RATHBONES

Meeting the needs of clients in retirement

Key takeaways from the FCA's retirement income advice thematic review

For professional advisers only

In March 2024, the Financial Conduct Authority (FCA) published its 50-page thematic review of how the retirement income advice market is working and whether consumers are receiving appropriate advice on meeting their income needs in retirement.

In the words of the FCA, "It is vital that consumers get good advice when they first access their pension savings and, where relevant, on an ongoing basis."

The range of options at retirement is more complex than ever before, and the size of the defined contribution (DC) market – £1.47 trillion in 2024 – is rapidly catching up with the defined benefit (DB) market (£1.7 trillion)[1].

Missteps in this area have significant consequences, including the possibility of individuals exhausting their pension savings before their retirement is over.

Advisers are crucial, and poor advice may have a particularly detrimental impact. In the thematic review, the FCA reported back on various examples of existing good practices they have found firms exhibiting, so that others may learn from them. We've summarised these recommendations below.

[1] https://www.theia.org/sites/default/files/2025-10/Investment%20Management%20in%20the%20UK%202024-2025_0.pdf

Sustainable withdrawal

The thematic review suggests that firms should aim to have:

A robust approach to sustainable income, using both stochastic and deterministic cashflow planning to provide recommendations.

A detailed centralised retirement proposition (CRP), which sets clear parameters for advisers, while still allowing flexibility to cater to individual clients.

Recommended solutions clearly linked to objectives, risk profile, tax efficiency and sustainability.

Cashflow modelling

In terms of cashflow modelling (CFM), the FCA notes that these actions taken by some firms could be valuable for others:

- Recording the various CFM tools that a firm's advisers and appointed representatives (ARs) could use, highlighting the key features to help them select the most appropriate.
- Setting a clear expectation that CFM or a sustainability tool should be used for all investment-related retirement advice.
- Providing guidance on how to demonstrate outputs to clients clearly (including guidance, but not instruction, on assumptions ARs should use).
- Stress-testing all decumulation plans, using a range of scenarios including a significant market fall at inception, or the impact of the loss of a partner's income.
- Assessing their attitude to risk (ATR) questionnaire using a software tool or through a third-party review.

Ongoing service

To ensure that their ongoing service is as robust as their advice at the outset, firms should consider:

- A process flow document explaining to clients what to expect in terms of ongoing service and what would be covered at each review. This can be included in an appendix to the suitability report.
- Adviser forums to oversee issues arising from the fulfilment of the ongoing services provided.
- A system to flag missed reviews, which is used in the measurement of advisers' performance.
- Recording accountability for decumulation advice within the Statement of Responsibilities and allocating an owner to third-party relationships. This owner would take responsibility for oversight and carry out risk assessments, as well as monitoring and maintaining KPIs on external services.

Charging models

Positive steps that firms can take to promote good client outcomes concerning their charges include:

01

Setting out the different levels of service provided, what is included at each level, and how the service is checked annually.

This should highlight any limitation of the service before advice is given and can include examples of additional support available to clients.

02

Providing clear examples, tables, and tools to help clients understand the charges due.

03

Reviewing service fees annually and ensuring that clients are only paying for the level of service they need and use.

04

Introducing a 'decency cap' on the total fees a client with large fund values could pay for ongoing service.

05

Documenting a clear reported process for how clients not meeting the firm's profile should be referred, e.g. those below the minimum funding value should be directed to MoneyHelper and high net-worth clients to another firm.

Third-party providers

While firms may differ in how they use third-party providers in the delivery of advice, some general recommendations include:

- Reviewing both panel and off-panel platforms at least annually, completing thorough research each time. Firms might use an external specialist to carry out screening or produce a report outlining the due diligence it has carried out on its own behalf.
- Considering the value of an overarching master agreement with all third-party providers covering the contractual terms, service levels and termination clauses.
- Creating an exit plan detailing the circumstances in which they might need to transition away from a provider and how that would be achieved.

Vulnerable clients

Some firms are going beyond simply providing guidance to advisers on how to support vulnerable clients. Their practices include:

- Putting employees through a detailed training programme to identify early signs of dementia, both during face-to-face meetings and phone calls.
- Using analytical call software to help identify signs of vulnerability that an adviser might miss.
- Holding sessions to ask employees to put themselves in the shoes of clients, to help them identify where someone might be susceptible to financial abuse.
- In complex cases, running outcome-review case clinics to agree on the best way to support clients, based on input from subject matter experts.

Governance

Examples of good governance that the FCA noted include:

- A clear and comprehensive process describing how advisers and ARs are to be supported, from recruitment up until achieving competent adviser status (and beyond).
- Requiring specific qualifications and training to advise on complex or high-risk cases.
- Completing reviews of advice files and using quality assurance to identify trends and themes that indicate where further attention may be needed to ensure advice is suitable.
- Providing a template for both the qualitative and quantitative factors to be used in incentive schemes and ensuring that risks can be recognised and managed. Principal firms might require that ARs follow the same process, with AR arrangements requiring agreement from the firm and being subject to annual reviews.
- Reporting regularly on how conflicts of interest are identified and assessed, including specific examples, and noting where remuneration might influence advice and lead to product or fund bias.

The full report includes plenty more detail on areas for improvement and actions for firms, but we hope this summary has provided a useful starting point to think about optimising the retirement income advice your firm provides.

Find out more

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