

# The future of DC pensions

## Scottish Widows workplace pensions director, Graeme Bold, discusses the future of defined contribution (DC) Pensions in the UK

In the past decade of auto-enrolment and pension freedoms, we've seen Generation DC emerge with over £500 billion invested in workplace pensions.<sup>1</sup> As we look to the end of this decade, the 'Connected Twenties', this will double to over £1 trillion. It's a monumental change that means people will have bigger pots with more options to consider. Technology is revolutionising how people view their finances, and by the end of the decade, pensions will be swept up in a tide of digital connectivity that will open up a new way of running your finances from your phone.

### Digital difference

Over the Connected Twenties, we will see change, with moving to Open Finance gain momentum in ways that we've seen happen in areas like fitness, where people track health goals on dashboards. This has already started happening in finances with Open Banking, where account data from multiple providers is consolidated, enabling members to access a wider range of services. Open Banking has been around for half a decade, reaching over seven million users,<sup>2</sup> and has proved the concept of sharing sensitive data without compromising security. Similarly, when pensions dashboards arrive, they will provide simple and secure information about all pensions in one place – hugely improving pensions awareness.

Scottish Widows, as part of Lloyds Banking Group, already enables people to see other products next to their

Lloyds, Halifax and Bank of Scotland bank account up to 15.5 million times per week. The key to this is having a single digital identifier that works across the bank. Every week people in huge numbers do non-banking transactions from their banking app – and people seem really comfortable doing this. The challenge is to enable non-bank products to be managed in this simple way – that's where Open Finance comes in.

### The open finance environment

As a natural progression from Open Banking and the development of pensions dashboards, Open Finance revolutionises how consumers engage with their finances – updating personal details in one place and finding that filters all the way to your pension plan demonstrates remarkable connectivity. It creates significant change in market structure as well as client engagement. So, it's no longer a question of if it will happen but rather how soon it will develop.

We've seen that people login to their bank account 26 times a month – that's nearly every day. This is one of many regularly accessed apps – and increasingly people want to go to one place and view all their finances, without having to remember countless passwords for separate products. The aim is to eventually move from data aggregation platforms to how we experience information in a personalised way. And this won't necessarily be a pension provider specific opportunity – tech-savvy entrepreneurs can also take advantage.

As Open Finance evolves, other tools become redundant. All large commercial providers have been busy building pension apps and these will need to adapt to remain relevant. At Scottish Widows we will launch Open Finance account aggregation into our app later this year, as irrespective of access point, putting pensions in the context of wider finances is key to promoting overall financial wellbeing. Aggregating data should help people's money work harder for them, giving individuals a more tailored experience with personalised nudges that are far smarter than the nudges we have today. A nudge that offers solutions in the moment to make more of your finances – that recognises spending patterns and suggests ways to optimise savings.

### The landscape of DC pensions

The landscape of DC pensions is rapidly evolving, and employers will need a partner who can invest to succeed here and will need to adopt an entirely new digitally connected approach. Open Finance needs to work for the masses and not just the digitally savvy. Understanding how to make the most of opportunities in a way that works for everyone is what will set providers apart. Employers and advisers have told us that they want the concept of a GPS for finances – creating a personal journey for members, so they can visualise how they get to their ideal financial destination. As we head through the Connected Twenties, the pace of change increases – and opportunities for a completely different engagement model come into view.



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In association with

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<sup>1</sup> According to Broadridge, UK Defined Contribution and Retirement Income 2022.

<sup>2</sup> According to research from OBL, UK reaches seven million Open Banking users milestone.