

Economic and regulatory pressures cause advisers to rethink retirement planning

New research from NMG Consulting for BNY Mellon Investment Management reveals significant change in retirement planning and adviser business models.

- **75%** of financial advisers identify the cost of living as a key concern for retirees, while **29%** of financial advisers suggest retiree concerns over the cost of supporting family are rising.
- Against this new retirement backdrop, **67%** of financial advisers expect their clients to postpone retirement, while **56%** expect clients to reduce pension withdrawals to safeguard their retirement.

London, 8 November 2023 – Advisers are increasingly adapting their approach to retirement planning for clients, as their changing circumstances, ongoing economic challenges and a new regulatory backdrop converge, according to new research from NMG Consulting for BNY Mellon Investment Management.

The new report - ***Life Beyond Work: The Changing Face of Retirement***, which surveyed more than 200 UK retirement focused advisers alongside 64 qualitative discussions with consumers, retirement specialists and industry experts,¹ suggests most wealth brackets are affected by today's economic environment.

75% of advisers surveyed identify inflation and the cost of living as a current concern for their clients when thinking about retirement income. Market uncertainty is also a challenge with **66%** of advisers saying this is a key worry for retirement clients. These concerns are often compounded by changing family dynamics. **29%** of advisers recognise that retiree concerns over the cost of supporting family are rising, often driven by next generations sandwiched between financial support for children and parents.

As a result of these pressures, **67%** of advisers believe their clients will choose to delay retirement and **56%** expect clients to reduce pension withdrawals, in order to safeguard their retirement outlook.

Flexing under pressure

This context for clients is putting pressure on advisers, with **51%** identifying that meeting client expectations will be their biggest business challenge over the next few years. In addition, **44%** of advisers see clients moving money from investments to cash savings as a potential issue for their business.

“The higher cost of living coupled with poor market performance means clients need their advisers to help them get more from less”, said **Richard Parkin, Head of Retirement at BNY Mellon Investment Management**. “While we expect these challenges will continue driving demand for retirement advice, advisers are having to help clients reassess what retirement means for them and build realistic plans to achieve this. Part of this will be ensuring clients are invested appropriately to support these plans and while markets remain challenging in the near term, advisers can ensure clients are invested in the longer-term opportunity.”

Regulatory concerns rising

The impact of changing regulation is seen as the biggest business challenge for the next few years, with **61%** of retirement advisers citing this as an issue.

Changing regulatory expectations are already driving firms to reassess how they deliver retirement advice. For example, **54%** of advisers expect to make greater use of cash flow planning in the next 1 to 3 years, with **62%** influenced by the regulator's view of the importance of this tool.

23% of firms believe they need to make changes to their retirement income investment strategy. **61%** of these cite regulatory expectations that advisers use a different set of portfolios for clients in decumulation from those they use for clients still accumulating wealth.

“Our research suggests some advisers are uncertain about the long-term impact of the FCA Consumer Duty and precisely what, if any, changes need to be made to their retirement advice approach” continued **Parkin**. “The FCA's current thematic review of retirement income advice should hopefully provide some guidance, but firms already

¹ The average client portfolio size for advisers surveyed was £450,000.

anticipate a need to further tailor their approach to retirement clients' specific needs. We expect that these changes along with shifting economic and market conditions will prompt advisers to reassess the products and portfolios they use for retirement income clients."

Longer term impacts

Advisers are considering more fundamental changes to their business models, including:

- **A wider range of advice services:** Advisers see the potential for growth in key areas of retirement advice such as inheritance and tax-planning but also recognise their potential to get involved in additional areas. **44%** expect greater involvement in long-term care planning and **42%** see an increased role around providing housing advice.
- **Personalisation and coaching:** Some advisers are adopting a hyper-personalised and holistic offering for clients, considering a wider pool of assets and sources of wealth to inform their recommendations. Broader lifestyle coaching is expected to become a focus for advisers, with **22%** expecting this role to increase in the next three years.

Parkin added: "One thing that won't change is the importance of the adviser relationship. Amidst all this uncertainty, the opportunity for advisers to serve as trusted guides and to help their clients navigate these challenges will only grow. We recognise the significant value of effective retirement planning and will continue to play our part in helping advisers and other intermediaries develop their approaches."

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Contact : Vivianne McCann,
Vice President, IM Communications
BNY Mellon Investment Management
vivianne.mccann@bnymellon.com

Notes to Editors

Methodology

NMG Consulting in collaboration with BNY Mellon undertook primary research consisting of deep-dive qualitative discussions and a quantitative survey to better understand the retirement income space from the consumer, adviser and industry perspectives:

- **Consumers:** Pre-retired, part-retired and fully-retired consumers aged 45 – 70, geographically spread across the UK with a mix of wealth, financial confidence and risk.
- **Retirement focused advisers:** UK advisers active in the retirement income and planning space.
- **Industry experts, influencers and gatekeepers:** Senior executives and representatives from UK advice trade bodies, consultancies and advisers to the industry, and national financial advice firms and networks.

Qualitative interviews took place in June and July 2023 and consisted of individual in-depth interviews conducted by senior NMG consultants. Interviews were based around a semi-structured discussion guide with topics tailored to areas of respondent interest and expertise.

The quantitative survey took place in July 2023 and consisted of a 15-minute online survey. The sample was sourced by NMG from its in-house UK financial adviser panel and respondents were screened for the proportion of business derived from retirement advice.

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News Release



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