

## Media Release

### **COLUMBIA THREADNEEDLE CALLS FOR AUTO-ENROLMENT INTO DEFAULT PENSION DECUMULATION SOLUTIONS**

- New research by the Pensions Policy Institute highlights the need for investment solutions that address evolving pension drawdown and spending in retirement needs
- Pace of policy change, uncertainty about how the market will develop and the small size of most DC pension pots create barriers to innovation in the retirement space

**LONDON, 11 October 2018:** The 2018 *DC Future Book*, a report on UK Defined Contribution (DC) pensions published by the Pensions Policy Institute in association with Columbia Threadneedle, found that the next generation of retirees will live longer, retire with more debt, face higher living costs and become more dependent on their DC savings. Some will also need to provide ongoing support to both older and younger family members. At the same time, they expect to travel more than their parents' generation.

These challenges increase the complexity of the decisions people need to make at the point of retirement and throw up the question of how to make the most of their savings after they have stopped working. Columbia Threadneedle believes that a rethink of investment solutions for the decumulation phase is therefore needed.

**Daniela Silcock, Head of Policy Research at the Pension Policy Institute, said:** "People reaching retirement over the next few decades will have lower than average private pension savings compared to previous generations of pensioners and may hence struggle to maintain the same consumption patterns. In addition, they are likely to spend a higher proportion of their income on providing financial support and care to family members, as well as having to rent in retirement.

"Increased freedom in accessing DC savings may help people to meet varying consumption needs during retirement, however they may struggle to know how to meet these increasingly complex needs. Some might benefit from using currently available secure products, such as annuities, advice and support. Others may benefit from pre-designed retirement pathways and other forms of help."

Columbia Threadneedle believes that an auto-enrolled default drawdown investment solution, underpinned by a well-diversified and dynamically managed multi-asset solution, can deliver robust risk-

adjusted returns while at the same time protecting savings against market turbulence, investment sequencing risk and inflation.

**Michelle Scrimgeour, Chief Executive, EMEA at Columbia Threadneedle Investments, commented:**

“Every year, the *DC Future Book* helps us understand the direction of travel of the UK DC pensions market and encourages thoughtful discussion around how to ensure our society can look forward to a comfortable retirement.

“Around nine million people in the UK will turn 55 in the next decade. For many, choosing an investment strategy and a sustainable income withdrawal rate will provide overwhelming, let alone taking a view on life expectancy and on how to protect their nest egg. Yet the pace of policy change, uncertainty about how the market will develop and the fact that most DC pension pots are still relatively small, are all creating barriers to innovation in the retirement space post freedom and choice.

“We can’t afford to wait. Auto-enrolment for working people has been heralded as a success so far. We believe the same principles should apply to those at the point of retirement. For most people, a well thought-out and relatively inexpensive default drawdown fund with a preset investment strategy, flexible withdrawal rate and an opt-out option, increases the likelihood of achieving a level of income that not only sees them comfortably through retirement, but also meets their changing spending and therefore income needs.”

**Ms Scrimgeour continued:** “There are encouraging signs that DC decumulation is moving into the spotlight, with policymakers and regulators suggesting this year that default investment pathways may be the way forward. We hope that the pensions and investment industry can work with government and regulators to find a workable solution. With retirement often lasting for 30 years or more, investing pension assets to sustainably meet spending needs must be the imperative.”

The *DC Future Book*, published in association with Columbia Threadneedle Investments, is an annual longitudinal study of UK DC workplace pensions that explores how the market is developing and the challenges faced by pension savers as well as those at and in retirement. To download the full report visit: [www.columbiathreadneedle.co.uk/DCFfuturebook](http://www.columbiathreadneedle.co.uk/DCFfuturebook)

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## Notes to Editors

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Our priority is the investment success of our clients. We know investors want strong and repeatable risk-adjusted returns and we aim to deliver this through an active and consistent investment approach that is team-based, risk-aware and performance-driven. Our investment teams around the world work together to uncover investment insights. By sharing knowledge across asset classes and geographies we generate richer perspectives on global, regional and local investment landscapes. The ability to exchange and debate investment ideas in a collaborative environment enriches our teams' investment processes to ensure the best insights are applied to portfolios. More importantly it results in better informed decisions for our clients.

Columbia Threadneedle Investments is the global asset management group of Ameriprise Financial, Inc. (NYSE:AMP), a leading US-based financial services provider. As part of Ameriprise, we are supported by a large and well-capitalised diversified financial services firm.

Source: Columbia Threadneedle Investments as at 30 June 2018.

<sup>1</sup> Ameriprise Financial, Inc. Q2 2018 earnings release.

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