

Personal Pensions: Inc Impact of COVID-19 - UK - August 2020

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“COVID-19’s impact on the individual pensions market should be relatively short-lived. The key target market of affluent professionals has been less impacted financially, with many seeing a boost to their finances with a drop in expenses related to commuting and leisure.”

– **George Zaborowski, Senior Financial Services Analyst**

This report looks at the following areas:

- **The impact of COVID-19 on individual pensions.**
- **The size of the individual pension market and a five-year forecast for new business.**
- **Innovation and competitive strategies in the market.**
- **The penetration of individual pensions among UK consumers and the types of pensions held.**
- **Consumer behaviours and attitudes towards personal pensions, including interest in taking out a new pension.**

Business conditions in the individual pensions market were challenging even before the onset of the COVID-19 pandemic. The new opportunities initially created by pension freedoms legislation are now being rolled back by stricter regulatory standards around pension transfer business. In 2019, the total value of lump-sum single-premium business fell by 18%. However, Mintel’s research shows significant interest in the product, with almost a third interested in the idea of opening a personal pension/SIPP (self-invested personal pension) either for their own use or for a family member in the future.

COVID-19 has serious economic implications for the job market and the economy, which will impact how some approach the management of their pensions. However, it has also highlighted the importance of financial planning and resilience. While demand for lower-end individual pension products will be impacted by the crisis, the upper end of the market is unlikely to have felt much effect. Indeed, many higher earners will have found themselves better off due to significant lockdown-related cuts in spending.

Given the unprecedented increase in government spending to support the economy during the COVID-19 pandemic, tax reform has become a key area of focus for the Treasury. The current system of tax relief on pension contributions has been criticised by some as ineffective and is currently under review. Any significant changes could potentially damage the competitive position of individual pension products.

Although some have speculated that the government might scale back tax relief on pensions, regulatory reform could also offer opportunities. The government is seeking to develop an auto-enrolment-like solution to address the issue of the lack of pension provision among the self-employed, for example. The number of self-employed has been rising steadily and now stands at around 5m UK adults. However, less than a third have individual pensions, and even fewer are actively contributing to one, meaning that this is a currently largely untapped market for pension providers with real potential for growth in the coming years.

**BUY THIS
REPORT NOW**

VISIT:
store.mintel.com

CALL:
EMEA
+44 (0) 20 7606 4533

Brazil
0800 095 9094

Americas
+1 (312) 943 5250

China
+86 (21) 6032 7300

APAC
+61 (0) 2 8284 8100

EMAIL:
reports@mintel.com

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

Personal Pensions: Inc Impact of COVID-19 - UK - August 2020

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Overview

Key issues covered in this Report
 Products covered in this Report
 COVID-19: market context
 Economic and other assumptions

Executive Summary

The market

Outlook in light of COVID-19

Figure 1: Expected impact of COVID-19 on individual pensions, short, medium and long term, August 2020

Total new premiums expected to fall by 10% in 2020

Figure 2: Forecast of the value of new individual pension business, 2015-25

Continued decline in SIPP new single-premium business expected

Non-advised sales continue their gradual ascent

Rising unemployment will hamper new and existing business

Figure 3: Annual unemployment rate (forecast), 2007-24

FCA clamps down on questionable DB to DC pension transfers

DWP leading efforts to increase pension take-up among the self-employed

Companies and brands

Royal London and Aviva lead in individual pensions market

Hargreaves Lansdown is the largest SIPP provider

Market leaders work to enhance their retirement product offerings

New product developments continue to reshape the SIPP segment

The consumer

Consumer confusion over personal pension ownership

Figure 4: Type of pension owned, June 2020

Those saving regularly into an individual pension the most engaged

Figure 5: Actions taken with individual and group pensions over the past 12 months, June 2020

Just over two fifths of savers say COVID-19 has impacted their pension

Figure 6: Impact of COVID-19 outbreak on individual and group pensions, June 2020

A third express interest in arranging an individual pension

Figure 7: Proportion of UK adults who would consider arranging an individual pension product in the future, June 2020

Fees and charges most influential when choosing a provider

Figure 8: Important factors when choosing a personal pension provider, June 2020

What we think

Impact of COVID-19 on the Individual Pensions Market

Impact on the market

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Personal Pensions: Inc Impact of COVID-19 - UK - August 2020

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Job market malaise will hinder new business opportunities...
 ...but many existing pension holders are in a strong position to maintain their contributions
 Increased government spending could lead to changes in pension tax relief
 Impact on consumers
 Two fifths of savers say their individual pension has been impacted by COVID-19
 One in four Millennials' personal pension savers have reduced contributions
 Increased focus on savings could help boost demand for pensions
 Impact on companies and brands
 Providers act to provide guidance about avoiding COVID-19 pension scams
 The crisis has highlighted the value of enhanced control and flexibility

Issues and Insights

COVID-19 has opened a new opportunity to engage with the key target market
 Low-cost easy-to-manage products key to attracting new customers

The Market – Key Takeaways

Total new premiums expected to fall by 10% in 2020
 But sector is in a good position to weather the crisis
 Continued decline in SIPP new single-premium business expected
 Non-advised sales will continue to increase
 Regulatory activity will dampen transfer activity
 Longer-term projects have scope to drive new business opportunities

Market Size and Forecast

Outlook in light of COVID-19
 Short-, medium- and long-term impact on the industry
 Figure 9: Expected impact of COVID-19 on individual pensions, short, medium and long term, August 2020
 Lockdown
 Re-emergence
 Recovery
 Individual pension market smaller following auto-enrolment
 COVID-19 hits new business prospects...
 ...but H2 2020 should deliver an improvement in sales
 Figure 10: New individual pension business, 2016-20
 APE expected to fall below £1.5bn in 2020
 Figure 11: New individual pension business (APE), 2014-20
 Market forecast
 Improving consumer sentiment will provide a temporary boost
 Figure 12: Forecast of the value of new individual pension business, 2015-25
 Figure 13: Forecast of the value of new individual pension business, 2020-25
 Market drivers and assumptions

**BUY THIS
 REPORT NOW**

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
 APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com

Personal Pensions: Inc Impact of COVID-19 - UK - August 2020

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 14: Key drivers affecting Mintel's market forecast (prepared on 18 August 2020), 2015-25

Lessons from the financial crisis

Figure 15: New individual pension business, total value of new regular premiums, 2007-15

Figure 16: New individual pension business, value of regular premiums, by type of pension, 2007-15

Forecast methodology

Market Segmentation

Personal pension and insured SIPP new single premiums fall sharply

FCA data also indicate a fall in the SIPP segment

Regular premium stakeholder segment continues to shrink

Figure 17: Number of new individual personal pension, stakeholder pension and insured SIPP sales, 2016-19

Figure 18: Value of new individual personal pension, stakeholder pension and insured SIPP sales, 2016-19

Transfer business falls sharply in 2019

Figure 19: Transfers as a share of new individual pension business, by product type, 2015-19

Channels to Market

Non-advised sales continue to rise

IFAs remain the primary channel for new personal pension premiums

Figure 20: New individual personal pension business, by sales channel, 2015-19

Non-advised sales are most prevalent in stakeholder pensions

Figure 21: New individual stakeholder pension business, by sales channel, 2015-19

Most new insured SIPP business still done via IFAs

Figure 22: New individual insured SIPP business, by sales channel, 2015-19

Streamlined SIPPs more commonly sold without advice

Market Drivers

Unemployment set to rise dramatically

Figure 23: Annual unemployment rate (forecast), 2007-24

Number of self-employed workers drops following outbreak

Figure 24: Number of self-employed workers aged 16 years and older (seasonally adjusted), March to May 2010 to March to May 2020

Saving in a pension a minority pursuit for the self-employed

Self-employed numbers likely to be boosted over the longer term

Financial market instability impacting pension fund values

Workplace pension membership up sharply due to auto-enrolment

Figure 25: Proportion of employees who are enrolled in a workplace pension, 2010-19

Regulatory and Legislative Environment

DWP seeking to apply elements of auto-enrolment to the self-employed

Pensions Dashboards remain a work in progress

Pension tax relief under review

FCA introduces sweeping changes to pension transfer advice

Companies and Brands – Key Takeaways

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Personal Pensions: Inc Impact of COVID-19 - UK - August 2020

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Price competition set to intensify in the low-cost SIPP market
 New product development focuses on flexible contributions
 Market leaders work to enhance their retirement product offerings

Market Share/Provider Rankings

Royal London and Aviva the market leaders
 Royal London records a decline in sales but grows market share
 Workplace pensions drive growth in pension sales at Aviva
 Prudential saw a decline in DB transfer business in 2019
 Scottish Widows posts mixed results

Figure 26: Rankings of top 20 providers of individual and work-based pension business, by gross written premiums, 2016-18

Hargreaves Lansdown is the leading SIPP provider
 Other key players in the SIPP market

Competitive Strategies

Providers issue consumer warnings about COVID-19-related scams
 Market leaders increasing their focus on retirement planning
 Aviva creates new Investments, Savings & Retirement business division...
 ...and takes complete ownership of Wealthify
 Prudential UK saving and investment business now part of M&G plc
 M&G acquires Ascentric platform from Royal London
 SIPP specialist Curtis Banks bolsters its offering via new acquisitions
 Interactive Investor acquires rival The Share Centre...
 ...and offers a fee-free SIPP for a year in response to COVID-19
 Notable new product launches
 Vanguard's new low-cost SIPP places pricing pressure on platforms
 Wealthify unveils SIPP with instant 25% tax relief on contributions
 Moneybox launches mobile SIPP offering following successful pilot

The Consumer – Key Takeaways

Reported financial well-being has been solid despite COVID-19 upheaval
 Opportunities for future pension consolidation
 Millennial pension savers are the most active users
 COVID-19 drives engagement in personal pensions
 Significant interest in personal pension ownership
 Ethical investment options are key to attracting younger savers

Impact of COVID-19 on Consumer Behaviours

Consumers' sense of financial well-being has persevered
 Figure 27: The Financial Wellbeing Index, January 2015-July 2020
 Reduced spending and government intervention has helped to stabilise household finances...
 More affluent professional workers may have scope to boost pension saving

**BUY THIS
 REPORT NOW**

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
 APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com

Personal Pensions: Inc Impact of COVID-19 - UK - August 2020

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 28: How consumers have been affected or changed their behaviour as a result of COVID-19, 21-28 May 2020

...however, more than a quarter are worse off since the start of the outbreak

Figure 29: Changes in financial situation since the start of the COVID-19 outbreak, 30 July-7 August 2020

Widespread concern about impact on economic and job prospects

Figure 30: Consumer views on the impact of the COVID-19 outbreak on the UK economy and their own finances, 18-24 June 2020

The outbreak has altered savings priorities

Figure 31: Savings priorities, October 2019 vs May 2020

Pension Ownership

Pension ownership has expanded greatly under auto-enrolment...

...but individual pension ownership remains relatively low

Figure 32: Type of pension owned, June 2020

The self-employed are a compelling but difficult to reach target market...

...but upcoming developments should boost sales in coming years

Multiple pension ownership increasingly common

Figure 33: Number of pension pots owned, by pension ownership, June 2020

Active Pension Scheme Participation

One third of pension owners are contributing to an individual pension

Figure 34: Proportion making regular contributions into their pension(s), June 2020

Stakeholder pension owners most likely to be contributing regularly

Figure 35: Proportion making regular contributions into their pension(s), by pension ownership, June 2020

25% active in a workplace scheme also adding to an individual pension

Figure 36: Proportion making regular contributions into their pension(s), by type of pension being regularly contributed to, June 2020

Recent Individual Pension Activity

Half have reviewed their pension in the past year

Figure 37: Actions taken with individual and group pensions over the past 12 months, June 2020

Fewer than a fifth of over-55s have started to draw on their pensions

Heightened level of engagement among active individual pension owners

Figure 38: Actions taken with individual and group pensions over the past 12 months, by type of pension being regularly contributed to, June 2020

Millennials have been particularly active in the past year

Figure 39: Actions taken with individual and group pensions over the past 12 months, by generation, June 2020

Impact of COVID-19 on Management of Personal Pensions and SIPP

More than two fifths say COVID-19 has had an impact on their behaviour

Figure 40: Impact of COVID-19 outbreak on individual and group pensions, June 2020

Few over-55s say their retirement plans have been altered

Millennials are the most likely to have modified contribution levels

Figure 41: Impact of COVID-19 outbreak on individual and group pensions, by generation, June 2020

Opportunity for providers to help savers keep up with contributions

Interest in Arranging a Personal Pension or SIPP

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Personal Pensions: Inc Impact of COVID-19 - UK - August 2020

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

A third of UK adults would consider getting an individual pension

Figure 42: Proportion of UK adults who would consider arranging an individual pension product in the future, June 2020

Lack of widespread interest among the self-employed

Encouraging level of interest among younger generations

Nearly half who have group scheme would consider an individual one

Figure 43: Proportion of UK adults who would consider arranging an individual pension product in the future, by pension ownership, June 2020

Important Factors When Choosing a Personal Pension Provider

Fees and charges top the list of important features

Figure 44: Important factors when choosing a personal pension provider, June 2020

Younger savers most likely to value social responsibility

Figure 45: Selected important factors when choosing a personal pension provider, by generation, June 2020

Appendix – Data Sources, Abbreviations and Supporting Information

Abbreviations

Consumer research methodology

BUY THIS
REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com