

Rising to the challenge of the new retirement

➤ **Simon Ellis, Aviva Workplace Commercial Director, explains how providers' solutions are evolving in line with the changing needs of pension savers before, at, and during retirement.**



In so many ways, retirement has changed. The waning of defined benefit pensions has given rise to a generation of retirees who, for the first time, have largely had to take their own responsibility for saving enough to literally last a lifetime.

But growing responsibility has not necessarily been accompanied by an increase in financial confidence. If anything, many people on the cusp of retirement feel less well equipped to make appropriate decisions, faced with the growing complexity of retirement products. In analysis of ONS data, the Institute for Fiscal Studies reported that around 4 in 10 people aged 50-64 say they simply don't know how they'll access their pension wealth.¹

There's also a concern that more pension choice can mean more freedom to make mistakes.

In this new reality, I believe that the need for providers to find fresh solutions is clear. In particular, scheme members need to feel well supported **before they retire, when they retire and while they're retired.** Support delivered at one stage only, or without an element of guidance, simply isn't enough.

Flexibility and security?

Aviva has risen to this challenge by creating its Aviva Guided Retirement solution. Inspired by extensive research, this new proposition aims to offer workplace pension scheme members a way to budget for their entire retirement, giving them the flexibility they want in the earlier years, combined with a greater sense of security further down the line. Initially launching on the Aviva Master Trust, this integrated solution allows a mixing of annuity and drawdown

options. This is delivered alongside help and educational support to enable ongoing, informed decision-making and easy online account management.

The need for change: where research led Aviva

Aviva Guided Retirement doesn't just consider the changing nature of retirement, but also that the nature of each person's retirement will change during the course of a life stage that could easily last 20 or 30 years. The chances of a male reaching age 95 is now 14%, up from 4% in 1981. For females it has risen from 10% to 23%.² So, it's unrealistic to assume everyone's spending patterns will remain the same over such a lengthy period. And perhaps neither drawdown or an annuity alone might remain the most appropriate solutions for some throughout retirement... but how to feel more confident about which option to choose, and when?

Although people can undoubtedly feel overwhelmed with complex decisions of this kind, research conducted by Age UK and Aviva indicates that 80% of mid-retirees surveyed did not use a financial adviser. **But only half (48%) of mid-retirees aged 65-75 who don't pay for advice are confident that they're on track to make their pension savings last for life.**³

Given this, would it have helped to have had more guidance from employers coming up to retirement? Three-quarters (75%) said that they wanted greater employer support in planning for a financially comfortable retirement.⁴ Many were worried that they may not even be able to afford basic needs, having failed to make the right choices about their retirement. As they seek more guidance, the onus falls on providers as well as employers.

How Aviva Guided Retirement works: simplicity and purpose

Aviva's innovative solution is simple in its design and manages the risks

inherent in drawdown products. Fully supported both online and by phone, Aviva Guided Retirement gives scheme members an initial suggestion on how their money could be split **into three pots**, all of which remain invested. Each pot is slightly different, but they work together to support a member's income needs at different stages of life during retirement. Eligible members can opt for Aviva Guided Retirement at any point up to retirement, when they start their retirement, and even if they're already taking a drawdown income.

If they wish, members can choose a 'glidepath' – the Aviva Guided Retirement investment strategy – when leading up to retirement. This can be done through their online account. It means that their money will gradually be moved into the funds aligned to the solution as they approach retirement. This process can begin up to 15 years before their selected retirement date. At, or before, the point of retirement, they also select the age at which they would like to buy an annuity, although they'll be free to change this later if they wish.

Support to help retirees make decisions with more confidence

The guidance aspect of Aviva Guided Retirement sets the proposition apart from less integrated solutions. Members are supported at and through retirement, with the Aviva Guided Retirement Modelling tool made available to help them visualise their retirement spending, and so helping them to decide how to best split their money into the three pots. They can input different figures into the tool to get a clearer idea of how any changes they make could affect the income they may receive. It allows members to model changes to their pot

splits, or annuity purchase age, to see the impact to their income withdrawals – without locking the member into an annuity until they choose to purchase one. Crucially, members can also log onto their online account whenever they wish to see a suggested withdrawal amount to help keep them on track.

This Aviva Guided Retirement Modelling tool is fully integrated within the solution – not just an isolated self-help tool which users are left to find for themselves. It's currently designed to help members see the potential effect of changes, rather than execute the changes themselves. But the solution doesn't simply deliver random possibilities for the user to chew over in isolation. They do receive an example split for further guidance, though they remain free to choose a different split, or review it as they see fit.

Meeting the demand for ongoing guidance and support

One of the defining features of the solution is its ability to deliver readily available guidance throughout the course of retirement.

Aviva sends regular communications and reminders so members don't feel that they are on their own with the decision-making which, research tells us, they may feel poorly qualified to take on successfully. These communications include annual reviews which estimate a sustainable monthly withdrawal amount to act as a guideline.

This would appear to be particularly important since Pension Policy Institute data indicates withdrawal rates above 7% pose significant risks of depleting pension pots prematurely.⁵ Members need means of reassurance that their pot is likely to last long enough – or adequate

warning if they might need to make changes in order to return spending to a more maintainable level.

Aviva Guided Retirement also embraces a wealth of online educational material and support to help scheme members improve their understanding of their overall financial position. Aviva will continually evolve the customer journey to ensure this information remains easy to access and reflects people's needs.

A timely innovation

I'm especially pleased to be launching a new proposition that has been developed with the needs of today's pension savers so firmly in mind, backed up by ongoing customer research and feedback. Aviva Guided Retirement is grounded in a close understanding of the changing pension landscape and the realities of both working life and life after work. Pension decumulation solutions of this kind don't just hold the promise of a more comfortable retirement for members when that time comes along – they also enhance their financial wellbeing from the moment they take up the proposition. The aim is to help members feel more confident about the future to help them make more of today.

To find out more, please visit our website or reach out to your usual Aviva contact.



Written by Aviva workplace commercial director, Simon Ellis

In association with



¹ Individuals' challenges managing pensions through retirement | Institute for Fiscal Studies

² Individuals' challenges managing pensions through retirement | Institute for Fiscal Studies

³ Retirement reality: Managing Money in mid-retirement

⁴ Aviva Working Lives Report 2024

⁵ Retirement reality: Managing Money in mid-retirement