coming.

Darren Philp

Director of Policy & Market Engagement

Headline findings



Summary of key findings

Background

There's been much discussion in recent months, amongst both the media and financial professionals, surrounding the pros and cons of 'robo advice' i.e advice and guidance provided on-line.

B&CE, provider of The People's Pension, wanted to understand consumer attitudes and their likely behaviours with regards to financial advice, both through traditional methods and robo advice.

This research aims to establish:

- current usage of financial advice among GB adults
- interest in a free online retirement planning tool
- likelihood of using an online retirement planning advice service from a financial services company
- how much pension savers would be prepared to pay if they were interested in this service.

There is an advice gap for professional financial information and advice

- The majority of the GB general public say they don't have an established professional relationship with an adviser who can help them look at their options for their retirement income (62%).
- Indeed, only 18% of GB adults currently use a professional financial adviser, either on a regular basis, or as and when they need it.
- The main reason for consulting a professional financial adviser to date, amongst those who sought advice, has been to seek advice on mortgages (45%). Other reasons for seeking advice include researching information on pensions (36%) and ISAs (31%).

There is support for online retirement planning tools and online retirement planning advice

- The key sources for financial information and advice to date are consumer websites (26%), such as the Money Saving Expert and face to face advice, either from an independent financial adviser (21%) or via an adviser linked to a bank and building society (14%).
- Face to face advice would also be the most popular means of obtaining help to understand financial options at retirement (59%).
- However, a third of the public say they'd like to receive information on-line (33%).
- Indeed, over half of pension savers (53%) say they would use a free online retirement planning tool to help them decide what to do with their pension savings.
- Nearly a third (30%) of pension savers say they'd prefer using an online tool to plan their finances, rather than speaking to a financial adviser to help understand their financial options at retirement.
- Furthermore, a quarter of pension savers (25%) say they'd use an online retirement planning advice service, from a financial services company, to help get advice on their pension pots for a reasonable charge.

There's a willingness to pay for online advice

- GB adults who would like to receive information about financial options at retirement face-to-face are more likely to pay for the advice (43%) than those who would like to receive advice online (23%) or telephone advice (27%).
- However, among those willing to pay, the average amounts suggested are fairly similar for those willing to pay for face to face (£120 on average), online (£103 on average) and by telephone (£154 on average).

Receiving financial advice from a professional financial adviser

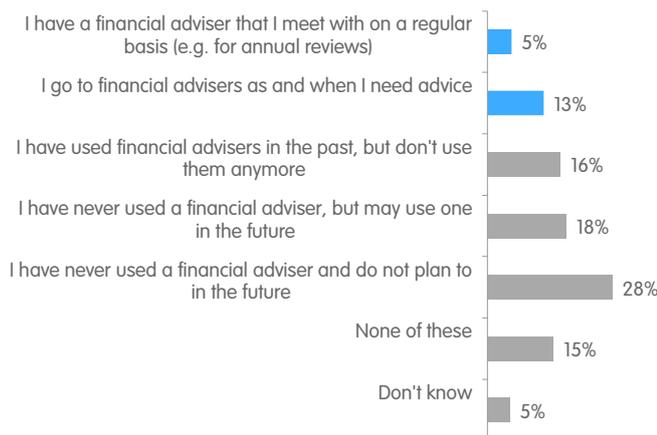
Financial advice received from professional financial advisers

Few GB adults (18%) use a professional financial adviser either on a regular basis, or as and when they need advice. Indeed, the majority (62%) have either never used a financial adviser or don't plan to use a financial adviser again in the future. A further 20% are unable to say if they have one or plan to use one in the future.

Those from the lower social classes i.e. C2DE are less likely to have been to an adviser (26%), than those in the higher social classes i.e. ABC1s (41%).

Experience of receiving financial advice from professional advisers

Q. Which ONE of the following best describes your experience of receiving financial advice from a professional financial adviser?



Base: All GB adults 2,080

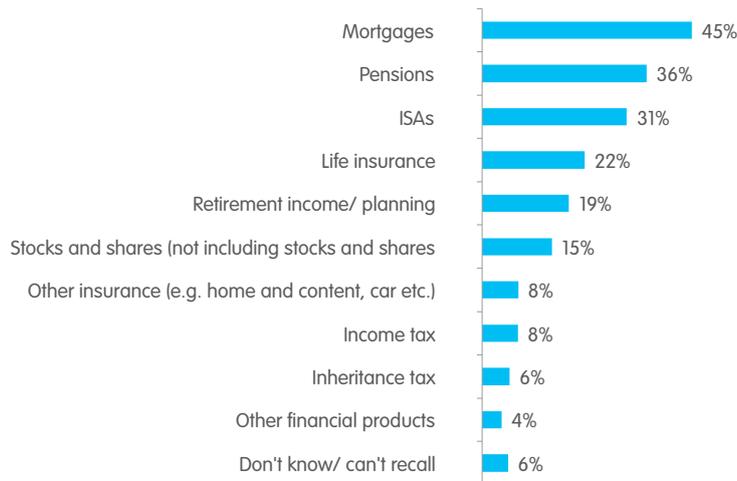
Advice received on different product areas from professional financial advisers

Among those who have sought advice from a professional adviser, mortgages have been the most popular product with 45% seeking help.

The second most common need is help with pensions, with 36% saying they have talked to a professional financial adviser about pension savings.

Advice received from professional financial advisers

Q. Which, if any, of the following have you received financial advice from a professional financial adviser on?



Base: All GB Adults who have ever received financial advice (725)

Men are more likely than women to have taken advice on pensions (41% of men, compared to 30% of women). This possibly reflects the higher proportion of men who have traditionally held a pension.

As might be expected, those in older age categories are more likely to have sought advice about pensions (45% of those aged 55+) than the younger age groups (28% of those aged 18-54yrs).

Similarly, when asked about retirement income/planning, both men (21%) and older people (55+yrs 30%) are more likely to have sought advice in these areas, than women (16%) and younger people (18-54 yrs. 10%).

Sources of financial information or financial advice

The most used source of information for financial advice and information is online information on consumer websites, such as Money Saving Expert and Money Advice Service. Over a quarter of GB adults say they have received information in this way (26%).

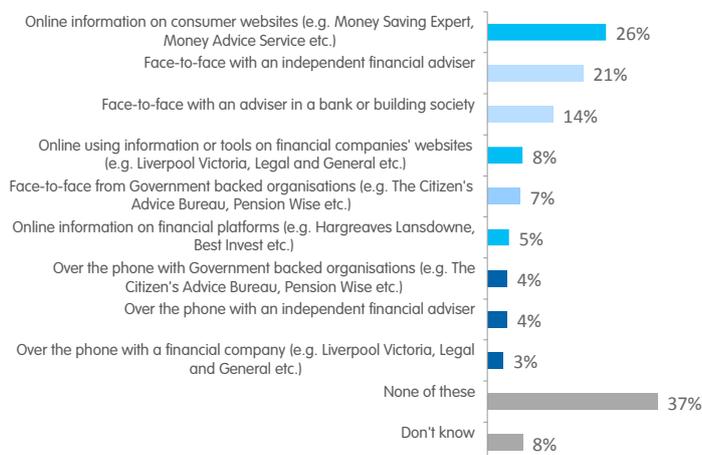
Face to face advice is also widely used, with 21% of GB adults saying they've had a face to face meeting with an independent financial adviser. Similarly, one in ten (14%) say they've had face to face advice from a tied adviser, who works for a bank and building society.

Consumer websites as a source of information are more popular with those from the higher social classes i.e. ABC1s (32%), than those from lower social classes C2DE (18%).

Younger people (aged 18-55yrs) are more likely to use consumer websites as a source of financial information (28%), than those aged over 55+years (22%).

Sources of financial information and advice

Q. Now thinking about financial advice and financial information in general...from which, if any, of the following sources have you ever received any financial information or financial advice?



Base: All GB Adults (2,080)

Preferred method of delivery of information to help understand financial options at retirement and willingness to pay

When asked to imagine needing help to understand their financial options at retirement, over half of GB adults say they would like to receive this information face to face (59%), while a third say they would like to receive this information on-line (33%). Just over one in ten would be happy to receive this type of information over the phone (13%).

Interest in online advice about their financial options at retirement is higher in the younger age groups (38% among those aged 18-55yrs compared to 23% among those aged 55+yrs). Similarly the younger age groups are more interested in phone advice than older people. (18-54 yrs with 15% compared to 55+yrs with 9%).

Preferred methods of receiving financial information and advice

Q. Please imagine you needed help to understand your financial options at retirement... In which, if any, of the following ways would you like to receive information?

Q. How much, if anything, would you be willing to pay for face-to-face/online/telephone formal financial advice to help understand your financial options at retirement?



Base: All GB Adults (2,080)

Base: All GB adults who would like to receive information for financial options at retirement Face-to-face (1198) Online (710) and Over the phone (253)

Those happy to receive retirement information face to face are more willing to pay (43%) than those who would like to receive information on-line (23%) or over the phone (27%).

In terms of the amount they would be willing to pay, the average amount mentioned is similar for each of the different ways of receiving the information:

- Among those prepared to pay for face to face financial advice, on average, they said they would be willing to pay £120.
- On average those interested in online information are prepared to pay £103.
- Among those interested in telephone advice, on average, they would pay £154.

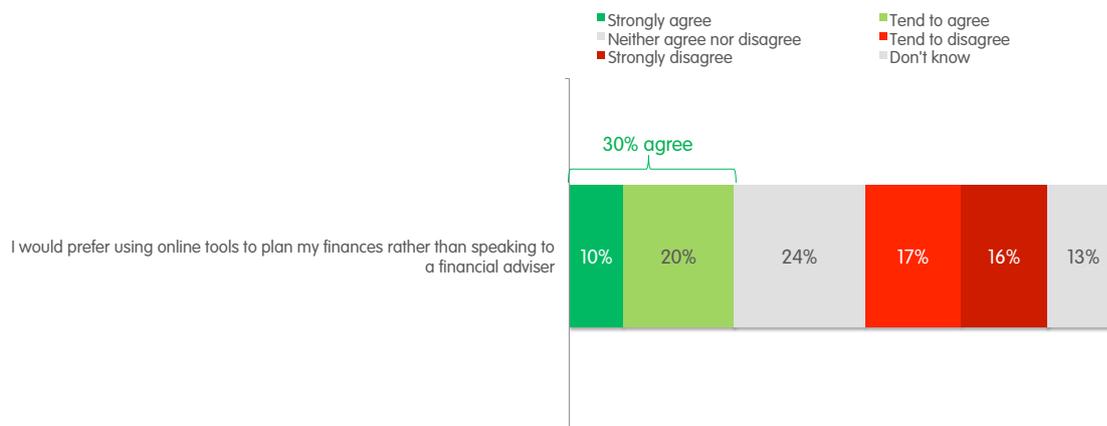
Preferred method of delivery of information to help understand financial options at retirement among pension savers

When pension savers were asked to imagine they needed help to understand their financial options at retirement, almost a third (30%) said they would prefer to use an online tool to plan their finances rather than speak to a financial adviser, with almost two in five (37%) being either neutral or unable to say.

Those aged 25-34yrs are particularly keen on the online option (45% agree compared with 24% among those 55 and over).

Preference for online tools over financial advisers to plan finances

Q. Still imagining you needed help to understand your financial options at retirement... To what extent do you agree or disagree with each of the following statements?



Base: All GB adults with a pension 1,359

A free online retirement planning tool

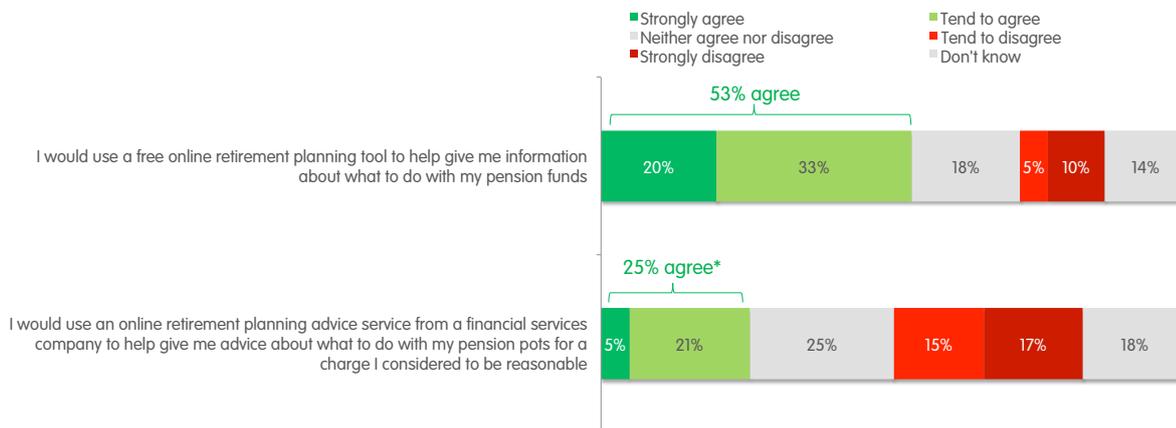
Although only a third of pension savers say they would prefer online tools rather than speaking to a financial adviser, over half (53%) say they would use a free online retirement planning tool to help get information about what to do with their pension pots. Women with a pension are more likely to say they would use such a tool (57%) than men with a pension (49%).

Online retirement planning advice service

A quarter of pension savers (25%) say they would use an online retirement planning advice service from a financial services company, to help get advice about what to do with their pension pots for a charge they consider reasonable.

Support for online retirement planning tools and online retirement planning advice

Q. Still imagining you needed help to understand your financial options at retirement... To what extent do you agree or disagree with each of the following statements?



Base: All GB adults with a pension 1,359 *Note: Due to rounding the total that agree is 25%, rather than 26% as might be expected from adding Strongly agree (5%) and tend to agree (21%)

Background to the survey

The aim of this survey was to determine:

- current usage of financial advice among GB adults
- interest in a free online retirement planning tool
- likelihood of using an online retirement planning advice service from a financial services company
- how much pension savers would be prepared to pay if they were interested in this service.

On behalf of The People's Pension, YouGov undertook this research amongst GB adults

Method

The survey was conducted online via the YouGov panel. Fieldwork was carried out among 2,080 adults between 5 and 8 February 2016. Of which, 1,359 respondents had pensions. The figures have been weighted and are representative of all GB adults (aged 18+).

Sample breakdown

The table below provides a breakdown of the key groups within the sample.

Key groups	Number (unweighted)
GB adults	2,080
Gender	
Men	981
Women	1099
Social Grade	
ABC1	1226
C2DE	854
Age	
18-24	240
25-34	247
35-44	355
45-54	465
55-65	773
Age	
18-54	1307
55-70	643
70+	130
Type of pension	
A DEFINED CONTRIBUTION PENSIONS SCHEME ARRANGED THROUGH AN EMPLOYER – An employer arranged Defined Contribution pension is one that provides an income that is linked to the amount you save, and the performance of your pension fund. It may take the form of an occupational pension, a group personal pension or an auto-enrolment pension, and your employer may contribute to it. Such funds may be linked to the performance of the stock market.	571
AN INDIVIDUAL PERSONAL PENSION SCHEME – An individual personal pension is one where the individual arranges to save into a pension, normally with an insurance company or on a 'self-invested' basis. It also pays an income that is linked to the amount you save, and the performance of your pension fund, but an employer will not usually pay into an individual scheme. Funds may be linked to the performance of the stock market. This type of pension scheme is not government-regulated.	407
AN INDIVIDUAL STAKEHOLDER PENSION SCHEME – An individual stakeholder pension is a low-cost government-regulated pension where the individual saves into a pension fund, normally provided by an insurance company. It also pays an income that is linked to the amount you save, and the performance of your pension fund, but an employer will not usually pay in to an individual scheme. Funds may be linked to the performance of the stock market.	200
I have a personal pension but I don't know what type	64
I don't have a personal pension	296
I don't have a personal pension	721

For people, not profit

B&CE is a not-for-profit – operates for the benefit of its members and their dependants. B&CE were founded in the construction industry back in 1942. B&CE offers a workplace pension, employee accident cover, employee life cover and employee healthcare.

B&CE currently manages assets of over £2.7 billion, with more than three million members and over 26,000 corporate accounts.

For over 30 years, B&CE has provided workplace pensions to employers large and small. B&CE has operated ways to automatically enrol employees into pension saving for over ten years.

In November 2011, B&CE announced The People's Pension, a flexible solution to help employers to comply with their automatic enrolment duties. It's designed for people rather than profit and is suitable for any organisation in any sector.

The People's Pension has won a number of awards, including the Defaqto 5 Star Rating for auto-enrolment in 2015 and DC Provider of the Year at the UK Pensions Awards in 2014. Information correct as at 31 January 2016



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It is the administrator for the B&CE EasyBuild Stakeholder Pension which is a personal pension scheme.

The company is also a distributor of, and an administrator for, The People's Pension Scheme and the Employee Life Cover from B&CE which are occupational pension schemes to which different law and regulation applies. Further details can be found on our website www.bandce.co.uk/legal