The long and the short of SIPPs

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With summer traditionally being the time to step back and take a break, Ray Chinn uses this opportunity to look at wider consumer issues and the potential opportunities and threats for the SIPP market.

Q. What is on consumers' minds when considering retirement planning?

Ray: The short answer: Generally – panic! In many cases desperation and at best 'hope'.

The long answer: LV= has just published its latest 'State of Retirement' survey, looking at the public perceptions around retirement. Although some of the responses have no doubt been influenced by the current economic situation, there are still some worrying indicators.
- 22% of those questioned now expect to retire later than they had anticipated
- 20% have reduced their long term savings
- 29% are not saving at all
- 61% of those approaching retirement have not taken any financial advice (perhaps reflecting the fact that 60% trust themselves most in terms of making the most of their financial situation and level of savings for retirement).

These concerns are compounded by additional pressures. For example, the need to support older and / or younger family members financially (the sandwich generation) and confusion due the complexity and constant changes to legislation in the pensions arena.

Returning to the SIPP market – and being blunt – the prospects of looking at planning using SIPP are pretty low down most people's agenda (only 3% of those surveyed mentioned SIPPs in terms of an area they had sought or been given advice about).

Q. So for advisers and providers active in the SIPP market, what does all of this mean?

Ray: The short answer: Don't panic! Despite some of the survey results above, the need to plan for retirement isn't going away. Our challenge is to ensure that customers understand how a SIPP might benefit them. We need to move away from features and really engage customers where it matters – helping them to help themselves plan for a comfortable retirement.

The long answer: For most people reading this, the short answer above will be simply stating the obvious. So what can we change? How can we get our important messages across better?

We can start by acknowledging that there are some things we can't change. Regardless of lobbying, the policymakers are still going to make decisions we in the industry think are wrong. Doesn't mean we stop lobbying – we just need to react better when the decisions are made!

An area where we can make changes is in how we promote our products and services to consumers in general. Although a ban on the word pension would probably be a step to far, perhaps we can learn from personal accounts in this respect. A stakeholder, or personal pension, or SIPP is simply an account belonging to that individual (a personal account). Aston Martin owners may object but all their car is just that – just a car (a nice car granted – but still a car!).

This brings me on to transparency. Does anyone really believe the 'no cost' or 'low cost SIPP' line? A bit like saying a Mondeo is a low cost Aston Martin? So – at the risk of upsetting the marketing people – could we get back to telling it like it is? Tesco's do this really well with their 'basics', 'standard' and 'finest' ranges – they've even started doing this with their home insurance where they have Defaqto rated 1 star, 3 star and 5 star products. They don't try and claim that one is superior to the others, they just align the different features to different needs and realities of the consumer. The FSAs Treating Customers Fairly outcome 2 – 'right targeting', provides some good guidance here in that products and services sold in the retail market should be designed to meet the needs of identified consumer groups and targeted accordingly.

I could go on with my rant – so much for my summer break helping me to 'chill'! But hopefully you are getting the flavour. In simple terms, even with the existing low levels of consumer confidence, lack of engagement and government meddling, the opportunity is still there. We as an industry are running out of chances to address this by getting our messages right.

Next month – back to more specific SIPP related issues, looking at illustrations and other key customer communications.

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