

2018 Innovating for Ageing Programme

Problem Shortlist

Money Matters

LEBC The Retirement Adviser - Financial capability

What is the issue facing vulnerable consumers that you would like us to ask the solutions community to attempt to solve?

Financial capability or rather lack of it, is an issue that affects a large spectrum of society. It is not age or gender specific but in our experience, it is more often exhibited in an older cohort of mostly women, who have traditionally delegated responsibility for financial matters to their spouse/ partner. Delegation of tasks in a relationship is normal and while both partners have full capability can be an efficient way for busy people to run their affairs. However, what makes sense when both partners are alive and well can quickly turn into a stressful and confusing scenario when the one who makes the financial decisions can no longer do so.

Having to get to grips with financial matters which are unfamiliar, at a time of stress such as bereavement or loss of mental or physical capacity of a loved one, adds to the pressure on someone who, through their own aging or ill health, may not be in the best frame of mind to cope. This can lead to a cycle of poor decision making, added stress and loss of self-confidence around money.

While other family members may be willing and able to help, over reliance on this can lead to conflicts of interest arising between generations, which at its worst can culminate in financial abuse.

As advisers to a wide section of the community, we know that the majority of parents are keen to help younger generations and often do not think of their own needs before doing so. Those who have little familiarity with their finances, until a bereavement or ill health of a loved one forces them to do so, are more prone to discount their own needs. For example, they may see a lump sum life assurance or critical illness payment as something of a windfall to be shared with all the family, unaware that their continuing income is likely to fall, yet living expenses may not.

So, while a lot of attention has been paid to making younger people more financially aware, which we support, it is equally important to ensure that older people also take steps to improve their financial capability, especially as in the majority of cases, one of the couple will outlive the other. This is an issue which affects older women disproportionately, due to reticence to talk about money and perpetuates the gender pay gap into old age. Making older people more financially aware and willing to talk about money should be a priority as it is the first step to improving financial independence.

Why should the judges ask the solutions community to prioritise the issue you have proposed?

In the UK there are 500,000 deaths per year, the majority are older people, many of whom leave a surviving spouse/partner. 20% of those over 80 years old suffer from dementia. The growth of this segment of the population means that coping with financial consequences of bereavement or care costs is affecting a bigger segment of the population. The numbers dependent on social security are likely to rise.

Over time the % of those retirees with defined benefit and guaranteed pension income will reduce. More will have to rely on defined contribution pensions, which offer less guarantees, and according to research conducted by ONS and the Centre for Household Assets & Savings Management have lower values in terms of the income they will produce than the current defined benefit pensions in payment.

At the same time personal debt is growing and older borrowers with interest only mortgages, which are estimated by the FCA to include 40,000 interest only mortgages per year between now and 2032, with no repayment vehicle in place, can leave older borrowers "held hostage" to existing lenders, where they are likely to pay more than the most competitive rates and may not be able to repay the debt or re-mortgage in later life, especially if household income has fallen due to bereavement or care needs.

Due to traditional norms, many older women who gave up careers to raise a family do not have a full state pension entitlement and less private pension provision than their male counterparts. Not having a full understanding of their financial affairs compounds their relative financial position and exacerbates the effect of a gender pensions gap. Not being involved in discussions about their finances makes it harder for them to access financial advice and approaching a professional adviser for the first time seems daunting.

How many people might benefit from a solution to this issue?

We see this lack of financial capability as a widespread issue. According to ONS, in the UK 64.8% of the population over the age of 16 are in long term financially dependent relationships. These include 50.6% married. 0.2% in civil partnerships, 14% cohabitants., 16% of marriages reach their 60th wedding anniversary and 6.8% of the adult population is widowed. Potentially millions could benefit from greater shared financial awareness.

In the majority of cases one will outlive the other leading to changed financial circumstances. 20% of over 80s will suffer dementia, leaving them incapable of handling their own affairs.

Financial exclusion, resulting from a lack of awareness and experience, can mean that many widows and those whose partner ceases to have capability, miss out on opportunities to maintain or improve their standard of living for the rest of their lives.

Empowering individuals to talk about these matters before they arise, to make their wishes known and to ensure that more adults have a better understanding of their financial affairs, take steps to protect dependents and arrange wills and powers of attorney can be of benefit to millions of individuals.

If you have any case studies to exemplify the problem, please provide details here

A widow came to us for advice. She was the second wife of her late husband in a marriage of 20 years. He had been a professional person and told her that he would leave all his assets to his children from a previous marriage, except for their house, which she would have the right to remain in for her lifetime, and his pension. would be left to her.

She had assumed that inheriting his pension would mean that the income they had both had would continue as before. She was shocked to find out that the pension was in fact a self-invested personal pension, invested directly in shares and worth around £350,000. Her late husband had this and the State pension and while they had lived comfortably this was due to his decision to withdraw capital at the maximum allowed from his pension. As a 64-year-old widow, with little investment experience, other than cash savings, she could not contemplate how to manage the SIPP. She had some private pensions of her own but had given up work and funding them a few years earlier when her husband retired, assuming that she would inherit the whole of his pension on a guaranteed income basis. She saw her own smaller pensions as being a long-term hedge against inflation or to fund her care costs, she had not imagined having to tap into them sooner to pay her day to day costs.

We had to explain to her that the pension fund was unlikely to be able to produce this level of income on a sustainable basis and that she would need to use all her own savings to supplement this and to move to a smaller property in due course.

A conversation about their finances and an informed discussion on what would happen if he died first, could have saved her the shock and distress of finding out too late that her financial position as a widow was not secure. Much could have been done to make it so.

The Pensions Advisory Service – Recognising Scams

What are the biggest challenges vulnerable older consumers face when trying to buy products and services?

Technology and recognising scams.

What do you think are the most important challenges you or your organisation faces when trying to support vulnerable consumers?

Making them aware and getting them to use our service.

What do you think is the biggest and most important challenge facing vulnerable older consumers and those who serve them?

It is a very diverse group; one size does not fit all vulnerable older consumers

The Personal Finance Society

What is the issue facing vulnerable consumers that you would like us to ask the solutions community to attempt to solve?

Regardless of the definition of vulnerable consumers used, or the fact that they are typically identified as specific groups of people (for example, those without any significant financial buffer to be able to deal with unexpected events) anyone can become vulnerable at some point in their lives for a variety of reasons. That said, increasing longevity involving either natural and pathological cognitive decline as well as an inevitable degree of physical degeneration in older consumers is increasing the likelihood of their need for either social and/or health care at some point in later life. The ongoing complexity of this market, as well as issues around access to and availability of appropriate services and funding are such that older consumers are increasingly vulnerable to poor outcomes.

This state of affairs was well described by Richard Humphries, of The Kings Fund, May 2013 in their paper "Paying for Social Care: Beyond Dilnot" when he said:

"Who pays for what across health and social care is confusing and incoherent. Reform has been made harder because of the fragmented way the social care system has evolved, leaving a system that is criss-crossed with fault lines between NHS and local authority social care, private and public funding, and private and public delivery"

Solutions to this state of affairs have been debated for many years and we could be forgiven for not holding our breath as we await the Green Paper on Care due out this summer. Any significant and sustainable solution will require both significant funding, structural reform and cross party political will that is unlikely to come together and deliver in the short to medium term, especially as we transition into the complexities of Brexit.

So the consumer is and is likely to continue to be faced with essentially three ongoing challenges in the event of an immediate need for care, a need that often manifests itself at a time of crisis (for example at the point of hospital discharge):

1. Not knowing who to turn to for help - the need to access quality, reliable, clear information, guidance, advocacy and advice in one place that is lacking for the majority.

Evidence in the form of consumer surveys suggests there is no single organisation, brand or profession that most consumers automatically think of in terms of help sourcing care and establishing eligibility for central or local authority funding.

2. A lack of initial knowledge - helping consumers appreciate what they don't know they need to know, as well as accurate information in respect of what they do know they need to know.

The complexity of social and health care is such that most consumers follow the line of least resistance/hearsay, and secure outcomes that are often sub optimal (both in terms of service provision and cost).

3. A lack of trust or 'safe space' within which to engage professionals in respect of both non-regulated care advice and regulated paying for care advice- this is critical and why so many financial advice firms and product providers fail to source referrals direct from consumers or in respect of paying for care advice, direct from care service providers.

I would therefore like to ask the solutions community to give thought to how we might address the three challenges above. For example, do we need an information and triage service that operates in respect of social and health care in much the same way envisaged for Pension Wise following the added complexities of Pension Freedoms?

Why should the judges ask the solutions community to prioritise the issue you have proposed?

Access to adequate social and health care is literally a lifeline for many people – essential for maintaining health, independence and inclusion in society. With an increasing number of people living longer more of us are likely to require social care at some point:

- 1.6 million people are aged 85 or over (source: Mid-2016 Population Estimates UK Office for National Statistics, 2017)
- There are over half a million people aged 90 and over in the UK. 70% of these are women (source: Estimates of the very old, 2002 – 2015. UK Office for National Statistics, September 2016)

Unlike some forms of vulnerability, that which results directly from a lack of clear, accurate and accessible information and support in respect of social and health care crosses all social, educational and economic groupings of older consumers and should be prioritised accordingly.

How many people might benefit from a solution to this issue?

By their late 80s, more than one in three people have difficulties undertaking five or more tasks of daily living unaided and between a quarter and a half of the 85+ age group are frail, which explains why it is people in this oldest cohort who are most likely to need health services and care support (source: Briefing: Health and Care of Older People in England 2017 Age UK).

Approximately 30% of people in the UK use some form of local authority funded social care in the last year of life (source: Bardsley, M., Georghiou, T. and Dixon, J. (2010). Social care and hospital use at the end of life. The Nuffield Trust).

Furthermore, there are over 2 million older people in the UK today who are providing unpaid care, and more

than half of these older carers have a health condition or disability themselves (source: University of Essex. Institute for Social and Economic Research and NatCen Social Research, Understanding.

Society: Waves 1-5, 2009-2014 [computer file]. 7th Edition.)

Whilst it is difficult to assess how many in need of some form of social or health care in later life are vulnerable, the Financial Conduct Authority Financial Lives Survey 2017 interpolated its data from approx.. 13000 consumers across varying age bands to estimate that based on its definition of vulnerability, 50% of UK adults (25.6 million) display one or more characteristics that signal their potential vulnerability. When looking at those 75 and over the proportions showing vulnerable characteristics are higher: 69% for the 75s and over, and 77% for the 85s and over. This is the age group that typically need social and/or health care so the number of

people who might benefit from a solution to the three challenges this submission suggests they face is significant.

If you have any case studies to exemplify the problem, please provide details here

In respect of non-regulated care advice, one of the best sources of case studies in respect of the need for accurate non-regulated care advice and the financial and mental impact on vulnerable consumers in need of care are those reported by the Local Government and Social Care Ombudsman.

<https://www.lgo.org.uk/>

By way of specific example, see:

<https://www.lgo.org.uk/decisions/adult-care-services/charging/16-018-163>

This case is typical of many, where local authorities responsible for social care have not applied to law as detailed within the Care Act 2014 and where the consumer in need of care doesn't have the appropriate knowledge or ability to challenge decisions at the time.

In terms of access to regulated paying for care advice, Partnership's last consumer survey (before their merger with Just Retirement) indicated only approx. 7% of self-funders had any contact with a regulated financial adviser, despite the latter being the only individuals who can advise on all ways to pay for care (including immediate care annuities).

Jerome de Barros – Secure and easy to use payment systems

What are the biggest challenges vulnerable older consumers face when trying to buy products and services?

Secured and easy to use method of payment

What do you think are the most important challenges you or your organisation faces when trying to support vulnerable consumers?

Purchase power, low financial support from council, incapacity and reluctance to pay for own health and care services

What do you think is the biggest and most important challenge facing vulnerable older consumers and those who serve them?

The use of internet is rather limited among vulnerable older consumers, limited choice, best prices, and making them an easy target for potential fraud.