

PRESS RELEASE

12 February 2019

Direct platforms still prioritise accumulation over decumulation

A new report from the lang cat, sponsored by GBST into platform decumulation functionality has found that four years on from pension freedoms, the focus remains more in building funds for retirement than in managing them once there. With the FCA consulting on the introduction of ‘investment pathways’ to help non-advised investors secure better outcomes through better decisions around how to invest their money, the report, [*Retirement Income in the Direct Platform Market*](#), provides a timely look at the innovation – or lack of it – currently happening in the at-retirement space for direct customers.

The lang cat research, finds investors face a limited range of decumulation functionality across direct platforms. The findings show only two platforms offering tax efficient withdrawal tools, one offering in house portfolios designed for drawdown and none offering solutions which combined elements of guaranteed income alongside drawdown within a single tax wrapper. In addition, all the platforms studied restrict income payments to certain days and for many there is still a requirement to have a paper application and wet signature for taking income and some sort of human intervention at some stage in the process.

Mike Barrett, Consulting Director at the lang cat, comments: “Although a provider not having all the functionality isn’t necessarily a bad thing, we believe platforms, even those that are execution only, do have a duty of care to help their customers make sensible and long-lasting financial decisions. We found propositions that provide genuinely seamless routes for investors from accumulation into and beyond retirement are thin on the ground. Most direct platforms lack access to comprehensive software and tools to help customers with their retirement planning needs, such as understanding how much money they are likely to need in retirement or whether other assets beside their pension should contribute to future retirement income requirements.

“The challenges of delivering at retirement services are not going to go away. We can’t help but feel that the industry is collectively failing to give people the support it needs to make informed decisions. Some of the largest organisations in the D2C market are yet to offer a pension wrapper of any sort and we hope that these new propositions, and the innovations planned by the platforms in our research, will include some of the functionality needed to help people engage with their long-term finances to achieve a comfortable income in retirement.”

David Simpson, Head of EMEA at GBST, adds: “Rapid change in both regulation and the shape of household wealth are creating a new retirement income landscape that is extremely complex for investors to navigate. Against this backdrop, both advised and direct platforms should be at the forefront of delivering the flexibility advisers and investors need, but as this report shows, there is still a significant gap between the functionality available to investors in accumulation and those entering the decumulation phase.

“We hope that the FCA’s Retirement Outcome Review will be a catalyst for further change in the at retirement market. However, we believe that the investment pathways as currently proposed would provide limited help by over-simplifying people’s needs and actually adding further complexity for many investors. True innovation is customer driven and given the FCA’s own research found that 25%¹ of consumers want more than one ‘type’ of income, we see a real need for the further development of solutions that combine both guaranteed and drawdown income in one product. This hybrid functionality within a single tax wrapper is already available – albeit to a limited extent – within the advised market, so technology is not a barrier, but we are yet to see such solutions in the direct market. With an estimated £2.4 trillion of assets in the pensions and retirement income sector, the market opportunity is huge, yet with the final rules due this summer, the clock is ticking for providers to comply or die in terms of being at the forefront of retirement provision.”

Ends

For further information

the lang cat

Jenette Greenwood, PR Director

07710 392303

About the research

The peer group for the lang cat research comprised: AJ Bell, Charles Stanley, evestor, Fidelity, Hargreaves Lansdown, Interactive Investor and PensionBee. They all offer a pension wrapper of some sort, so have an active interest in the at-retirement market. The paper was sponsored by GBST and some of the peer group use GBST technology, but equally some don’t and we assessed them all on the same basis regardless.

All information correct as at 31 January 2019.

About GBST www.gbst.com

GBST (ASX: GBT), provides global technology services to the financial services industry, addressing our clients’ constant needs for innovation, competitiveness and responsive IT that truly enables business. Listed on the Australian Securities Exchange, GBST has offices throughout Australia, London, Hong Kong and New York as well as operations in Paris and Singapore.

¹ <https://www.fca.org.uk/publication/research/increasing-comprehension-of-investment-pathways-for-retirement.pdf>

About GBST Composer®

GBST Composer® is a full service global software platform for Platforms, Wraps, Unit Trusts, ISAs, OEICs, SIPPs, and Pensions. Designed as a single, client centric application, Composer® is a complete, intuitive and flexible solution. Its architecture meets the demanding requirements of platform providers and fund managers by providing business rule driven functionality to support legislative change, flexible administration procedures and innovative product design.

For more information visit <http://www.gbst.com/>