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PRESS RELEASE

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For Professional Advisers only

Advisers 'complacent' on decumulation approach in light of thematic review, finds Copia

New research from Copia Capital [Copia] in conjunction with the lang cat reveals that at the start of this year just one in five advice firms planned to make changes to their investment approach for clients in retirement. In light of the FCA's thematic review of retirement income advice, which recommends advisers consider the regulator's findings and take appropriate steps to meet its requirements, Robert Vaudry, Managing Director of Copia, argues that some firms appear "complacent" in their approach to decumulation.

The findings form part of a new report published today, *Rethinking Retirement: Changing Gear*. The research, which took place in January, found that currently only 17% of firms use a dedicated retirement proposition separate from their Centralised Investment Proposition (CIP), with 80% using the same model portfolios for clients both accumulating and decumulating, and the remaining 3% invest in bespoke portfolios for clients transitioning through retirement. Yet just a fifth (20%) of respondents planned to make changes to their approach over the next year. The key reasons for change were concern over the regulatory direction of travel (73%), changing client attitudes (31%) and changes to the economic environment affecting the firm's investment philosophy (27%).

The report also highlights growing interest in guaranteed and smoothed investment products for clients taking an income. Almost three-fifths (57%) of respondents use these products for at least some of their at-retirement clients, with one in three (30%) increasing their usage in the last two years and a further quarter (26%) reviewing their approach due to rising interest rates and gilts.

Robert Vaudry, Managing Director of Copia, comments, "In our research, only a fifth of firms said they were planning to make changes to their approach to retirement income. Given the findings of the thematic review, it now seems that some firms appear complacent in their decumulation approach. With the FCA's focus on the importance of considering the sustainability of income and the specific risks faced in retirement to avoid clients running out of money too soon, we expect far more firms will now be reviewing their processes to make sure they meet, and are evidencing, the regulatory requirements.

“Deciding how and when to start the transition from accumulating wealth into decumulation is one of the most challenging financial decisions an individual will face in their lifetime. With the introduction of pension freedoms, the decline of defined benefit schemes and the rise of defined contribution schemes and auto-enrolment, these choices have become more complex. Advisers have a crucial role in helping clients decide not just how they finance their retirement, but also the level of income to draw and an appropriate investment strategy for funds that remain invested. DFMs have an important part to play too, in designing, building and managing investment solutions that mitigate decumulation risks and meet client objectives, including providing a sustainable income throughout later life.”

Rethinking Retirement: Changing Gear looks at how the advice profession constructs retirement propositions and whether these approaches need to evolve given the regulatory requirements of Consumer Duty and following the FCA’s thematic review. It was launched today in Cardiff at the first of a series of roadshows on ‘Rethinking Retirement’ being run by Copia for advisers all around the UK in conjunction with its sister company Wealthtime.

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ABOUT THE RESEARCH

The research was conducted during January 2024 via the lang cat’s Adviser Research Panel. The survey received 160 survey responses, with 62% of respondents identifying as an adviser and the remainder covered paraplanning, compliance and investment manager roles. 93% of respondents are employed by or own independent advice firms.

NOTES FOR EDITORS

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About Copia

Copia is the investment solutions division of the Wealthtime Group. Launched in 2013, it is a pure B2B DFM that works exclusively with advisers to provide a range of managed portfolio services. These include its MPS Custom service, offering customised portfolios to advisers which are constructed to meet the adviser’s retail clients’ needs; its ‘ready to go’ MPS portfolio products; and the added-value MPS Plus range.

The Wealthtime Group, which also includes the Wealthtime and Wealthtime Select platforms, is a trading name of Novia Financial plc and has combined assets under administration in excess of £11.8bn.

For more information, see www.copia-capital.co.uk. Follow Copia Capital on Twitter @copia_capital