

Dawn of the Dashboard

After many years of discussions, delays and disappointments, individuals who are not currently in receipt of their pension benefits will be able to connect to a Pension Dashboards over the next 18 months (depending on the size of their Scheme).

This will give individuals greater scrutiny of their benefit due, and with the added requirement for the pension to be calculated as at a latest date, this could be the first time a majority of deferred pension scheme members have had sight of their estimated pension benefit since they left their respective companies many years before.

This information is vital to enable members to efficiently assess their total potential retirement income across multiple sources, but what further education is required and who should provide this?

Historically, an unconvincing and broad estimate was that pensioners may require two-thirds of their salary as income during retirement. This figure was only ever a “finger in the air” judgement with the actual amount, and did not consider an individual’s own needs and personal circumstances.

Whilst the introduction of Dashboards should be commended, the industry should consider what education, and information should stand alongside what individuals obtain from the Dashboard.

- What information should individuals consider once they have received all the facts?
- What action should they take and what information should they be aware of, that they may not have even considered?

Everyone’s needs will be different but is it too easy to hide behind simply referring members to a financial adviser? Whilst advisers will be best placed to provide guidance on personal finances, are they better placed than a quality administrator who should fully understand the Scheme, its pension increase structure definition of dependants, or how a Scheme benefit interplays with a members State pension?

The industry needs to be wary, as we all need to take heed of Pension Scams over the last few years, and even the mis-selling of pensions dating back to early 1990’s. Is the industry targeted solely due to the potential financial benefits for scammers or is there potential that these scams are due to the misinformation or lack of information shared within the industry?

We cannot provide a broad-brush estimate of what a member will need in retirement, but we can provide more information and guidance so that individuals can at least consider many of the unknowns; including longevity, potential benefits payable to a spouse, pension increases that don’t adhere to inflation – or do – or whether there are better pension products available to members which can be more tailored to an individual’s own circumstances.

Furthermore, crucial to planning for retirement is when you need to make decisions. Engagement at any early stage of an individual's pension journey is always best, but how can this be achieved? For individuals younger than 30, a Defined Benefits Scheme is likely to be rare. For members in their 40's or 50's, they may well have a mixture of Defined Benefits and Defined Contributions, so they will need education to ensure that they do make the right decisions on each of these different arrangements, again, potentially across many different schemes.

As individuals grow older and get closer to retirement age, the education needs to change with more direct focus on the payment of the benefits, not the saving for the benefit. We all have pipe dreams of when we'd like to pay off any mortgage, take that trip of a lifetime and when we'd like to retire. The key is how to make each of these things happen. For a mortgage, you know the term of when this will be paid off. For a pension, do you know how long you need to pay into it to achieve your own individual goals? No, but Dashboards will help the gathering of this information.

The answer to all of the above simply comes down to timely education. Long gone are the days where people stayed under one employer and received their tax-free cash lump sum via cheque and the pension on the first of the month after they retired. Although the payment of benefits has changed dramatically and the information now available via Pensions Dashboards make it easier than ever to gather the right information, now is the time for the industry to truly educate members of pensions schemes.

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