



Legal & General enters direct to customer pension drawdown market

Legal & General Retail Retirement (LGRR) has today announced the launch of a pension drawdown product to help make managing drawdown income as simple as possible for over 55s who choose to do it themselves. The flexible solution aims to address a growing market where, five years on from pension freedoms, figures show almost one in three people are choosing to access their pension pots without advice¹.

“Since pension freedoms, the proportion of people choosing to manage their retirement finances themselves, and enter drawdown without advice, has risen substantially². This has been driven by a range of reasons, including concerns about affordability, or the simple desire to take more control. While there are some signs of people considering financial advice in the wake of recent market volatility³, the reality is that many will continue to go it alone.

“For these people, we felt it was important to create a flexible product that comes with customer support and is simple and engaging.”

Emma Byron, Managing Director, Legal & General Retail Retirement Income

The Legal & General Personal Pension Drawdown is an early adopter of the FCA’s investment pathways, allowing consumers to select from a choice of four simple investment solutions. Each pathway is aligned to a separate fund, suited to different drawdown objectives.

Prior to launch, Legal & General worked with a panel of more than 30 customers to ensure that, at all stages of the product’s use, the portal and customer communications were simple and easy to understand.

The Legal & General Personal Pension Drawdown benefits from:

- A simple, single, service charge of 0.25% irrespective of the fund size.
- Fund management charges between 0.14% and 0.31% depending on the investment pathway chosen. (Combined with the Service Charge, overall fees are between 0.39% and 0.56%.)
- The ability to apply for, and manage, the product online. Through a dedicated self-service portal, customers can keep track of how their money is performing.
- Alerts should an individual change their drawdown habits, or start withdrawing money too quickly, as customers could run out of money if they withdraw too much, their investment returns do not meet their expectations, or they live longer than expected.

“In an uncertain investment environment people might consider splitting their pension pots to combine the potential investment benefits and flexibility of drawdown with the guaranteed income of annuities. We want to offer customers the option to access their pension flexibly, with the ability to choose from a range of retirement income options. In essence, we’re providing our customers with a selection of straightforward, simple to select investment pathways that, together with the right support and tools, should give them more confidence in managing their money. For people that choose to make their own decisions, it’s about giving them as much control as possible”.

Emma Byron, Managing Director, Legal & General Retail Retirement Income

The value of the investment funds isn’t guaranteed and can go down as well as up.

Summary of investment pathways and customer support:

Objectives	Investment fund	Service charge	Fund management	Total
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			charge	
I have no plans to touch my money in the next 5 years	Multi Index 5 Fund	0.25	0.31	0.56
I plan to use my money to set up a guaranteed income (annuity) within the next 5 years	Sterling Corporate Bond Index Fund	0.25	0.14	0.39
I plan to start taking my money as a long-term income within the next 5 years	Multi Index 4 Fund	0.25	0.31	0.56
I plan to take out all my money within the next 5 years	Short Dated Sterling Corporate Bond Index Fund	0.25	0.14	0.39

Customer support:

- Online information and tools.
- Secure “message centre” allowing customers to contact us digitally with questions – customers are also able to call the Help Centre with questions, or for reassurance.
- An online self-service portal, available post-completion, to check fund balances, or set up or change income.
- Support, over the phone, to switch Investment Pathways or change bank details.
- Prompts sent to customers if they do something that isn’t in line with their selected Investment Pathway.

Notes to editors

References

^[1] <https://www.fca.org.uk/publication/policy/ps19-21.pdf> - Page 5, 1.16

² <https://www.fca.org.uk/publication/policy/ps19-21.pdf> - Page 5, 1.16

³ <https://www.unbiased.co.uk/news/financial-adviser/surge-in-demand-for-pension-advice-amid-covid-confusion>

About Legal & General

Established in 1836, Legal & General is one of the UK’s leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1.1 trillion in total assets under management, we are the UK’s largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income.

About Legal & General Retail Retirement

Legal & General Retail Retirement (LGRR)’s mission is to help its customers lead longer, healthier, happier lives. We believe everyone should be able to have a ‘more colourful retirement’.

The Division comprises the Group’s individual annuity, lifetime mortgage and care solutions businesses - it has more than half a million customers and circa £22 billion of assets under administration.

In 2019, LGRR wrote £970 million of annuity premiums and issued £965 million of lifetime mortgages.

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