

Personal and Stakeholder Pensions - UK - March 2011

Report Price: £1500 / \$2310 / €1793



What is this report about?

With a third consecutive year of decline in new business levels, the personal and individual stakeholder pension markets continued to face difficulties in 2010. Although the financial crisis has encouraged people to take saving more seriously, the pension industry has seen little benefit from this trend. For the most part continued economic uncertainty has undermined people's ability, or willingness, to focus on longer-term savings goals, instead concentrating on shorter-term savings, such as building an emergency fund.

These segments of the individual pension market are being faced with longer term challenges as well. While the decline in the quality of private sector, and now public sector, workplace pension schemes should in theory boost demand for private pension arrangement, widespread consumer apathy, unawareness and confusion continue to prevent the market from reaching its full potential. The government, also aware of this problem, will launch a national low cost workplace pension scheme called the National Employment Savings Trust (NEST) from April 2012. The introduction of this scheme could potentially make life even more difficult for personal and in particular individual stakeholder providers.

There are still some positives. Consumer research data has indicated a promising level of engagement in pension savings among people aged between 18 and 34. This could increase exponentially with the launch of NEST. Although the scheme will be a serious competitor, it will also be a powerful force in raising awareness about the need to save for retirement. In the long-term this could translate into more demand for individual pension products as people gain a greater understanding of the level of savings required to ensure a comfortable retirement.

This report focuses specifically on the personal and individual stakeholder pension segments of the pension industry. In addition to presenting detailed information on new and existing business levels, trends in product distribution, and market advertising spend, the report presents an overview of the key internal, economic and regulatory factors impacting the market. The final sections of the report provide the reader with the key findings of Mintel's exclusively commissioned in depth consumer research on pensions.

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What have we found out?

- Although the launch of NEST will present challenges for individual personal and stakeholder pension providers, the scheme is not without its limitations. There is an opportunity for providers to highlight how owning an independently arranged pension can help overcome those limitations.
- Nearly a third of non-retired adults admit that they do not have a good understanding of how pensions work. This suggests that some of the negative sentiment shown towards pensions is associated with product misconceptions rather than a negative experience. Providers have an opportunity to play a valuable role helping consumers separate fact from fiction.
- Pension owners aged between 18 and 34 are more likely than any other age group to save at least £100 a month in a pension and are also among the most likely to say that they regularly monitor their pension funds. There is an opportunity for pension providers to take a fresh approach toward promoting to younger age groups by profiling existing young pension savers in their promotional materials.
- A weak and uncertain economic environment has reduced people's ability, or willingness, to focus on long term savings goals. However, as the economic situation stabilises there may be an opportunity for providers to encourage people to transfer some of their rainy day savings into a pension.
- The personal and individual stakeholder pension target market is looking for simplicity and is unlikely to be impressed by marketing that advertises investment choice. Half of all non-retired adults think that it's best to stick to straightforward, easy-to-understand investments, and most of the remainder have no opinion either way.
- The perceived value of saving in a pension is being undermined by the government's inconsistent approach towards pensions. While just over a third of non-retired adults agreed that they did not trust pension providers more than a fifth agreed that they believe the government could raid their private pension savings.

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