
Press information

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DB transfers to 'come to a head when stockmarkets fall'

The debate around defined benefit (DB) pension transfers will 'come to a head when the stockmarkets fall', according to an expert on a roundtable of pension specialists brought together by Nucleus, the adviser built wrap platform.

Tim Eadon, a director at the independent financial advice firm Tuto Associates, said that when markets fall consumers who have transferred out of a DB scheme and started accessing their pot will realise they could run out of money in retirement.

Eadon argued the changing dynamics of the market due to pension freedoms has meant there is a real risk of clients not understanding the consequences of a transfer.

He said: "Pre-freedoms, a small percentage of your business might have drawdown cases, typically for high-net-worth clients and sophisticated investors. The government then literally opened up this whole market, without the product set really changing at all. A whole host of people have been thrown into this investment quagmire and been left thinking: 'I really don't understand what on earth is going on.'

"That, for me, is part of the fear. Do clients properly understand the investment element, and the fact they are coming from a guaranteed space and going into something which is clearly no longer guaranteed? Are the investments appropriate? Are they working for them? Do they even understand them? That's going to be part of the problem."

Claire Trott, head of pensions strategy at Technical Connection, said you cannot do a transfer without mentioning the underlying investments "because there are so many people out there who have a DB scheme who have never even considered what an investment is."

Trott continued to say that advisers must know where the dividing lines are with investments when it comes to outsourcing any DB transfer business.

"There are so many different models out there," she said. "I'm not saying any of them are right or any of them are wrong, but if you're used to dealing with one who does the whole service and all the investments, and then you go to another one and they're not doing the investment side, then you need to take responsibility for that."

In order to ensure advisers get a DB transfer right, Eadon contended that annual client reviews had become so much more important, particularly when a client has moved in to drawdown.

Mike Seddon, managing director at advice firm Grayside Financial Services, agreed. He said: "For DB transfers going into drawdown, it is absolutely critical that clients are engaging with their adviser, on at least an annual basis."

The discussion was part of a roundtable Nucleus hosted on DB pension transfers, featuring experts from across the pensions industry. The debate was filmed, with educational content for advisers provided through Nucleus' best practice website Illuminate.

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For further information please visit www.nucleusfinancial.com or contact:

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About Nucleus

Nucleus is a wrap platform founded in 2006 by advisers committed to altering the balance of power in the industry by putting the client centre stage.

Since then, Nucleus has established itself as a major force for change. It is now one of the UK's fastest-growing platforms and the meeting point for more than 400 adviser firms in total seeking to create better customer outcomes.

As at 18 August 2017, assets under administration on the platform were £13.0bn.

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