Women & Money Innovation Lab Three: Policy

The third Fidelity Women & Money Innovation Lab moved the focus on to policy, following the two previous labs, which looked at the personal and professional barriers to women investing. The Lab was held on Tuesday 5 February 2019 with a mix of journalists, policymakers and representatives from the pension regulator. The objective of the morning was to consider what areas of Government policy need to be re-examined through a female lens, and what new policies should be introduced, so that women can be empowered to invest and save for the long term. Ahead of the day, attendees were given a briefing document outlining four key areas of focus – pension freedoms, the pension dashboard, flexibility in pension saving and the gig economy/self-employed, and were asked to consider: What one thing would you ask the Government to change?

Carolyn Jones, Head of Pension Policy and Workplace Investing at Fidelity International, introduced the Lab by recapping on the findings of Lab One and reminding us where we left the discussion in Lab Two, which focused on technology as a powerful tool to help bridge the gap between saving and investing. Since the previous Lab, Fidelity has taken this knowledge on board and introduced 'The Power of Small Amounts' – a platform allowing people to understand the difference of a 1% increase in their pension contributions, and Investsense – a nudge tool to give customers prompts and nudges to help them make the most of their money.

Ultimately however, policy plays a key role in making a difference. Carolyn noted that some of the recent headlines – such as the possible loss of millions of pounds in pension rights due to child benefit payments, or the changes to women's state pension age – highlight how much of an impact this can have. The world is changing, and it can be hard for policymakers to keep up. This is why Fidelity decided to pull out a few key areas of focus for the morning:

- **Pension freedoms:** these revolutionised the way savers with Defined Contribution pensions access their pension pots, but analysis of the FCA's Financial Lives survey make for some sombre reading: 17% of women do not know what they want to do with their tax-free cash, compared to 4% of men. Clearly there is still a job to do here.
- **The pension dashboard:** this will help everyone by allowing us to foresee if we are ready for retirement, by showing all our pension savings at the same time. But are we looking at this through the eyes of women, and could it be tracking more than pensions?
- **Flexible pension saving:** everything in our research shows us that women value flexibility when it comes to pension saving, largely driven by the fact that we are often in and out of work with variable earnings and have a pension gap we need to make up. So what is stopping women from saving when they take time off work?
- **The gig economy/self-employed:** this is not just about women, but increasingly women are being impacted by the growth of this type of work. Policies such as auto-enrolment have made great in-roads for the employed, but what else can we do for the gig economy/self-employed to support women's savings habits?

The main group was then split into two, with each given the task of coming up with one policy recommendation. The brief was clear: ideas should not be held back by what may or may not be possible; this was to be a brainstorm with lots of ideas on the table.

Group A, chaired by Carolyn Jones, were given pension freedoms and flexibility in pension saving to discuss.

Pension freedoms main points were:

- That more communication is needed with people before they get to the point of having to decide what to do with their pension.
- It is assumed that individuals will go to Pension Wise for advice when they are ready to access their pension, but in reality, many people do not. Should we be contacted much earlier about our pensions to prompt us to seek advice and better prepare? Or, could we be auto-enrolled into Pension Wise?
- The possibility of linking learning about pensions with the Department for Education. Mothers at the school gate will be at the exact stage where they should be thinking about the financial future, so focusing on pensions within general financial education as part of the curriculum will help to expose children and parents to the topic.
- That the advice should come from an unbiased party, as trust in the industry and Government may not be enough to truly engage people.

Flexibility in pension saving main points were:

- Equal responsibility in the home is needed before there is parity with pensions, so there should be equal paternity leave. Currently, it's mostly women who deal with the financial needs of their children and the household, often putting them before their own financial needs.
- Child benefit means testing does not take into account the fact that some marriages do not last for ever, and a woman therefore may not be able to rely on her partner's pension. National Insurance (NI) contributions – often linked to child benefit eligibility – should be paid regardless of how much a partner is earning. The link between child benefit and NI contributions could be removed.
- We could remove obstacles to saving into a pension. Given women are often better at paying in during their 20s, the minimum age to be auto-enrolled could be reduced from 22 to 18, so there is more time to pay in.
- Fluidity around products would help women to feel that they are not locking their money away forever, and there could be a way to move from a shorter-term savings product into a longer-term pension, once a pot has been built up.
- A carousel system for the self-employed: give a deadline to sign up for a pension and, if this isn't done, people are automatically signed up.

"It shouldn't be assumed that you know what to do with your pension without advice."

Voted top 3 ideas:

1. To de-link child benefit payments and National Insurance contributions.
2. Earlier engagement with pensions prompted by unbiased advisory services such as Pension Wise – with a potential default option.
3. The ability to go back and make up contributions, with potentially more flexibility, so people do not feel their savings are being locked away.

Voted top 3 ideas:

1. **Better communication**

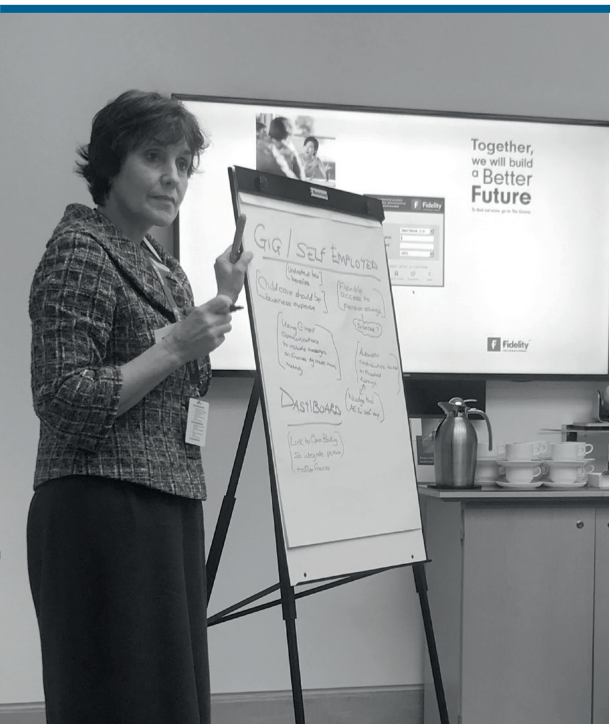
- Default, free adviser sessions at key life events.
- View savings and pension pots in multiple places.
- Stop annual benefit statements/SMPI (Statutory Money Purchase Illustration) which show how your retirement pot is expected to grow over time. Modernising this communication will help make pensions easier to understand.
- Better support for carers (e.g. communication in doctors' surgeries).

2. **Tax system**

- The Government topping up the pensions of the self-employed.
- Simplifying process/adding nudges.
- Rebrand tax relief as a 'bonus'.
- Childcare should be a business expense, allowing the self-employed to receive tax relief on childcare.
- Auto-enrolment equivalent for the self-employed.

3. **Flexible savings**

- Access to pension pots before retirement.
- Widen the window for making contributions to a younger age.
- Cumulative ISA allowance, (e.g. over five years, so if you do not make the most of your allowance one year, you can carry into another).



Group B, chaired by Michelle Cracknell, were given the pension dashboard and the gig economy/self-employed to discuss.

Pension dashboard main points were:

- There is a 'fear factor' in not wanting to know how low your pension is. Could we therefore introduce legislation to link the dashboard to bank accounts, so we can access all information on one app? This could also help to normalise pensions, usually seen as intangible.
- A system that forces people to declare what pensions they have, so that by default they must address how much is in their pension and their saving strategy.
- Automatic pop-ups with information about pensions; getting in women's way when they are doing other things (e.g. checking current account balances), or with services they use (e.g. accounting apps).
- Projections/figures to make pensions tangible and show exactly what that will mean for your lifestyle in retirement.
- Free, default appointment with a financial adviser when you turn a certain age.

Gig economy/Self-employed main points were:

- HMRC has ruled that childcare isn't a business expense. For self-employed people, that is a particular problem, as they might not qualify for other childcare schemes such as vouchers that are traditionally run by employers. This could leave them footing a higher childcare bill than someone who is employed.
- Freelancers and the self-employed are scared to save into a pension, because they don't have a regular income and so cannot guarantee that they won't need the money sooner; they want a buffer and something they can dip into. Potential to introduce a Lifetime ISA alternative, so that savings are not locked away.
- Communication about pensions at major life stages, when people are already thinking about financial matters.
- Self-assessment: if a certain threshold in earnings is reached, automatically some money can go into a pension so it does not get forgotten about.
- A nudge such as auto-enrolment needs to be applied to the self-employed group to help with saving. Or, the Government 'topping up' the pensions of the self-employed.
- Lots of people do not understand the benefit of a pension or tax relief, so do we need to rebrand tax relief as a bonus?
- The need to personalise the message on tax returns – at least so they are more bespoke to certain groups and situations.

"You can have the best policy in the world, but if nobody knows about it, it's no good."

Overall, the sub-groups delivered some achievable policy and non-policy goals. The Women & Money campaign has been running for almost a year, and the results so far have been eye-opening and something to be proud of for all involved.

The next step will be to now review all the takeaways from the three Lab events and decide next steps, and to also keep the Lab network and discussion going, so that we can continue to encourage more women to achieve their full financial power.

"Pension freedom is only a freedom if you know what to do with it."