

## Launch of “Decumulation in Focus”

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# What is your immediate reaction?

① Start presenting to display the poll results on this slide.

# What is it and why is it difficult?

Process of converting DC account into retirement benefits

“

?

William Sharpe, Nobel Prize-winning economist

”



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## Why is it so difficult?

① Start presenting to display the poll results on this slide.

# Why is it so difficult?



Choice  
or not?



Survivor  
protection?



Advice and  
support?



Capital  
protection?



Pension  
adequacy  
(at what  
level?)



Tax



Growing  
reliance on  
DC



Inflation risk?



Stability?



Financial  
awareness



Costs



Solidarity?



Or freedom?



Communication



Lifespan

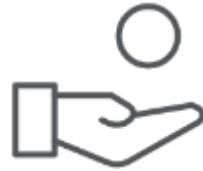


Engagement –  
or not?

# What are the options?



**Fixed annuity**



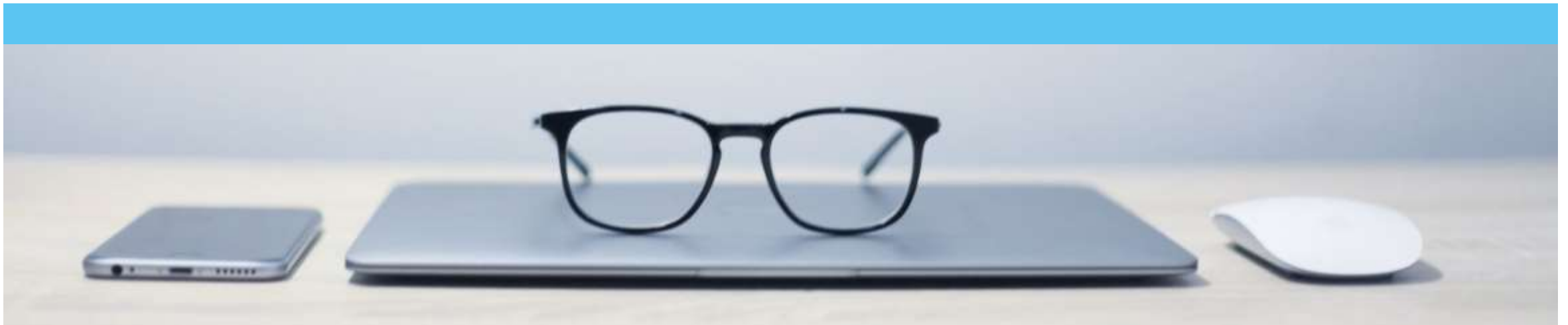
**Collective  
defined  
contribution**



**Lump sums**



**Drawdown/  
programmed  
withdrawals**



## Some important questions

- ? What are the advantages and risks of each?
- ? Should there be a choice at all?\*
- ? Can we mix and match a hybrid solution?
- ? Do we prefer freedom or protection?
- ? What does a good default look like?

*\* **Note:** Even if the saver doesn't choose how to draw benefits, someone does!*



# What can go wrong?

## Lessons from UK research

- ? people expected to retire in 2050s with £225k DC account
- ? of those said they wouldn't know where to start
- 1 in 10 people said they would ?  
...generating a tax bill of over ?  
...equivalent to cancelling out ? years of contributions





# One possible option from the UK...



Age 80

**Flexibility** in the early years...

...**stability** in the later years

**25% tax free cash lump sum**  
(Allowed in the UK)

**45% Flexible income pot**  
(Drawdown income)

**22.5% Annuity**  
(Guaranteed income from age 80)

**7.5% Occasional spending pot** (Unplanned spending through retirement)

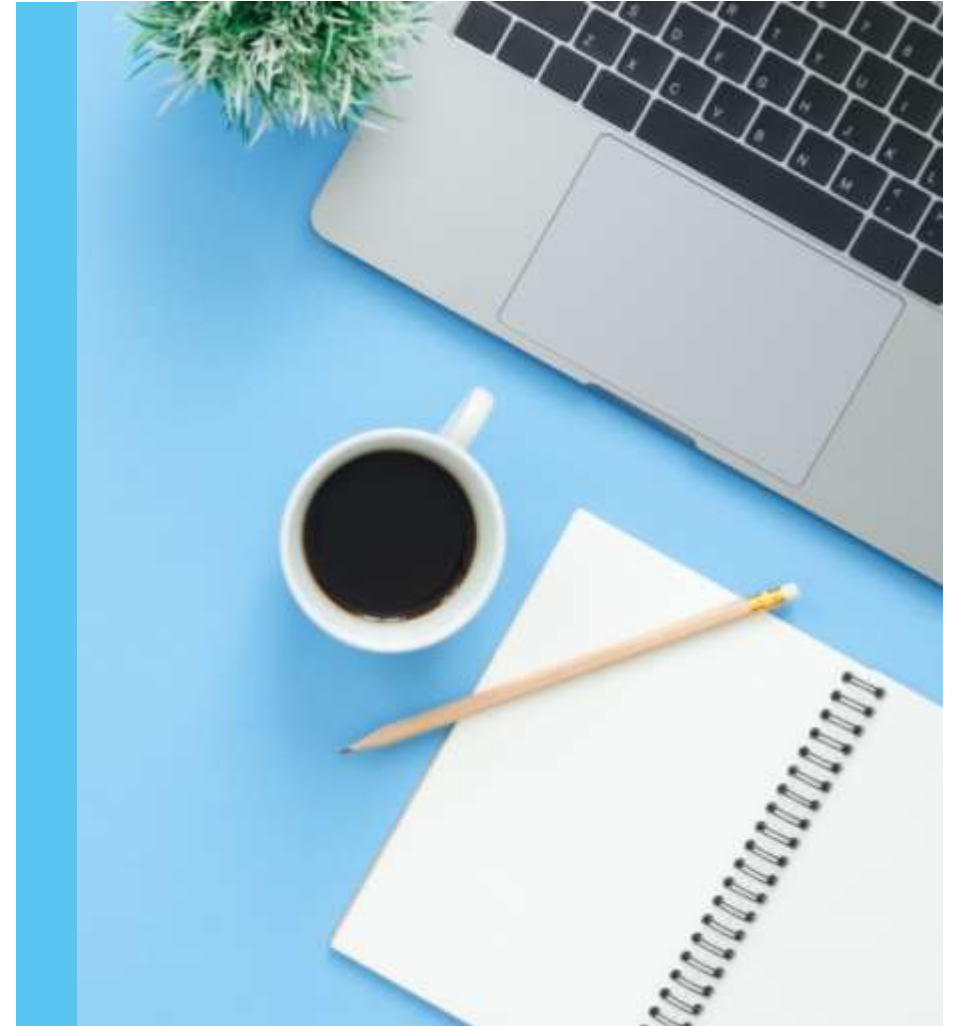
# Closing thoughts

Decumulation involves hard policy choices – things like freedom, choice, stability, communication, tax, solidarity ...

...these need to be resolved well ahead of the decumulation phase ...

...to provide DC savers with certainty

**So the time is now.  
We hope “Decumulation in Focus” will help!**





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