

## **Later Life Scoping Study: Chairman's Introduction**

Our financial circumstances change over the course of our lives. During working life we aim to accumulate assets, mainly in the form of housing and pension wealth as well as savings. During the later part of life, after we have stopped working, we draw on these assets to sustain our standard of living. The financial services industry is principally geared to facilitating wealth accumulation. Less emphasis has been placed on what may be termed 'decumulation'. There are fewer products available and advice is harder to come by. Of those available products, many are complex and difficult for consumers to assess and subsequently select.

Accordingly, the Financial Services Consumer Panel decided to address the effectiveness of the financial services sector in meeting the requirements of people in later life. The need is to manage finances to cover outgoings through decumulation of assets, as well as to utilise general financial services, such as protection insurance, over a period when an individual's capability to make good decisions may be declining.

As a first step, the Panel commissioned a scoping study from Jackie Wells and Mary Gostelow, two acknowledged sector specialists, which we now publish. Five product areas are considered in the Report: decumulation activities (including pensions, annuities and equity release); saving and investment; banking; protection; and information and advice. For each type of product, both the probability and materiality of consumer detriment are considered, as well as the relative size of the markets. The judgments about risk and concern are those of the authors who, in the view of the Panel, have carried out a thorough analysis of the issues.

The broad aim of the study is to inform the Panel's future work in an area which arguably has been somewhat neglected. The Panel's main objective would be to help improve the financial circumstances of people in later life by engaging with the FSA so that the regulatory system yields better outcomes for them. We plan a number of approaches. First, we will draw upon the Later Life Report material to inform the Panel's consideration of areas of current FSA activity, such as the Retail Distribution Review, to make sure that the needs of older people are properly taken into account. Second, we intend to initiate discussions with the FSA on matters of particular concern where more regulatory attention may be appropriate, such as New-style Annuities which are red-flagged in the Report. Third, later life topics could be the basis for research commissioned by the Panel, with the aim of gaining increased understanding of risks, costs and benefits.

Beyond informing our discussions with the FSA, the Report provides the Panel with a basis for wider engagement in the light of current and forthcoming developments, including the work of the Personal Accounts Delivery Authority, the recently published Green Paper on the funding of social care for older people, the work of Age Concern/Help the Aged on financial services, the recently issued report of the Association of Independent Financial Advisers report on financial planning through

retirement, the FSA's work on the financial capability needs of the over 40's, and the implications of the Equalities Bill which will ban age discrimination in the provision of goods and services. We are keen to work with others who share our concerns and will be arranging events later this year for this purpose.

Adam Phillips

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