

Fintech Feed - Episode 11 - A digital retirement - the role ...

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SPEAKERS

Rob Hudson, Paul Waters

Paul Waters 00:04

Hello and welcome to today's episode of the FinTech feed. If you haven't tuned in before, this series focuses on hot topics in FinTech, and specifically, how technology is impacting the long term savings market its brought to you by Hymans Robertson, an independent financial consultancy. My name is Paul Waters. I'm Head of Digital Wealth here at Hymans Robertson, and I'm delighted to be joined by Rob Hudson. Rob has worked across wealth and asset management, leading platform strategy and direct to customer distribution for many large providers. Rob and I have worked together for a few years in different guises from Hargreaves Lansdown to Charles Stanley Direct and most recently setting up the digital wealth JV between Aberdeen and Virgin Money since the middle of last year, Rob has been with Just Group, the retirement specialists leading the build and launch of a unique customer facing platform called Destination Retirement. Thanks for joining us today, Rob. Great to have you on.

Rob Hudson 00:57

Hi, good to be here. Hi Paul.

Paul Waters 00:59

So we're here today to talk about the robo advice market. We're going to learn a bit about what Destination Retirement does in this space and explore the changes needed across the industry to deliver the support UK consumers are crying out for in respect to savings and retirement. Before we get into that a quick word from compliance. This podcast is for information only. It does not constitute any type of advice. Ivan's Robertson LLP is authorised and regulated by the Financial Conduct Authority, and licenced by the Institute and faculty of Actuaries for a range of investment business activities. For more information on full disclaimer, you can visit our

website at hymans.co.uk/insights/podcasts. So with that out of the way, let's get into the discussion. So well, let's kick off. Can you tell us a bit about destination retirement? Many of our people listening will have heard of it, but not all? And also what you've been up to them?

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Rob Hudson 01:56

Yes, of course. Thanks, Paul. So after many years, as you've just alluded to developing and launching accumulation platforms, it's good to be focusing on what I think is really now the burgeoning need for customers in the saving and investing market. And that's the need for accessible advice and help, really to help them make the most of their money before and into retirement. So the destination retirement platform is different as it puts heavy focus on supporting users when the time comes to take benefits. So not just the accumulation years before that. Plenty of existing DTC platforms I've been involved in many of them. Now do the latter. I helped the accumulation phase in all sorts of different flavours, I guess now, but arguably, arguably none do the former none actually help individuals with their choices and what to do when it's time to take money out, certainly not for the mass market anyway. So we're in the process of designing smart products based on exclusively retirement goals. We don't have to ask the goal because we know it, it's a retirement platform, and developing our technology powered digital guidance and advice would be the best way to put it. So Robo, if you like, technology powered personal guidance and advice. It's all aimed to serve the very different if you like modern retirement that we think Generation X are facing into so so very different to our parents. It's exciting.

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Paul Waters 03:33

Sounds it? Yeah. And tell us a bit more about that. So it sounds like it's an online journey. Is that right?

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Rob Hudson 03:38

Yeah, like I say it's digitally powered. We have our own team of developers who have designed and created and used all of the intelligence within the group to create algorithms supported outputs, that calculate what the right secure income is for you, or what the right drawdown rate is for you dependent on your wants and needs. But it's very much a soft focus. It doesn't dictate to individuals based on numerical extrapolations, etc, which we're very good at in this industry. It actually asks people about their wants and needs and tries to work out for them how to make the most of the money they have, and obviously some ideas about how to optimise that into retirement. So we do look at each phase we look at what I call the save phase, the plan phase, perhaps leading up to taking benefits and the in retirement phase. But that in retirement phase doesn't need to be a cliff edge. It absolutely can be what we talked about as modern retirement it can be supporting individuals with what to do if you're continuing work, but just perhaps reducing the amount that you work. So life beyond full time work, perhaps is our definition of retirement and it's a plan form that supports all of that, but does so either with deep personal guidance, like I say, all the way into advice that prescribes a monthly income level to you paid into your bank account. So it doesn't stop at guidance. We take it all the way to advice, because we think, on an ongoing basis in retirement, that's

perhaps the most valuable service that can be provided. Like I say, we also help people try to make the right choices as early as possible. It's a traditional platform in that sense, but but we focus on that retirement goal exclusively.

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Paul Waters 05:34

Yeah. And that's certainly something which I know Hymans has been saying for a long time in the industry is lacking sufficient support for those people with retirement making decisions, perhaps in a more affordable way than full financial advice. And, and I've had a look at destination retirement certainly is pretty sophisticated, isn't it to know as an example, it will allow you to think about joint life and your partner's finances as well, when planning some of this stuff, which I haven't seen in so much of the other tech out there.

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Rob Hudson 06:05

It's good at phases, like I say, in modern retirement. So it's good, you know, the first phase may be working less. So how do you augment your income. And yeah, it looks at the household. It looks at wants and needs, and it looks at household income, not just individual income, but the output is very individual, if you like, as a descriptor, which is what we believe is so important, we're not so certain about in all contexts, product solutions being right, when you get to the decumulation, the income taking stage, where we think each individual's wants and needs are different. And regardless of means almost, that they should be treated as such. And therefore the best guidance, the best advice be given in each context. So obviously, driven by technology supported by individuals trying not to use that hybrid term, very much supported by individuals on the phone or obviously contact centre online, but driven by accurate output created by the technology and the development that we've put into that space.

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Paul Waters 07:15

Thank you. Yeah. And in terms of its place in the market, is it a workplace solution or retail? Both? Something else?

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Rob Hudson 07:23

Good question. Well, I mean, we're positioning it as a platform, we've created, the digital advice, if you like, and the digital guidance. And now we're setting it up as a customer facing platform. And that's really relevant to workplace. And it's relevant to potentially businesses that wish to offer it as a white label solution. And it's relevant for us to take to market ourselves directly, were we wishing to do that. So customer facing platform is probably the best way to describe it, taking you through each of the phases of retirement pre, just before and after, and into retirement, a big

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Paul Waters 08:05

fan of some of the stuff that's been taken for there. I mean, if I was gonna take a step back, though, and look at Robo advice or Robo guidance in the UK, and now you and I have both been

though, and look at Robo advice or Robo guidance in the UK, and now you and I have both been around for a few years, this has been in progress for 10 years or more. I wouldn't have said as an industry, it's something that's been cracked at all. And sadly, there's probably more failures than there have been success stories of businesses who have tried to take that on. What's your view of where we are at an industry level with robotic guidance and advice in the UK?

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Rob Hudson 08:38

Well, there are still lots of initiatives aren't they still lots of announcements about guidance being redefined, efforts to reduce the advice gap, but by promoting technology fueled Robo advice, if you like or will guidance, I'm bound to say this because of what I've just said about destination retirement but not really focusing on the big customer need here. A lot. Still, perhaps a lot of the robos right at the start focused on giving individuals portfolios and quite long customer journeys into ISA solutions. Some of the current discussion from the FCA is simplified advice, focusing perhaps initially on ISA recommendations all very helpful, don't get me wrong. And it's the right direction of travel to get advice and help accessible to more people all for that, but perhaps need to be a little bit more ambitious with how this technology can be used. And for it to be targeted towards the real need in the market. Where which for me is the fact that DB schemes obviously won't be in any great existence in five or 10 years time. Not particularly a bit of a rarity for Generation X is now already, so personal responsibility for supporting yourself as you get older is more prevalent than ever. And therefore, yeah, access to services that really support you and help you is going to be required more and more. And that's the role that technology can play. And so that's perhaps where Robo advice, Robo processes and accurate algorithmic calculation can help people rather more than journeys that take you to an investment solution, which perhaps you can quite easily get using what I said earlier, that a very extensive range of excellent DTC platforms that already exist in the market.

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Paul Waters 10:39

Yeah, I'd like to come back to your comments throughout the simplified ISA advice regime and how that might work. We can do but but just on the what that means then for consumers, in terms of the the needs of the public reaching retirement today, and the ability or the opportunity for them to get the right sort of guidance and support through digital means that retirement, there feels like to me that there's still quite a lot to be done there before that something which is really working, that people will go down the pub, and they'll be talking about, oh, yeah, this is the app I use, or this is the solution of use. It's sorted it all out. I was couple of days later, I'm really happy. I don't get the sense - people were talking about Monzo, like that, when it first came about and other things. I don't hear anything close to that happening in the pensions and retirement space yet.

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Rob Hudson 11:32

No, that's right. And we'd love it too. I mean, like I say, believers of, of the smart use of technology. And the need for this type of support and assistance, guidance advice, we get hung up with terminology, don't we and what they mean within the industry, but just that type of support to customers being available. And and it being available to a personal and individual level, not just with the tools that give you approximate answers, but diagnostic tools that are individual to to that person and their wants and needs. Each person's retirement is different.

And it's such an important topic, it's so much more complex, you could argue than picking the right investment in earlier life, just investing is a good idea in earlier life, that's as much most people need to do. Whereas getting the right making the right decisions at the right times, when you're looking to take benefits take the benefits from saving is it's so important to get that right. It's an accurate skill almost, rather than an amateur investors skill set. So yeah, more development and better, easy to use services in that space that don't intimidate people and perhaps paint a positive rather than daunting picture, I think absolutely needed.

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Paul Waters 12:53

Yeah, you make a great point around that. The positive picture. I know there's our head of late learning and Development here at Hymans, very much is brilliant at focusing on the way people think and feel, and has always argued that even within Hymans but certainly within the financial services, the way we we communicate is very factual. It's around projections and numbers rather than something which is a bit more sort of inspirational and easy to relate to what your retirement lifestyle might be, and how you can get there and what you can do about that, noting your comments around you don't want to paint a daunting negative picture for many, when we know the answer is you might need to be saving a bit more to have the lifestyle that you'd love.

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Rob Hudson 13:35

Well, I mean, we'll always be needing to put that across and perhaps, you know, delaying the phases of retirement until they're affordable at various junctures, but still pointing out the, you know, the fact that there are options and the earlier you lean into it, perhaps the more options you will have. And the fact that we can help you or any good positive service would help you make the most of your money, either now or into retirement rather than preach about, you should have started saving 10 years ago, that's perhaps not helpful at that particular point in time. So a different approach and approach that can help people engage, I think is needed. I don't have all the answers on that. It's, you know, if we did, then how we get people engaging in their retirement planning is a very big one, but perhaps a positive approach. The art of the possible is better than instilling people with fear and getting them just to push it away and thinking, I'll just carry on working or I'll sell my house, neither of which ultimately ended up perhaps being all that feasible.

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Paul Waters 14:39

No, no, definitely a shift needed there to deliver some real benefits. And it was interesting as we were preparing for this and thinking about the different topics we might discuss one of the Hymans marketing colleagues that was helping us. So Rob hope you don't mind me saying was certainly a generation younger than you and I. We were talking about some of the barriers, because that's about to come to ask you about and she was genuinely surprised that there was no way you could just put your National Insurance number or some sort of unique identifiers into a system and then it would bring up all of your savings and all your information in one place. And that this data issue was something that was a problem. And we know that data privacy and security is a big part of that. But certainly from her perspective, she she thought

that should be totally normal and I was shocked that it is not something that just exists today through the government or anything else. So what are the barriers that you see we need to overcome to deliver the type of support that people really need?

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Rob Hudson 15:41

Well, we've talked fear, I think, in some ways, we've done a lot of research into this, and spoken to some people with fantastic perspectives, new perspectives, which again, I think is important. I think embarrassment and therefore, a wish to not engage but because of the fact that they don't, most individuals don't know who have had various roles, jobs, through their careers don't have a great idea of what benefits or what value their various pots, pensions, ISAs, whatever, is a problem. So we have to overcome that that embarrassment of thinking that they should be doing better, perhaps for themselves and for their families. So making yourself accessible, perhaps using brands that are a bit more accessible than us as financial service providers. I've said before, offer ways of helping you make the most of what you have, rather than preaching about saving earlier, I think that's a good starting point, perhaps for those at retirement or 50 plus, that's important. Focusing on soft facts on features of individual wants and needs, rather than the cold projections that you were talking about earlier, Paul, they don't mean much to the individual. Yeah, trying to introduce this notion of stages, and perhaps redefining retirement. We always have this problem of do we use the word retirement because it carries so much baggage, we think you have to really, just because it's the concept that people understand that perhaps redefining what it means for Generation X, we're living through something that has not been lived through before we won't retire. I mean, there will be some that can with DB schemes or with sufficient money. But the assumption is you won't necessarily retire on one given day. And then that's it, you will over a period of time. And you know, we have this concept of life after full time work, as I've said before, and just just getting people to understand that a little bit more and see it is a little bit less daunting. And there's nothing embarrassing about not not being ready for it, because it's a stage by stage process in life that there's help there for you that will help you navigate through it.

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Paul Waters 17:56

Yeah, our friends at Club Vita and particularly Douglas Anderson always talk about staying fit and healthy for those later years. Because these are important. And we know that's hard, because there's a lot of sort of the research out there shows that people look at what happened to their parents think that is then the norm for them. And clearly there's a big time lag from generation to generation. But absolutely, our generation will experience a very different approach and retirement sort of environment than than the ones that our parents did. And indeed, the generation after may be different as well. Just a quick one on a couple of points of legislation and regulation. That's about at the moment. You mentioned the simplified advice consultation which the FCA is doing at the moment, all around sort of helping people with money that may be better invested in an ISA than in cash. The other one is the financial services, the markets bill which is going through the House of Lords at the moment. So Harriet Baldwin, the chair of the Treasury Select Committee, had tabled an amendment to that. So to require the FCA to look more closely at introducing a personalised guidance regime. Where do you stand on those things? Do you think the regulations today are hindering the type of solution which the market needs? If we made those changes? Would it make any particular difference or not?

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Rob Hudson 19:25

It should do I mean it should fuel innovation in the market. There's been so much innovation and development in my god. Goodness knows 30 years in platforms or direct retail investment promotion platforms didn't exist 30 years ago, but there's been so much innovation in that space and so little in this crucial space. I'd hope that with the role of money, helper service and FCA regulation moving towards a greater definition of simplified advice, it's happened a few times before but if we can get closer to it, and it can be useful for the real pain points. Rather than perhaps, as I've said, ISA recommendation that could be very useful progress. I think the big one, as you stated, is the personal guidance piece, having a better definition of that, being able to use data to tailor promotions or information to individuals, that little bit more, I think there's a role for advice as well. And perhaps the ultimate service for anybody is, is accessible, lower cost advice through retirement, but in order to perceive the value of that advice, greater parameters or broader parameters for personal guidance will be very helpful to assist the individual engaging into relevant messages to them. So yeah, they're both very encouraging. Who would just be very good if they progressed quickly? Because customers need it?

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Paul Waters 21:00

Yeah, absolutel and certainly the personalised guidance. We know, it's tough for the FCA to crack as you say they've had a number, well, meaning goes at it before and I'd argue we haven't really moved the dial, particularly in terms of what providers are confident to do any different to what was done before. The simplified advice one is an interesting one. It doesn't feel like the biggest issue to tackle and and if you've got the personalised guidance, right, then arguably, you wouldn't need advice to be able to confidently invest 20 or 30,000 pounds in an ISA. No, we think the advice is, is massively important for people and as you say, at the sort of retirement process and everything else, then, then it's almost almost a requirement today for anyone with meaningful, meaningful amounts. But the ISA investment bit not not sure.

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Rob Hudson 21:51

ISA advice was useful when platforms, funds, supermarkets, whatever you wanna call them had this or competed primarily on the amount of funds that they could offer an individual, you know, the more 1000 funds you had, the greater the platform, supposedly, but those days are long gone. And if anything, direct to customer platforms have been reducing, reducing that that choice and making it very simple for individuals to pick one from three and go straight down the middle if they wish, and just get moving to just just get moving in the investment space. And that that is the best course of action for them, primarily, and then they tend to own the decision and therefore own the investment. And then that's really important as well, that feeling of ownership and then engagement in the world of investing. So I'm a big supporter of self help when it comes to ISAs picking easy, straightforward, multi asset solutions, if you like. I don't think Robo advice processes help much in that sense. But goodness me they help when it comes to making life effecting decisions at the other end of the scale with with retirement, etc.

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Paul Waters 22:58

Yeah, no, that's well put it exactly yeah, absolutely. Right. And that shifts from the 1000 funds

year, no, that's well put it exactly year, absolutely. Right. And that stems from the 1000 funds after the lawsuit required one I hadn't considered that before. But that's a massive improvement in the market. Brilliant. Rob, it's been fantastic talking to you today and hearing your views. Thank you. We've covered I think nearly everything that I could expect us to maybe one last question, if there's anything else that you wanted to add to we've talked about what destination retirement does, we've talked about what consumers actually need and some of the challenges today getting there. We've covered what's happening in some of the regulations and our views on what that might do. Let's look forward, though, next five years. What do you think are the main changes that might happen? Now? what's your what's your prediction of how this market is going to develop, grow, or otherwise,

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Rob Hudson 23:47

I hope that there'll be more innovation more focus on the needs of Generation X. And the fact that we know that we can offer excellent investment solutions, and all sorts of support, information and support services around that now in the platform space, but non advised drawdown as the solution, or calling up a financial advisor, or a wealth manager is a roadblock for many, many people. It can't be because DB is not an option, or anything that is relevant to a lot of those individuals, and the state pension is ever moving towards the age of 70. So help is really needed. And I'd like to think that there'll be more innovation, more services and more focus actually on that from the platform industry in particular.

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Paul Waters 24:45

Fantastic. On that note, been great having you on today. Thanks so much, and best of luck for everything you're doing going

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Rob Hudson 24:51

forward. Thanks, Paul. It's been a pleasure.

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Paul Waters 24:55

So thanks for joining us. We hope you've enjoyed this episode of the FinTech feed, please Don't hesitate to get in touch if you have any questions or comments about this episode. You can find out more about this episode by visiting hymans.co.uk/insights/podcasts. If you enjoyed this show, we'd really appreciate it if you rate us on Apple podcast, and remember to hit that subscribe button, so you never miss an episode. Thanks for listening