

PERSONAL PENSIONS – UK – 2023

Personal pensions providers continue to face stern challenges as auto-enrolment dominates the pension space, while regulatory and economic headwinds limit demand.



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Personal Pensions – UK – 2023

This report looks at the following areas:

- The impact of the cost of living on individual pensions
- Analysis of the size of the market and forecast for the next five years
- Competitive strategies and advertising initiatives among pension providers
- New product developments in personal pensions
- Ownership of savings products for retirement, including pensions
- Consumer engagement with personal pensions
- Main reasons for taking out personal pensions and key considerations when choosing a provider
- Consumer attitudes towards personal pensions
- Generational and demographic differences among key consumer segments



Personal pensions providers continue to face stern challenges as auto-enrolment dominates the pension space, while regulatory and economic headwinds limit demand.

Overview

Transfer activity has been on the decline since the FCA introduced stricter regulations in 2018. The result was a significant fall in the number of transfers. Whilst, transfers still account for the bulk of new individual pension business but its proportion of new business is continuing to fall over time.

One of the knock on effects of the cost of living crises has been consumers diverted attention towards more immediate financial commitments. As a result, a third of consumers have

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admitted to changing their retirement plans in response to the cost-of-living crisis, rising to 52% amongst 18-34 year olds.

The gender pensions gap is an issue that has long existed in pensions. In personal pensions the gap still persists, with 42% of males owning a personal pension, versus 34% of females. Its important providers acknowledge the unique challenges that women face and build tools and support that are unique to their female customers.

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Report Content



EXECUTIVE SUMMARY

Opportunities for the personal pensions market

- Opportunity for providers to narrow the gender pension gap
- Consumers need extra support during the cost-of-living crisis
- Providers are branching out into pension education

Market dynamics and outlook

- The five-year outlook for personal pensions
- New individual pension premiums forecast for a modest decline over the next five years...
 - ...hit by reduced transfer business and the permanent impact of auto-enrolment
- Transfer business has declined but remains integral to new individual premiums
 - Graph 1: transfers as a share of new individual pension business, 2017-22
- IFAs continue to dominate individual distribution despite rise in the restricted advice channel
 - Graph 2: new individual personal pension business, by sales channel, 2017-22

What consumers want and why

- 70% of Brits are saving for retirement
 - Graph 3: how consumers are saving for retirement, 2023
- Personal pensions lag behind workplace schemes
 - Graph 4: pension ownership, 2023
- Demand for personal pensions is motivated by increasing income after retirement
- Consumers prioritise outcomes when choosing a provider
- The rising cost of living is impacting consumers pension savings
- Providers have an opportunity to help consumers rebuild

MARKET DYNAMICS

Market size

- Number of individual pensions grew slightly in 2022.....
 - Graph 5: number of individual pension policies in force, 2013-22
- ...but remains in long-term decline
 - Graph 6: number of pension policies in force, by type, 2013-22
- Auto-enrolment has dampened demand for personal pensions
- Total in-force premium income declined in 2022...
 - Graph 7: total business in force premium income, 2017-22

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- ...following strong performance in the previous year
- New individual pension premiums anticipated to decline in 2023
 - Graph 8: total new individual pension premiums, 2017-23
- Dwindling confidence expected to dampen demand in 2023

Market forecast

- New individual pension premiums forecast for a modest decline over the next five years
- Falling transfer business will continue to dampen premium income
- Learnings from the last income squeeze
 - Graph 9: total value of new regular premiums, 2007-2015
- The regular premiums market never achieved again the heights of 2007

Market segmentation

- Regular premium contracts steady in 2022, despite fall in SIPPs
 - Graph 10: regular premium new contracts, by type 2017-22
- New single premium personal pension contracts fall 10%
 - Graph 11: single premium new contracts, by type 2017-22
- Total individual pension premiums hit by fall in new SIPPs business
 - Graph 12: total value of new individual personal pension, stakeholder pension and insured SIPP sales, 2017-22
- Transfers are becoming a progressively smaller part of new individual pension business...
 - Graph 13: total value of individual pension transfers, by type 2017-22
- ...but still account for the bulk of new premiums
 - Graph 14: transfers as a share of new individual pension business, 2017-22

Channels to market

- Restricted advice personal pension sales continue to rise...
 - Graph 15: new individual personal pension business, by sales channel, 2017-22
- ...but independent advice remains the key driver of new business
- Non-advised SIPP sales declined following pandemic boost
 - Graph 16: new individual insured SIPP business, by sales channel, 2017-22
- Direct sales account for the majority of new individual stakeholder business

Macro-economic factors

- Inflation is still the key factor affecting consumers' finances
 - Graph 17: CPI inflation rate, 2021-23
- The cost-of-living crisis is delaying retirement
- Consumer sentiment: the recovery is continuing...
 - Graph 18: the financial wellbeing index, 2016-23
- ...and people feel more confident about their financial prospects
 - Graph 19: the financial confidence index, 2016-23

Regulatory and legislative factors

- Auto-enrolment extension bill set to be introduced
- Providers will need to be mindful of Consumer Duty

WHAT CONSUMERS WANT AND WHY

Ownership of savings products for retirement

- 70% of Brits are saving for retirement
 - Graph 20: how consumers are saving for retirement, 2023
- Half of consumers are saving in a pension
- Gen Z are focused on near-term priorities
 - Graph 21: Gen Zs' plan for the next five years, 2022
- Half of low-earners are excluded from retirement saving
 - Graph 22: consumers not saving/investing for retirement, by household income, 2023
- Providers can increase engagement...
- ...but communication needs to vary across different channels

Pension ownership

- Personal pensions lag behind workplace schemes...
 - Graph 23: pension ownership, 2023
- ...but individual pensions still remain a popular choice
 - Graph 24: pension ownership amongst consumers with households incomes £50,000 or above, 2023
- Personal pensions still have some key benefits
- The gender pensions gap persists...
- ...but pension providers can make an impact

Personal pension engagement

- Over half of consumers are highly engaged with their pension
 - Graph 25: frequency of checking personal pension, 2023
- Older age groups check their personal pension less often...
 - Graph 26: frequency of checking personal pension, by age 2023
- ...but this doesn't necessarily mean they are less engaged
- Providers can do more to boost overall engagement
- Online channels are the preferred method for checking personal pensions
 - Graph 27: channels used to check personal pension, 2023
- Channel preferences can vary...
 - Graph 28: consumer channel preferences, by age 2023
- ...but providers can use this to their advantage

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- Providers will need to evolve to meet changing demands

Interest in personal pension products

- 20% of consumers would consider taking out a personal pension
 - Graph 29: pension products consumers would consider in the next two years, 2023
- Opportunities to grow the market still exist
- Parents of younger children are more likely to open a personal pension...
 - Graph 30: parents who would consider opening a personal pension or SIPP for a child or grandchild, by age of children in household, 2023
- ...but providers need to resonate with parents
- Self-employed remain a key growth target, but can be hard to reach
 - Graph 31: interest in arranging a personal pension or SIPP in the next two years, by employment, 2023
- Opportunities exist to attract workplace pension owners

Main reasons for taking out a personal pension

- Demand for personal pensions is motivated by increasing income after retirement
 - Graph 32: key motivations for taking out personal pension(s), 2023
- Increasing income after retirement is the main consideration...
- ...but flexibility is also a key factor

Key considerations when selecting a provider

- Consumers prioritise outcomes when choosing a provider
 - Graph 33: consumers key considerations when choosing provider(s), 2023
- Pension savers prioritise low fees...
- ...and proof of returns
- Most consumers aren't interested in having a wide range of options...
- ...but prospective SIPP owners see it as a key priority
- Younger generations prioritise ethical investment options...
 - Graph 34: interest in the availability of ethical investment options, by age, 2023
- ...but older generations equally want to make positive environmental decisions

Attitudes towards personal pensions

- The rising cost of living is impacting consumers' pension savings
 - Graph 35: agreement with statements about saving in an individual personal pension, 2023
- Consumers have changed their retirement plans because of the cost of living...
 - Graph 36: agreement with the following statements, by age 2023
- ...but providers have an opportunity to help consumers rebuild
- Two thirds of consumers are confident making decisions about their pension...
- ...but providers need to help boost confidence among women
 - Graph 37: confidence making decisions about pension, by gender 2023

- Younger generations plan to seek professional advice

INNOVATION AND MARKETING

Marketing activity

- 'Pay Your Pension Some Attention' returns for a second year
- Timmy Mallett returns to give the UK a pensions wake up call
- Pension Bee announces a new two-year deal with Brentford FC...
- ...and has brought the partnership into its wider marketing
- Providers are using TikTok to reach younger audiences
- Wealthify is on a mission to educate students

Innovation trends

- Providers look to boost customer education
- Smart Pension launches three new fully sustainable strategies
- PensionBee launches state pension age calculator
- 'Pension Essentials' set to be launched by interactive investor

Competitive strategies

- SIPP providers continue to consolidate

APPENDIX

Supplementary data

- New individual pensions business
- Value of transfers
- Channels to market – new individual pension business (value)
- Channels to market – new SIPP business (value)
- New individual pension business – volume
- New individual pension business – value

Market forecast data and methodology

- Market forecast for personal pensions (value)
- Forecast methodology

Report scope and definitions

- Products covered in this Report
- Products covered in this Report (continued)
- Abbreviations and terms

Methodology

- Consumer research methodology

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