Walk this way: Study shows over 60% of pre-retirees support the FCA's Investment Pathways initiative

- **The strongest interest comes from savers with £30,000-£100,000 pots, the majority of the non-advised drawdown market.**
- **90% of savers are able to align an option to their needs**
- **Income drawdown is the most popular option for both prospective users (46%) and those already withdrawing (43%)**
- **Inertia remains the biggest barrier to adoption, 33% of prospective drawdown users will not move from their default accumulation fund unless prompted**
- **81% think that five-year review periods are too infrequent**

Legal & General Investment Management (LGIM) has joined forces with NMG Consulting (NMG) to investigate how well-equipped today's UK savers are for non-advised drawdown five years on from Freedom and Choice. A survey of nearly 1,200 non-advised existing and prospective drawdown users' finds that over 60% of prospective retirees support the introduction of Investment Pathways.

The Investment Pathways initiative, which is intended to clarify the choices savers have and encourage them to take an active route through their retirement years, is supported by almost 70% of retirees-to-be under 55 and 60% of prospective drawdown Baby Boomers over 65.

The strongest interest in Investment Pathways comes from pre-drawdown savers with pot values between £30,000 and £100,000, which represents the majority of the non-advised drawdown market. Savers praise the clarity and simplicity of Investment Pathways, with nine in ten consumers being able to align at least one of the options to their needs, while 60% felt confident enough to make an independent decision following the guidance they received. Only 12% of prospective users felt the need for more formal financial advice.

Meanwhile, more than half of existing drawdown users think Investment Pathways are too basic, due to their lack of fund choice: a third of respondents want to choose from a small shortlist of funds, while a fifth would prefer a wider fund choice.

When it comes to available options, income drawdown is the most popular pathway for both prospective (46%) and retired drawdown customers (43%).

Similarly, the vast majority view withdrawing all of their money as a reckless, inappropriate option and any decision would need to be accompanied by detailed risk information.

While choosing a single pathway was the most popular strategy for prospective drawdown users (38%), over a third (36%) said they would split their pot between pathways and many said they would migrate between pathways over time, with 60% of respondents saying they would be more likely to do this following an annual review.

That said, the existence of the Investment Pathways concept alone doesn't solve the problematic lack of retirement planning, according to the study. Just 44% of prospective drawdown customers say they will actually use the Investment Pathways. Inertia remains the biggest barrier to adoption, with 33% of respondents saying they would not move from their default accumulation funds unless prompted.

Emma Douglas, Head of Defined Contribution at LGIM, comments on the findings: "*The positive reception to Investment Pathways is a promising first step in overcoming inertia at retirement and achieving greater engagement with non-advised members. The Investment Pathways go a long way in alleviating anxieties, in particular for non-advised savers who are yet to draw down.*

"Digital tools can help bring the Pathways concept to life, extending beyond the four simple options to bringing about a greater understanding of the risk and reward of each solution. Our research found that members welcome more regular guidance when making decisions on their retirement, with 81% feeling the the current 5 year review is too infrequent. It is therefore important we keep in close contact with members during this stage of their retirement journey as they make decisions of how to spend their money.
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"Done well, Investment Pathways should complement other industry initiatives such as the Pensions Dashboard and also pension consolidation, to give members a single view of their retirement investments and clear information about their options. In this way, we can turn the confidence boost that Investment Pathways deliver into meaningful action which delivers better retirement outcomes for savers."

Jane Craig, Partner at NMG Consulting, comments: *"It's great to see a much needed default solution for retirement income come to market. But it's clear that the less engaged proportion of pension savers are going to need a really strong nudge to take notice and act – the greatest barrier to take-up is likely to be inertia."*

Dermot Courtier, Independent Chair of the L&G Mastertrust comments: *"We are encouraged by the positive appetite from pre-retirees for more education and engagement as they commence and continue down their journey into retirement. The decisions made by individuals as they near retirement could have a significant impact on their finances, so it is incredibly important to ensure members are given the right options, especially to support investment decisions while in drawdown. It is therefore reassuring that the options available are meeting the majority of members' expectations, further supporting our commitment to delivering the best outcomes for our members."*

Key Risk Warning

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Notes to editors

About NMG
NMG Consulting is a global consulting and insights business that provides advisory services exclusively within the investments, insurance and reinsurance industries. NMG has major hubs in London, New York, Singapore, Sydney, and Toronto.

About the study
The research is based upon an in-depth exploration, using qualitative in-depth interviews with 40 consumers approaching or in pension drawdown on a non-advised basis, all age 50 plus. This was complemented by a quantitative online survey amongst 1150 consumers, age 52+, all non-advised and considering access to, or already drawing down their DC pension. Those with pensions wealth of less than £10,000 were excluded from the study. Fieldwork took place in September and October 2020.

More information on the first part of the LGIM & NMG study are available here (link to be added)

About LGIM Investment Pathways
The standard retirement journey is invested in LGIM's ESG-integrated Multi Asset Fund, while the other is invested in the ESG-driven FutureWorld Multi Asset Fund.

Employers will be able to opt between two different journeys for their scheme.

Members will only see the investment pathway selected by their employers.

They will be able to pick their most suitable option through a practical questionnaire on their retirement objectives, stage of lifecycle and future spending intentions.

About Legal & General Investment Management

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.2 trillion (€1.4 trillion, CHF 1.5 trillion, JPY 166 trillion, $1.5 trillion) [1]. We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

[1]LGIM internal data as at 30 June 2020. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions.

Further information

Name: Lodovico Sanseverino
Role: Client Director
Division: JPES Partners, PR advisor to LGIM
Tel: +44 (0)20 7520 7631
Email: Lodovico.sanseverino@jpespartners.com