

Financial Capability Strategy for the UK
Policy Team
The Money Advice Service
Holborn Centre
120 Holborn
London EC1N 2TD

31 October 2014

Dear Sirs

Response to: Financial Capability Strategy for the UK – The Draft Strategy

ILAG is a trade body representing members from the Life Assurance and Wealth Management Industries.

Its members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.

ILAG has established a relationship with MAS aimed at providing practitioner based assistance to MAS's work. In doing so, we also promote the work of MAS amongst our members. We have run a very successful joint seminar on the subject of *The Financial Capability of the UK - what does it mean for the UK insurance industry?* and regularly meet with MAS; most recently with Lee Appleyard from the Partnership Team at our Protection Practitioner meeting in July 2014.

Our view is that MAS must give value for money and concentrate its efforts fairly between debt management and financial education. Education of the younger generation is a key component and we are very pleased to see that money management will now be taught in schools.

For ILAG, and the wider industry, educational awareness and success can only help to make consumers better informed and close the protection, savings and retirement provision gaps.

We have restricted our response to questions where we have specific comments to make.

A list of ILAG members is at the end of this submission.

Yours faithfully

Lynda Maynard
Management Team

Response to specific Consultation questions

1. What time period should the Financial Capability Strategy cover?

Many of the issues linked to financial capability outlined in the overview section of your publication are the result of a number of years neglect in educating a generation in such matters. There is no easy resolution to these issues, so a long-term strategy is imperative in addressing them. However, having too ambitious a target, extending over a number of years could limit what could be achieved in the short to medium term. For this reason a strategy focusing on the next three to five years would seem sensible.

2. What is your view of the Financial Capability Framework?

As outlined, there are a number of contributing factors to the framework. Some are easier to address than others. In addition to the skills and knowledge under the ability heading, a further and important restriction will be the capacity of the individual to take on and understand the information provided.

3. How far do you agree with the objectives of the Financial Capability Strategy?

These are an ambitious and worthwhile set of objectives that will help develop the financial capability within the UK population.

We would like to understand what MAS classes as products and whether this relates to products sold within the financial services market.

4. What is your view of the financially capable behaviour domains?

The main focus of these behaviours and, to a large extent this document, focuses on savings and debt management, with little mention of protecting income, family and lifestyle through the provision of protection products. Whilst the former are important issues to tackle, we believe that protecting dependants against the financial consequences of death and disability should be the core of financial provision, whether purchased by an individual or employers.

5. How important is it to measure financial wellbeing to help measure the impact of the Financial Capability Strategy?

This will prove an important indicator by which to structure and direct future strategy decisions.

7. How far do you support the Strategy's aim for children and young people?

If we are to see a change in the attitudes to financial planning and capability in the UK, it seems sensible to focus on the generation that seem to have little or no education or awareness in this area. We fully support the MAS initiative to initiate and improve knowledge in this age group.

8. What is your view of the recommendations for action relating to children and young people? How could they be improved?

These recommendations focus on savings, money management and debt advice. Whilst these are important, they form just part of a holistic financial framework. Younger people should also be made aware of the need to consider protecting their income against 'financial shocks' such as disability or job loss.

9. How far do you support the Strategy's aim in respect of preparing for later life?

This is probably the most ambitious, broadest and least defined part of the overall strategy. It is one of the major issues to overcome; making individuals think and plan for the future. We consider it vital to develop a strategy that starts to overcome attitudinal and motivational barriers to long-term planning. MAS, alongside other

public and private sector bodies, has a key role to play in helping people to make good decisions regarding their income needs in later life.

10. What is your view of the recommendations for action relating to preparing for later life? How could they be improved?

We suggest the inclusion of engagement with employer groups and trade unions to help direct employees and members to information on, and assistance with, financial matters including the purpose of the Guidance Guarantee.

Moreover, there is merit in this topic being included as part of the education for young people. There is a need to promote for earlier planning for later life and understanding of the pensions system and the purpose and benefits behind auto-enrolment.

11. How far do you support the Strategy's aims for older people?

We are fully supportive of these aims to develop the financial capability of the older, retired population.

12. What is your view of the recommendations for action relating to older people? How could they be improved?

We are seeing evidence that low- to middle-earners are finding it difficult to obtain affordable advice, which is increasingly becoming the preserve of higher net worth clients. Providing tools, support and affordable advice will go some way to bridge the gap.

14. What is your view of the recommendations for action relating to people with financial difficulties? How could they be improved?

The recommendations are appropriate for this group.

16. What is your view of the recommendations for action relating to the ease and accessibility of financial services? How could they be improved?

Independent advice may be preferable, but not always affordable for the customer. Alternatives, as suggested in this section, can be developed to serve the needs of this market.

18. What is your view of the recommendations for action relating to influencing social norms? How could they be improved?

The recommendations seem limited and rather vague.

We have seen 'social norms' change significantly in less than a generation. Softening attitudes to debt are now developed at early life stages, with student loans a necessity for a large number of teenagers. We would also expect to see a social media strategy outlined in this document.

19. How far do you support the Strategy's aims relating to evidence and evaluation?

It is important to measure and evaluate effectiveness. Resource in this area, however, needs to be proportionate to the effort and spend on delivery of the strategy. An imbalance would turn this into an academic exercise, with limited impact on the issues to be addressed.

20. What is your view of the recommendations for action relating to evidence and evaluation? How could they be improved?

We agree with the sentiment outlined in the recommendations. It will take a broader

effort than MAS alone to tackle the issues outlined in the strategy document.

21. How would your organisation like to be involved in further development of the Strategy?

ILAG is happy to contribute information and advice from the practitioner perspective and to support initiatives which promote the long-term benefits of financial services products and services as an integral part of a cohesive framework.

22. What role do you see your organisation playing in the implementation of the Strategy?

Whilst many of the solutions will be best addressed through the support and effort of individual provider firms, ILAG can continue to disseminate and promote the work MAS does throughout its membership.

Ends

ILAG Membership

Members

Aberdeen Asset Management Life & Pensions Ltd	Mazars
Ageas Protect	metfriendly
AXA Wealth	MetLife
Barnett Waddingham	Milliman
Canada Life Limited	Old Mutual Wealth
Capita Life and Pensions Services	OAC Actuaries and Consultants
Defaqto	Pacific Life Re
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Family Investments	Police Mutual
Fil Life Insurance Limited	PricewaterhouseCoopers
Foresters	PruProtect
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Grant Thornton	Royal London Group
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HCL Insurance BPO Services Limited	SCOR Global UK Limited
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