Trust & Confidence Index 2023

Trafalgar House

Foreword

BY

Daniel Taylor
Client Director

Trafalgar House

This fourth edition of our Trust & Confidence Index surveys a Great Britain with a slightly sunnier outlook on the pensions industry following a lengthy strain on finances across all aspects of day-to-day life. However, many members of the British public are still feeling the impact of money pressures on their ability to plan for the long-term future.

Among mixed results and lingering confidence issues, the industry can point to technology as a shining light for building trust and greater engagement with its members in future. Through more effective use of online communications, as well as informative and accessible apps and websites, the industry can remove barriers, reach out to members and make retirement planning part of everyday thinking.

Our research also raises concerns expressed by members – both around their own ability to save adequately, and in the industry's ability to support them. Negativity around engaging with their providers, greater confidence in other financial services, and scepticism around when and how they can retire, all mean that there are serious areas for the industry to tackle.

As a result, we continue to recommend that trustees and providers consider the results of this research and use these member viewpoints as a catalyst for driving service standards and capabilities forward. At Trafalgar House, the insight from this study helps us align our support for members with what is important to them. It's through this that we aim to have a meaningful impact on their retirement journey.

Daniel Taylor
CLIENT DIRECTOR

Index introduction and the 2023 Trust Score

The Trust & Confidence Index 2023 ("The Index") is the fourth instalment of our research into how the British public feels about the pensions industry. The aim is to independently identify how much the industry is trusted and what level of confidence people have that the industry is positively supporting their retirement plans.

As well as the headline Trust Score, we've collected views and opinions on various aspects of member interaction – including in a new area focusing on the role of digital technology in pensions.

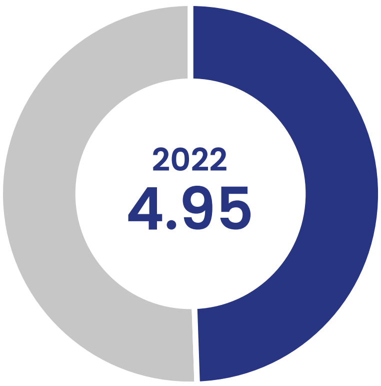
1. **Trust in the pensions industry** – We consider the fundamental question of how much people trust pension providers, as well as how this trust impacts people's retirement savings. It also assesses respondents' trust in pensions compared to other financial service industries, in order to capture wider trends and movements
2. **Factors that impact trust and confidence** – A look at how outside influences can impact people's trust in pensions and the part that different communication channels can play. This part of the Index also provides a ranking of which elements of service provided by the pensions industry are most important
3. **Members' own decisions** – How confident are members with the retirement savings decisions they have made and the level of savings they have built up for their retirement
4. **Attitudes towards pensions technology** – The focus for 2023, considering people's appetite to retire online and their wider attitude to technology in financial services

The research was completed between 17 and 18 October 2023, gathering the views of 2,034 people. The survey was undertaken online by YouGov Plc and is representative of a broad cross section of GB adults aged over 18.

The 2023 Trust Score

We asked respondents to score their level of trust in the pensions industry on a numbered scale of 0-10 from 'not at all' through to 'a lot'. The 2023 Trust Score for pensions is **5.26**.

This is an increase of 6.3% over the 2022 Trust Score of 4.95, representing a positive step forward for pensions. This positive move in trust towards the industry comes despite continued hesitancy within respondents about their own retirement outlook.



Section 1 – Trust in the pensions industry

Having identified the overall Trust Score for the pensions industry in 2023, we now take a more detailed look at the level of trust members have in the industry. We compare pensions to other financial industries and assess how trust has changed over the past year.

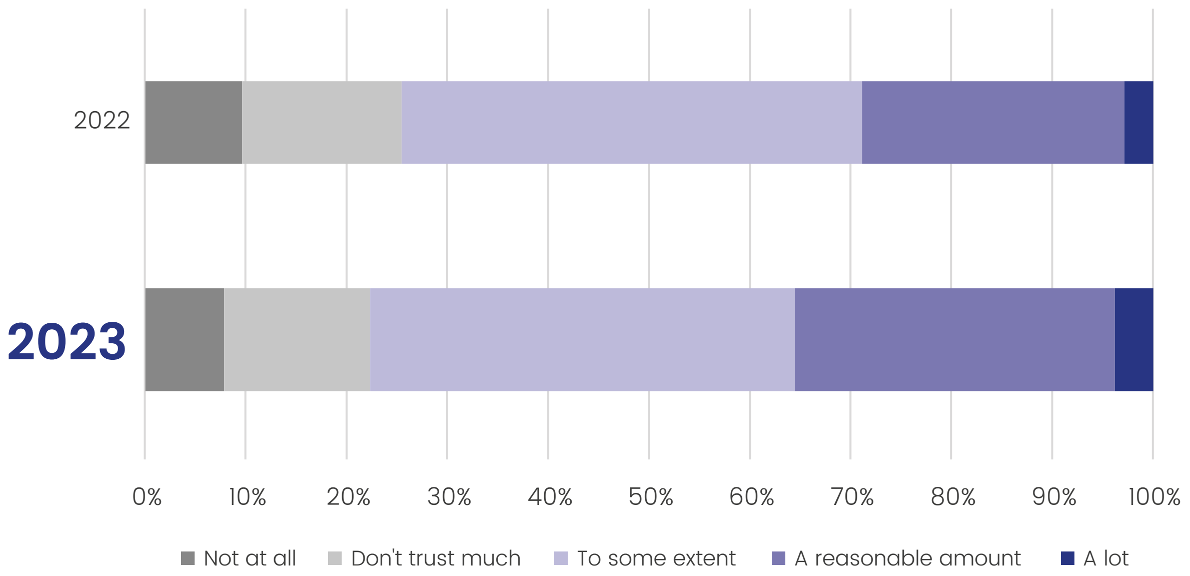
Trust in pensions

We have seen a reduction in negative scoring, with 'do not trust at all' down 1.8% and 'don't trust much' down 1.3% - a combined 3.1% fall in negative trust responses. Unlike previous years, this has not simply moved to moderate scoring, as 'to some extent' has also fallen by 3.5%.

This has meant significant increase in votes for the positive scores of 'a reasonable amount' (5.8%) and 'a lot' (0.9%) – a combined 6.7% higher.

This continued trend now means that only 22% don't have any or much trust in the pensions industry.

To what extent do you trust the pensions industry?



Almost six in 10 still say the industry has no impact on their retirement savings

How does this trust in pensions affect how you feel about your level of savings for retirement?

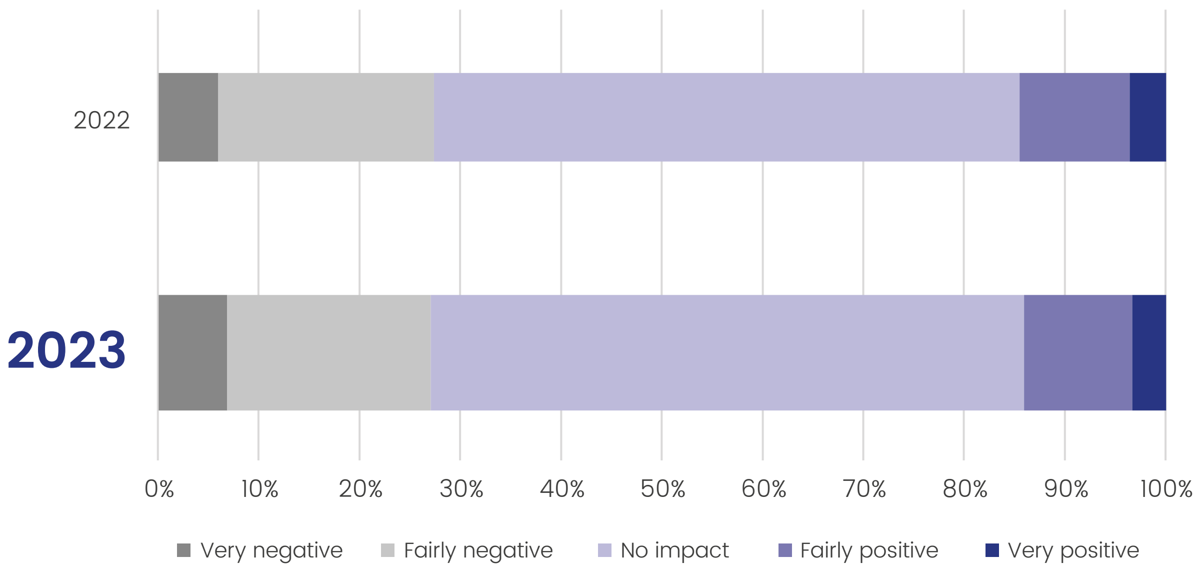
Overall, there is a near identical picture, despite the rising headline trust score.

Following an increase last year, this time slightly fewer people told us their trust, or lack of, in pensions has a negative impact on their pension savings – down from 27.3% to 27.0%

The positive score also remained fairly static, falling slightly from 14.6% to 14.1%

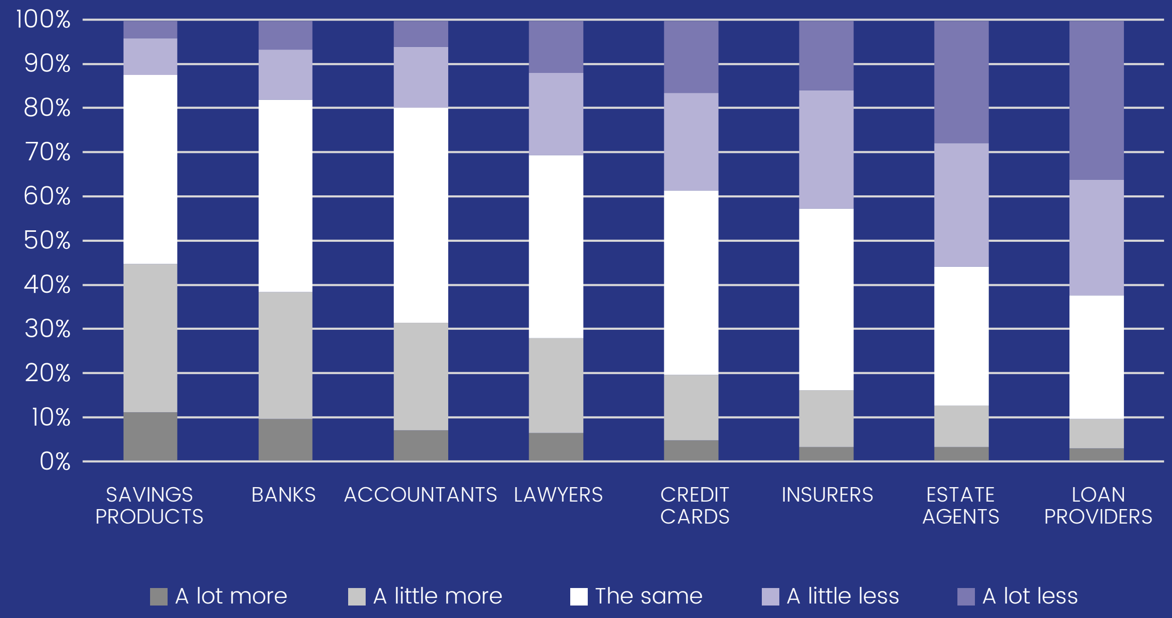
That means almost six in 10 (58.9%) still say the industry has no impact on their retirement savings, meaning very little headway is being made in this area.

Impact of your trust in pensions on your savings amount



Trust in other industries compared to pensions

How much more or less do you trust these industries in comparison to the pension industry?

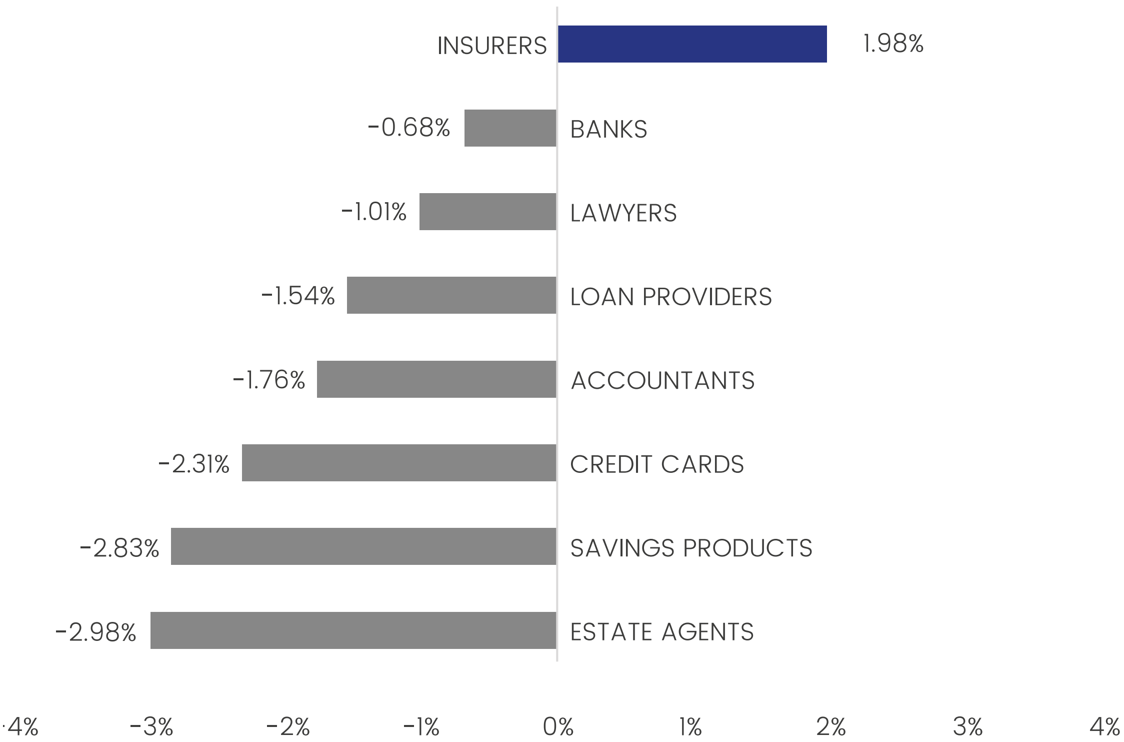


Despite general trust in the pension industry increasing, it still sits in fourth place overall in this part of the research.

Once again, a greater number of people trust savings products, banks and accountants more than pensions, while the other five industries continue to be trusted less.

In fact, pensions has fared rather poorly against the other industries over the past 12 months. Comparative trust has fallen against seven of the eight industries, with only insurance faring worse in 2023.

% change in trust in pensions compared to other industries



Analysis and take-aways

This first section shows that the picture is still complex when it comes to member attitudes. Although the lower negative scoring around trust is a good thing, this hasn't translated into a broader positive feeling about people's own retirement prospects.

For trust in the pensions industry to have negative or no impact on people's savings habits is still a dark cloud over the industry that needs to change.

It also appears that pensions has missed an opportunity to be part of a wider improvement in the relationship between people and financial industries. Losing trust against seven out of eight industries shows pensions still remains in a tricky position when it comes to people's financial planning.

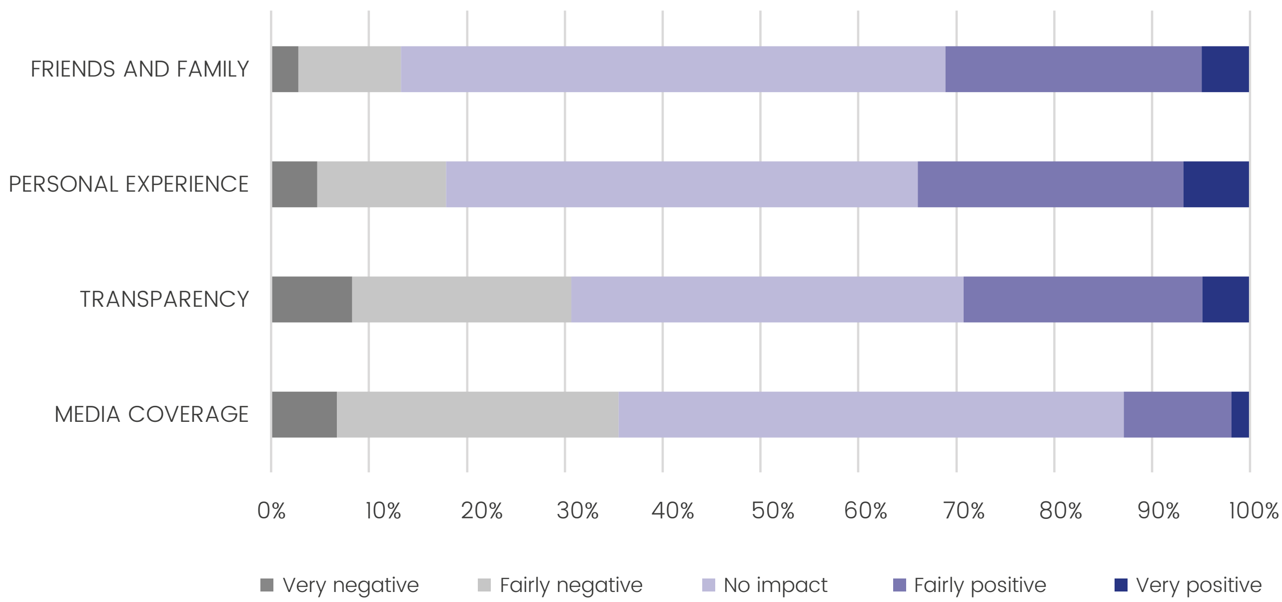
Section 2 – Factors that impact trust and confidence

This section considers the elements that affect members' level of trust and confidence in the pensions industry. It covers the service offered by the pensions industry, as well as communication methods and outside influences.

How much have these factors had a positive or negative impact on your trust in pensions?

While the impact of people's personal experience has remained static since last year, it's encouraging to see the influence of friends and family (3.2%), as well as the transparency shown by the industry (3.9%), increasing in positive scoring from 2022.

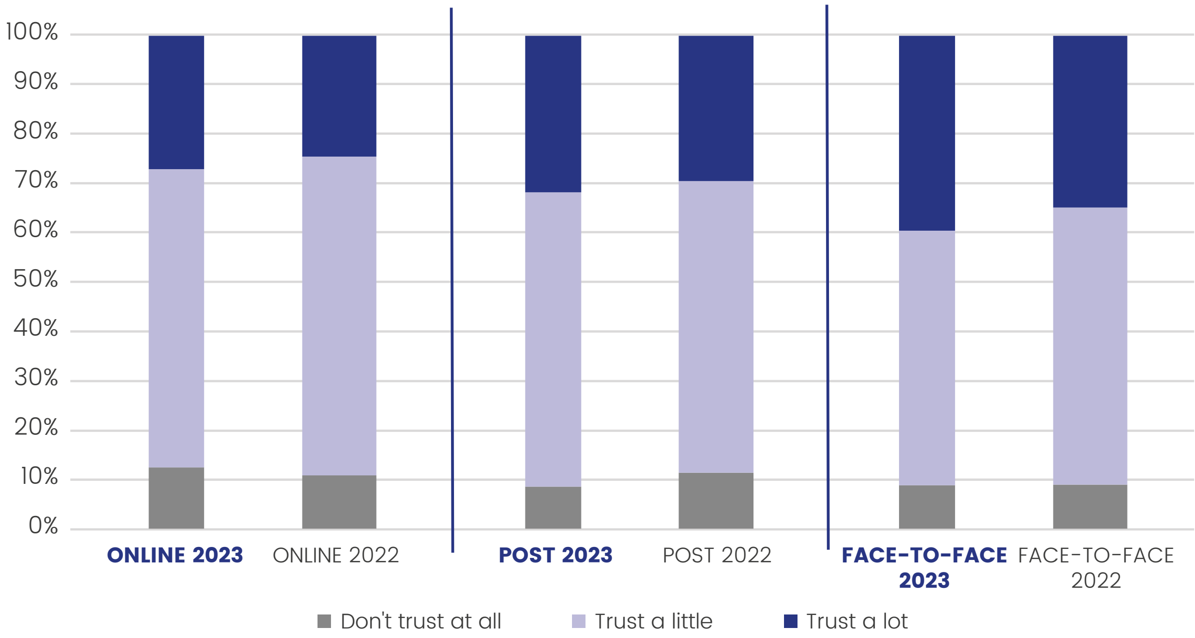
There has also been an encouraging move among the most concerning figure in this part of the research – the negative impact of media coverage. This viewpoint fell substantially by over 5%, from 40.5% in 2022 to 35.4% this time around. While this is still a substantial issue, hopefully it will continue to move in the right direction.



How much do you trust these types of communication?

Face-to-face communication remains important for many people, achieving the highest score for people saying they trust this form of interaction a lot – even increasing its score from 34.8% in 2022 to 39.5% this year. However, outside of financial advice, face-to-face communication with pension providers is relatively rare.

Whilst online communications compare reasonably well to more traditional hard copy communications, this has replaced post as the area of communication with the highest level of mistrust (12.4%).



For the first time this year, we wanted to explore the view towards online communications in more detail. We therefore asked those who said they have a little or a lot of trust in this method what the main reason was for their response.

Unsurprisingly, speed and ease of access were key factors, along with people's experience of greater digital interaction with their other financial products. This move by pensions to try and keep pace with other parts of the industry is clearly welcomed by a large portion of members.

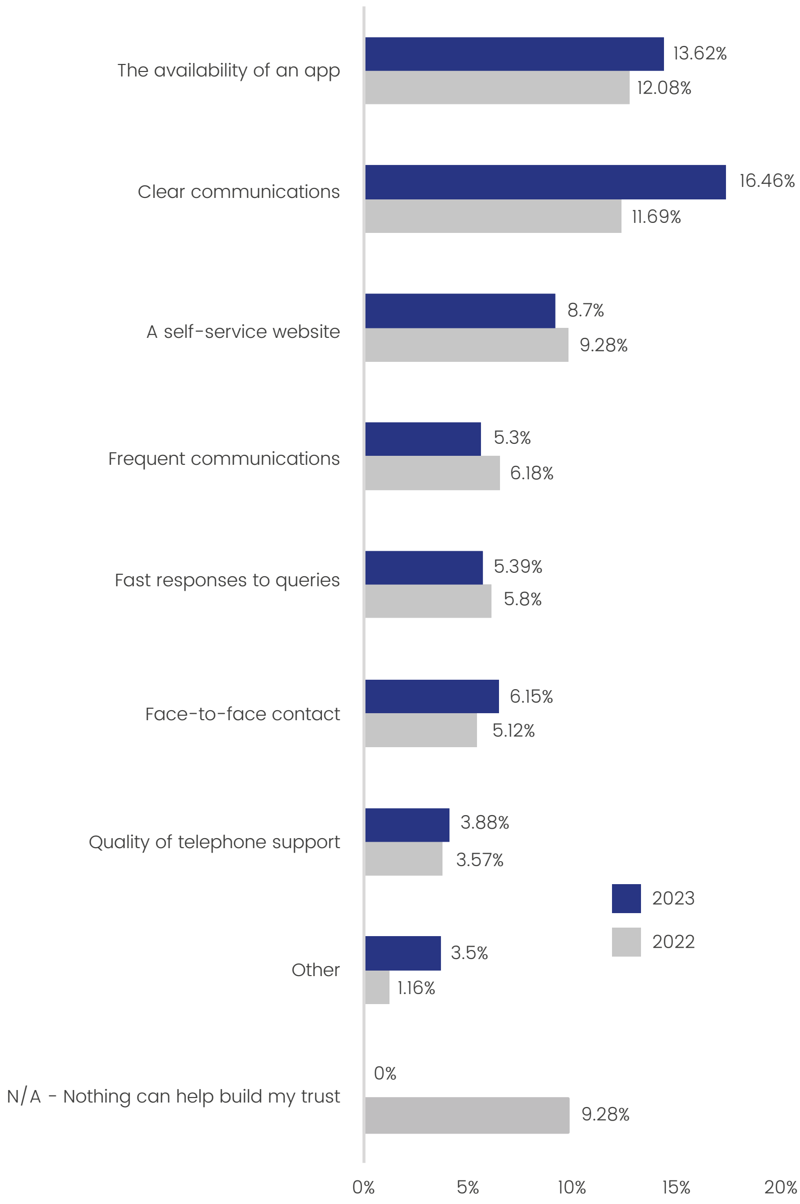
The importance of good service

We asked respondent to choose the most important factor for building trust in pensions. Clear communication has now become the most popular response, rising from 11.7% in 2022 to 16.5% this year.

Technology remains an important component, with more than one in five (22.3%) saying the availability of an app or website is the most important factor for them – up from 21.4%.

Encouragingly, no respondent said the situation was helpless and that nothing could improve their trust in the industry – down from 9.28% in 2022.

Most important factor for building trust in pensions



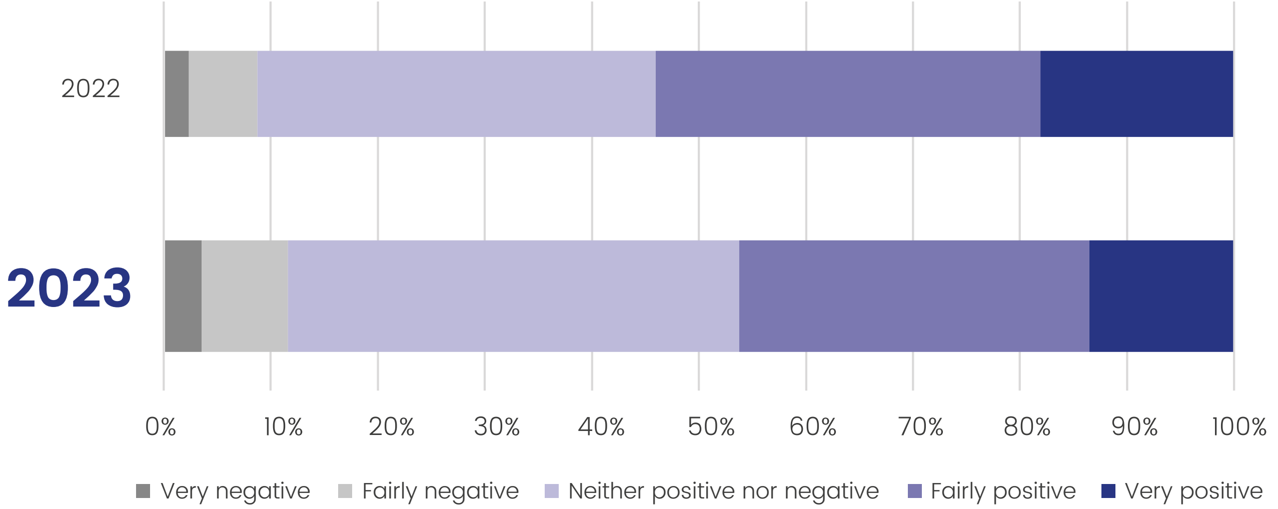
Interacting with pensions

For some, interacting with their pension simply means opening and reading their annual benefit statement, while for others it could mean changing investment strategies or planning their retirement.

Whatever the purpose, it's essential that they have a positive experience in order to maintain trust and engagement with their pension. It's concerning then that the proportion of members saying their experience was either very or fairly positive has fallen substantially from 54.1% to 46.3% - the first time this has fallen below the 50% mark.

While a large proportion of this change can be seen in the increase of the neutral response, which has risen from 37.3% to 42.2%, the number of people saying their experience was either fairly or very negative has grown from 8.7% to 11.5%.

How was your experience of engaging with your pension?



When it comes to the reason for this experience, the results are interesting.

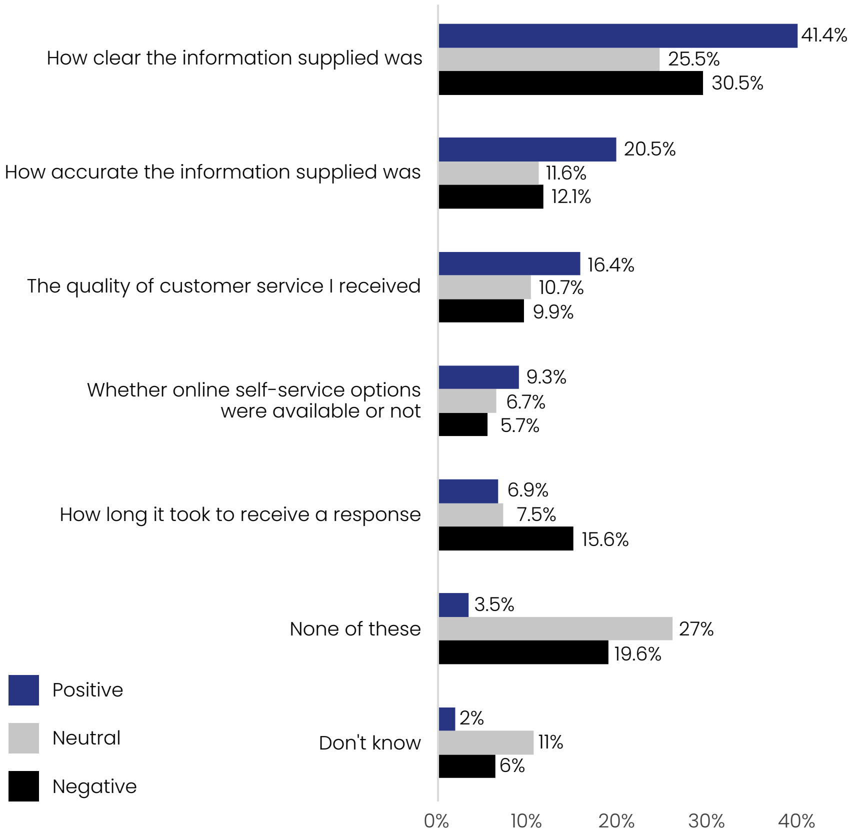
For good or bad, clarity of information is by far the most important factor for people in how they rate their interaction – with 41.4% of those whose interaction was positive citing this as the main reason. On the flip side, 30.5% also blamed clarity for their negative experience.

Speed of service was more than twice as likely to be the main reason for a negative experience (15.6%) than a positive one (6.9%)

The quality of customer service was the opposite influence, with positive responders (16.4%) outweighing negative (9.9%). This was the same story for accuracy of information, seeing more positives (20.5%) than negatives (12.1%)

Those that had a positive experience were far more able to point to a key reason why this was the case, with only 5.5% saying they don't know or that it was none of the options. This compared to over 25% for negative responders and 38% for neutral ones. Does this suggest that a positive experience will stick with you much more than a neutral or negative one?

Reason for giving this rating of your experience



Analysis and take-aways

This section demonstrates just how many elements have an impact on how members feel about their pension.

In positive terms, the impact of friends and family, and media coverage, have helped improve trust, while face-to-face interactions about pensions has grown in positivity too.

The speed and availability of technology is also key, with online communications and their benefits still seen as positive by the majority.

There is still plenty of work to do though, as scores for recent interactions by members were way below what should be expected.

Section 3 – Members' own decisions

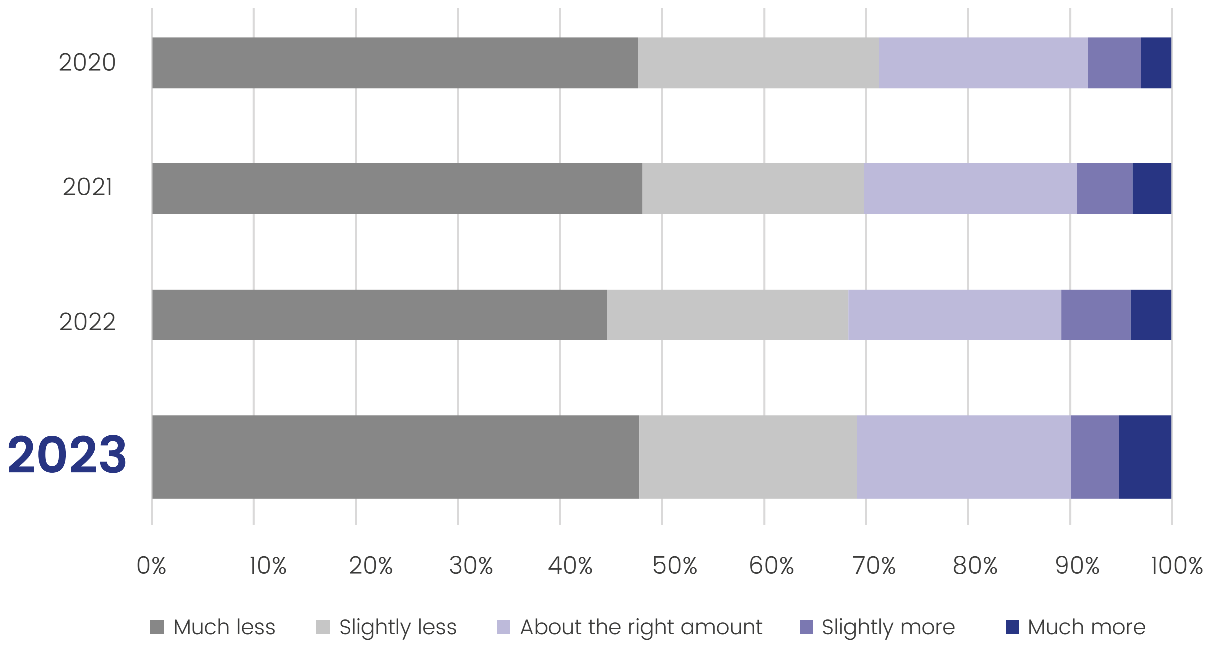
This section considers members' views on their retirement status and some of the decisions they have made towards their future, as well as how these have changed over the past year.

Sufficient savings to retire when planned

After a more positive 2022, respondents' confidence in having enough to be comfortable in retirement has returned to 2021 levels. While marking a relatively small change, the shift ends the improving trend seen over previous research reports when it came to the proportion of people having the right amount or more than they needed.

The proportion of members feeling they had sufficient retirement savings or more, fell from 31.7% last year to 30.9% in 2023. On top of this, the number believing they have much less than they need has increased from 44.6% to 47.8%.

Confidence in having what you need to be comfortable in retirement



When will people retire?

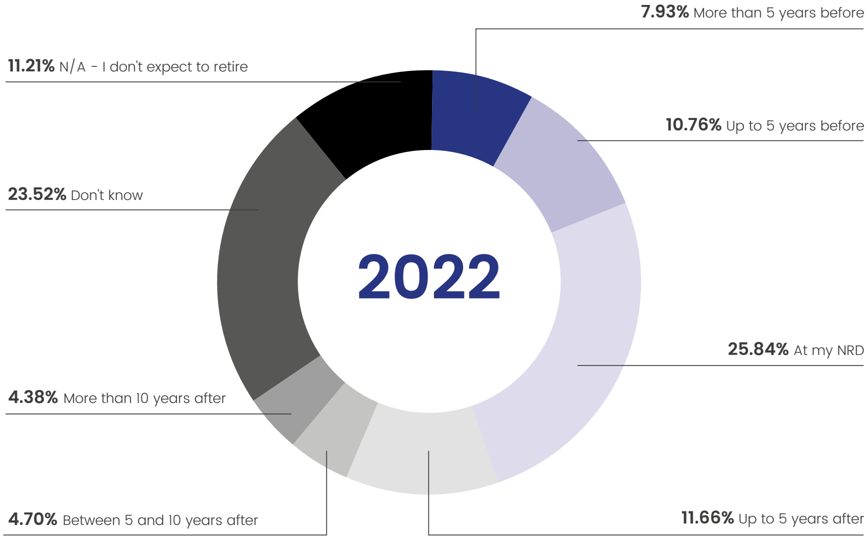
We also asked whether people felt they would be able to retire at their Normal Retirement Date, earlier, or whether they would have to retire later in order to meet their needs.

The proportion of people believing they will need to wait until after their NRD rose to a combined figure of 22.4%, up from 20.8% in 2022. Meanwhile, there was also a fall in those believing they can retire early – down from 18.7% to 18.0%.

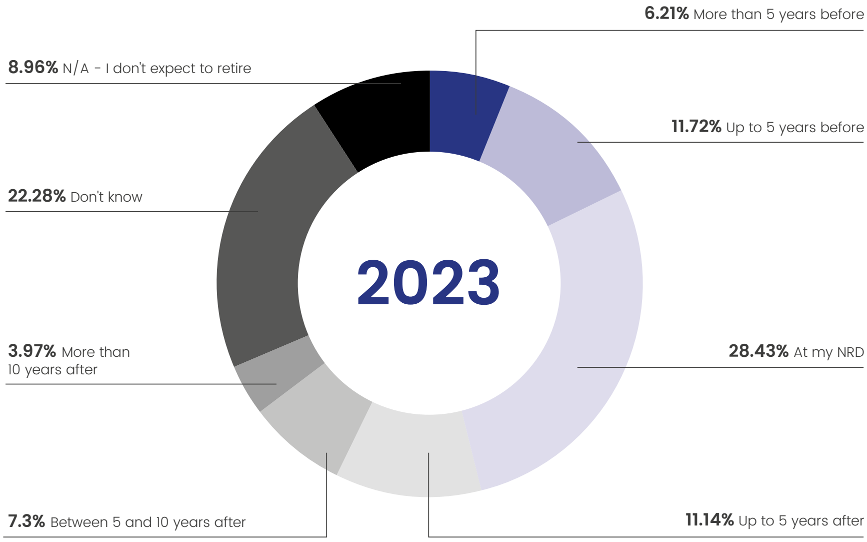
All of this means that a majority (53.7%) feel they will either need to retire late, never, or they don't know.

On a more positive note, the number of people in the most worrying category – those who feel they will never be in a position to retire – fell from 11.2% in 2022 to 9.0% in 2023.

When people expect to retire



When people expect to retire

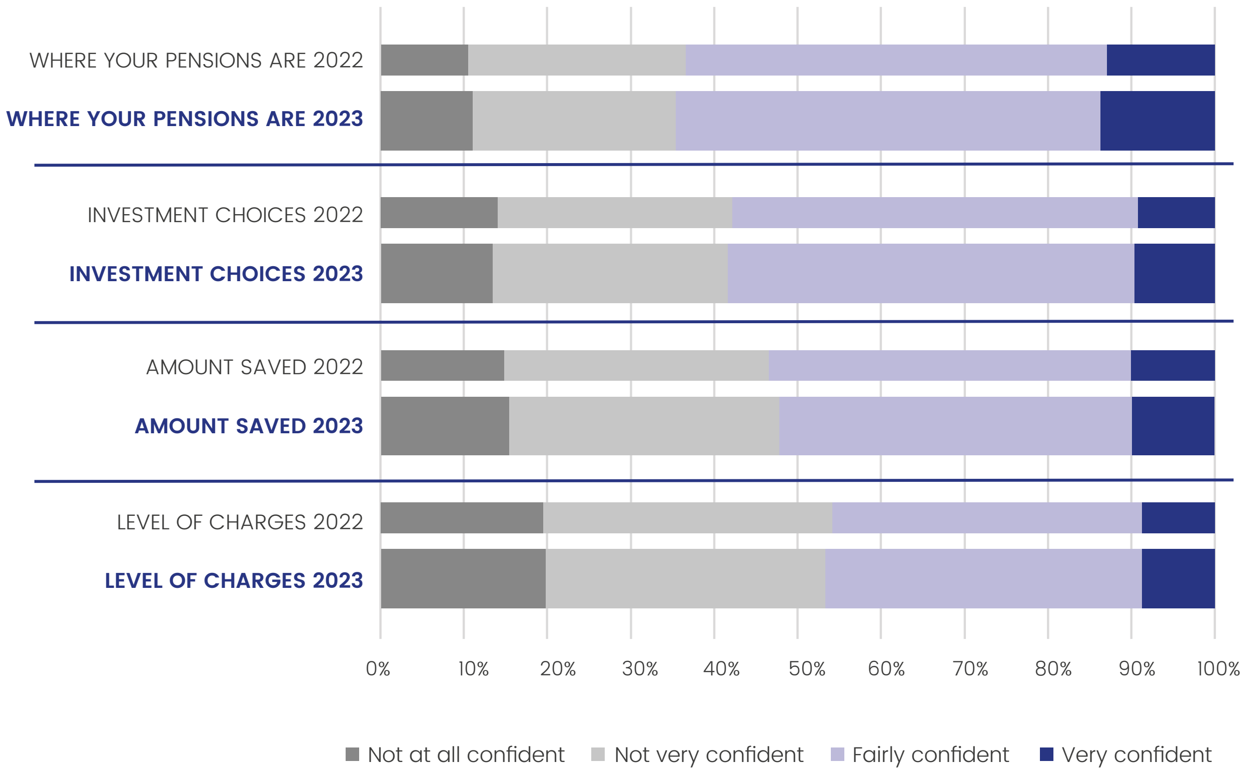


How confident are you that you made the right decisions?

As we have seen in previous editions of the research, confidence among members in their own decisions remains higher than their belief in the role of the industry and others.

In fact, for three of the four categories in this area, confidence has again increased. Confidence in their choice of where their pensions are held has risen from 63.4% to 64.6%, confidence in their investment choices from 57.9% to 58.4%, and the confidence in the level of charges that apply to their pension from 45.9% to 46.7%.

The only variant came from members' feelings about the amount they have saved, which fell slightly from 53.5% to 52.2%.



Analysis and take-aways

Following small positive changes in previous research, 2023 has shown signs of the tide turning to more hesitancy among members about their retirement plans.

With more people feeling they will have less than they need and more believing they will need to retire later than planned, concerns clearly remain.

Once again, however, many members still believe that they are doing all they can in terms of the choices available to them.

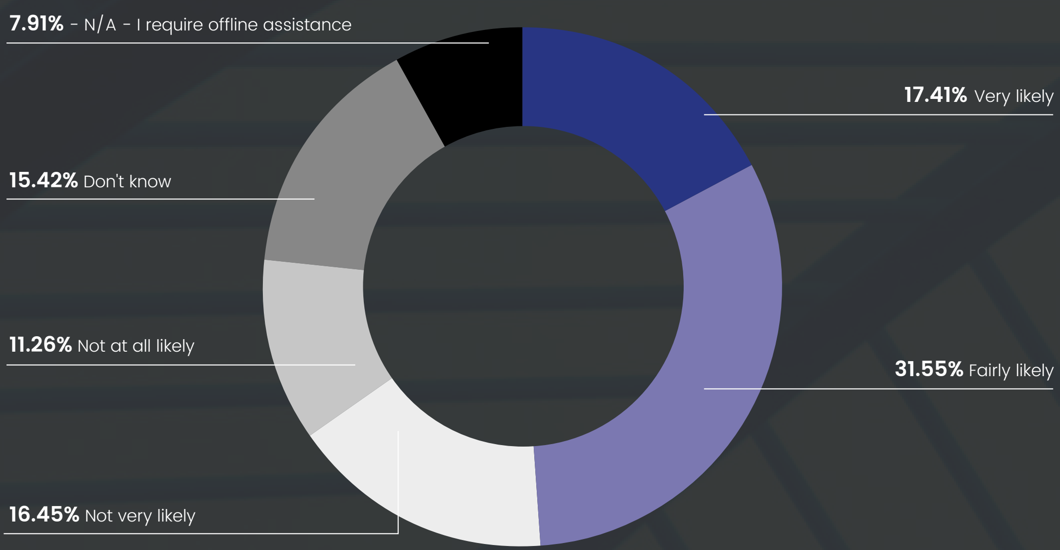
Section 4 – Attitudes towards pensions technology

Our new area of focus for 2023 centres around the role of technology and just how far members are prepared to include it in a retirement environment for the future. We have assessed attitudes to online communications previously, but here we look at making physical changes and decisions via a technological route, rather than a traditional telephone, post or in-person path.

Retiring online

The research first looked at the concept of retiring online, meaning members would go through the decision making, agreement and set up processes for completing their retirement entirely online. This would, in this instance, replace existing retirement quotations, paper documents, postal ID verification and telephone confirmation activities.

How likely are you to retire online?

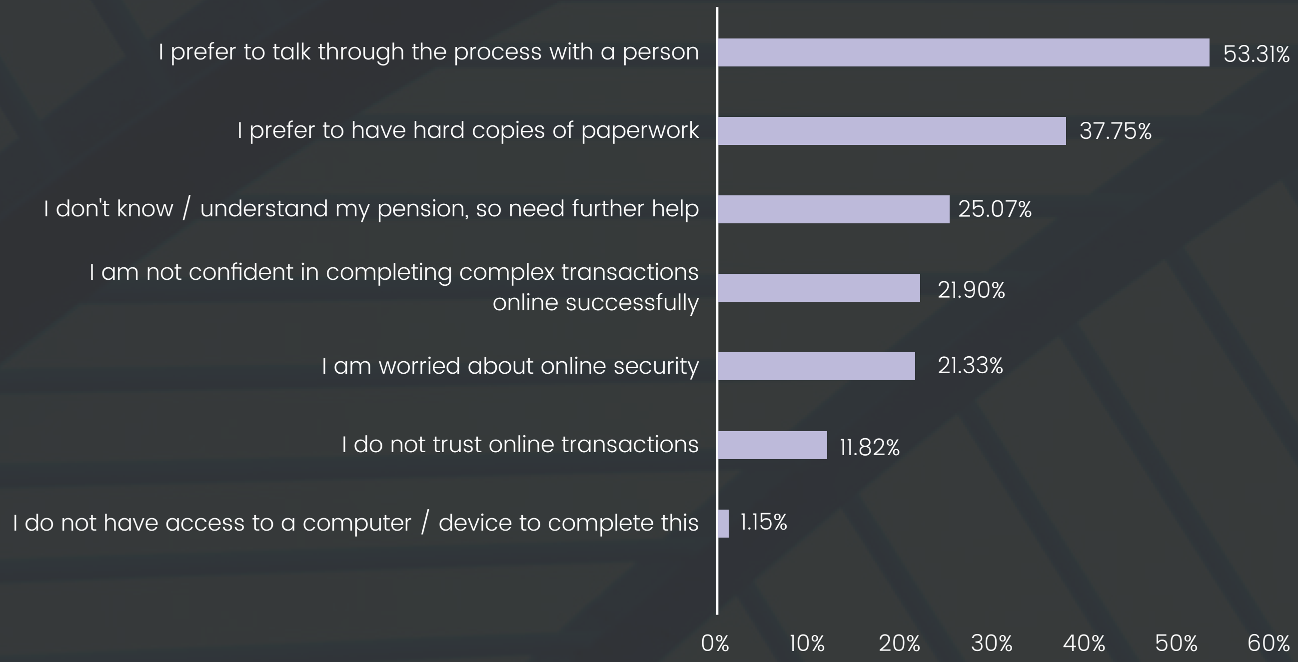


Encouragingly, almost half of respondents believe they would be happy to retire online to some degree – with 17.4% very likely and a further 31.6% fairly likely.

Just over a quarter (27.7%) believed they would be unlikely to take this route, with further groups either unsure or unable to do so.

When asked the reason for their hesitancy, those who said they were either not very or not at all likely to retire online cited the ability to talk things through with another person as the most important (53.3%).

Having the preference of hard copy papers was still important to more than a third of this group (37.8%). Concerns around understanding, execution and security were also common responses.

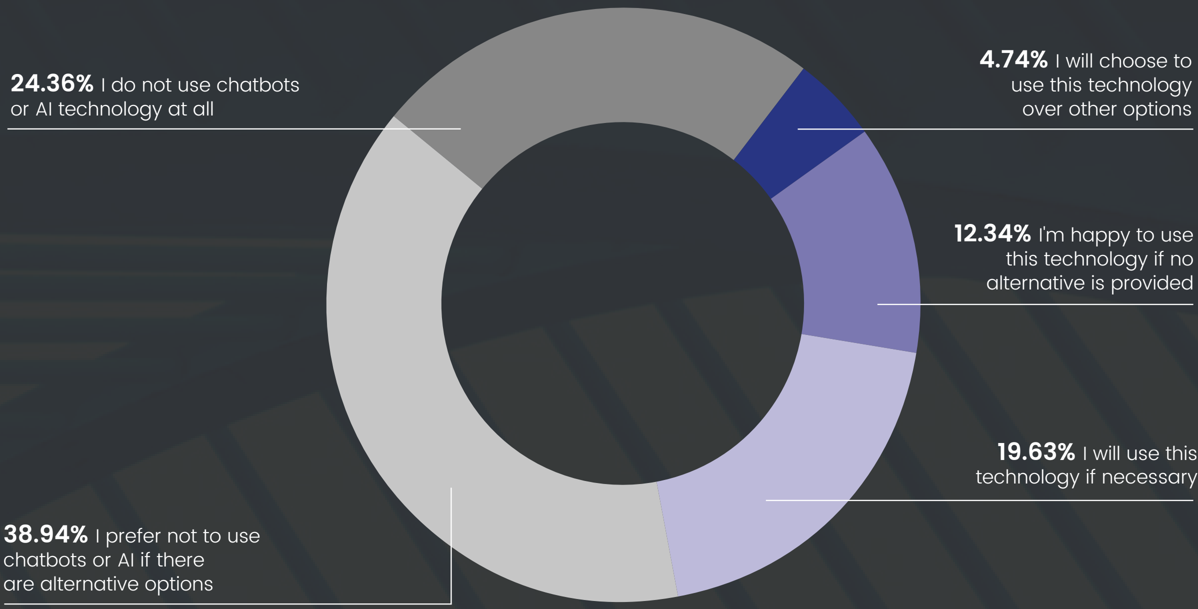


Chatbots and AI

Although becoming more prevalent in many modern customer service settings, a pensions industry considered a little more traditional in its approach has yet to really integrate new AI or chatbot technology into its communication processes. So, perhaps unsurprisingly, they are yet to win over many members when it comes to having a key role in pensions engagement.

Only around one in six (17.1%) people would be happy to or would actively choose to engage with chatbots as part of their interaction with their pension. Meanwhile, almost one in four (38.9%) would prefer not to use this technology, and a further quarter (24.4%) will not use it at all.

Attitudes to engaging with chatbots and AI technology



Analysis and take-aways

These results demonstrate that there is a broader acceptance of technology beyond simple online or member website communications.

With people able to complete other important life-defining financial transactions online, such as mortgages, loans and investments, it's encouraging to see support for the introduction of technology to complete retirement processes digitally.

There is clearly still a role for human interaction though, whether in person or via telephone, that chatbots in particular cannot yet replace.

Our findings show that a positive perception of pensions is chiefly driven by the need for straightforward communication and comprehension

Section 5 – Summary and conclusions

Our 2023 research presents a nuanced picture: although there are positive headline scores, these may conceal underlying concerns or reservations members have about their retirement prospects.

The research underscores the fundamental importance of clear information in boosting and maintaining member confidence and engagement. This emerges as a crucial focus area for trustees and administrators. Despite the industry's recognition of the need to simplify jargon and complexity, our findings indicate that positive perceptions of pensions are chiefly driven by the necessity for straightforward communication and comprehension.

Digital innovation offers a promising avenue for achieving greater clarity. A significant portion of members are open to engaging digitally with their pensions, attracted by the enhanced speed and accessibility of online, mobile, and interactive platforms. Digital services not only integrate pensions into everyday financial management but also align the industry with the already prevalent mobile banking and broader digital financial services. The support for improved digital tools is evident, and it's incumbent upon us to turn this into reality.

However, the research also highlights the ongoing requirement for diverse approaches. Whether it's a preference for face-to-face interactions, additional support needs, changes and recalibration to retirement readiness plans, or changes in personal circumstances, the pensions industry must continue to cater to various member needs. A single approach will not engage members, who appreciate the flexibility to save and retire in a way that suits them best. This adaptability must be preserved, even as we move towards a more technologically driven future.

Above all, these findings indicate that progress in the industry is ongoing. Like in previous years, any positive shifts in scoring are counterbalanced by a significant proportion of members giving negative or neutral feedback. For these individuals, pensions are not yet meeting their expectations, necessitating continued efforts to gain their trust and support them in their unique retirement journeys.

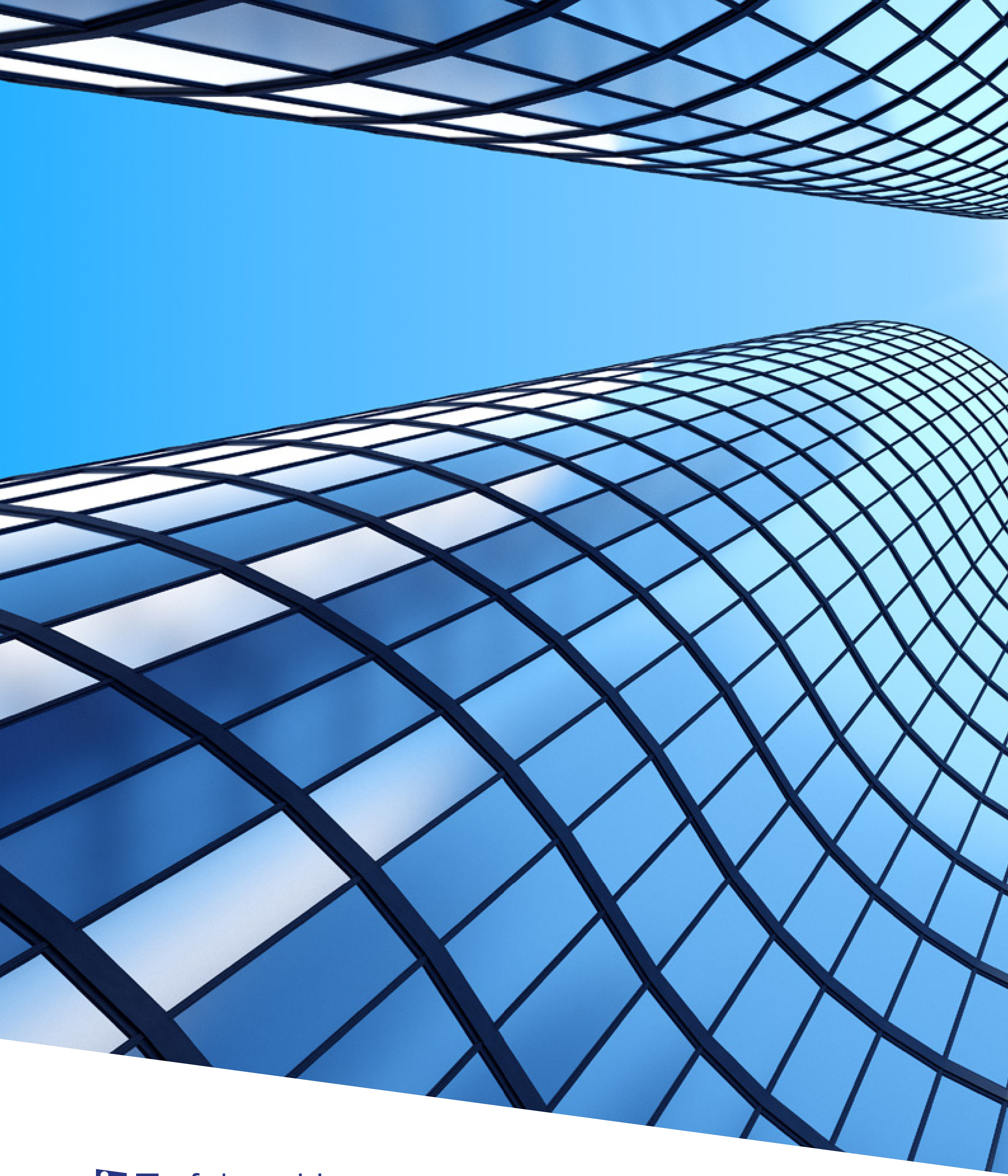
In light of these findings, it is entirely reasonable to expect trustees and administrators to strive for transparency, helpfulness, and reliability. We urge them to reflect on this research and consider how they can align with member aspirations and eliminate barriers to deeper engagement.

Joe Anderson
Business Development Manager

joe.anderson@thpa.co.uk
+44 (0)7557 049290

www.trafalgarhouse.co.uk

Trafalgar House



Trafalgar House