

The Adequacy Challenge

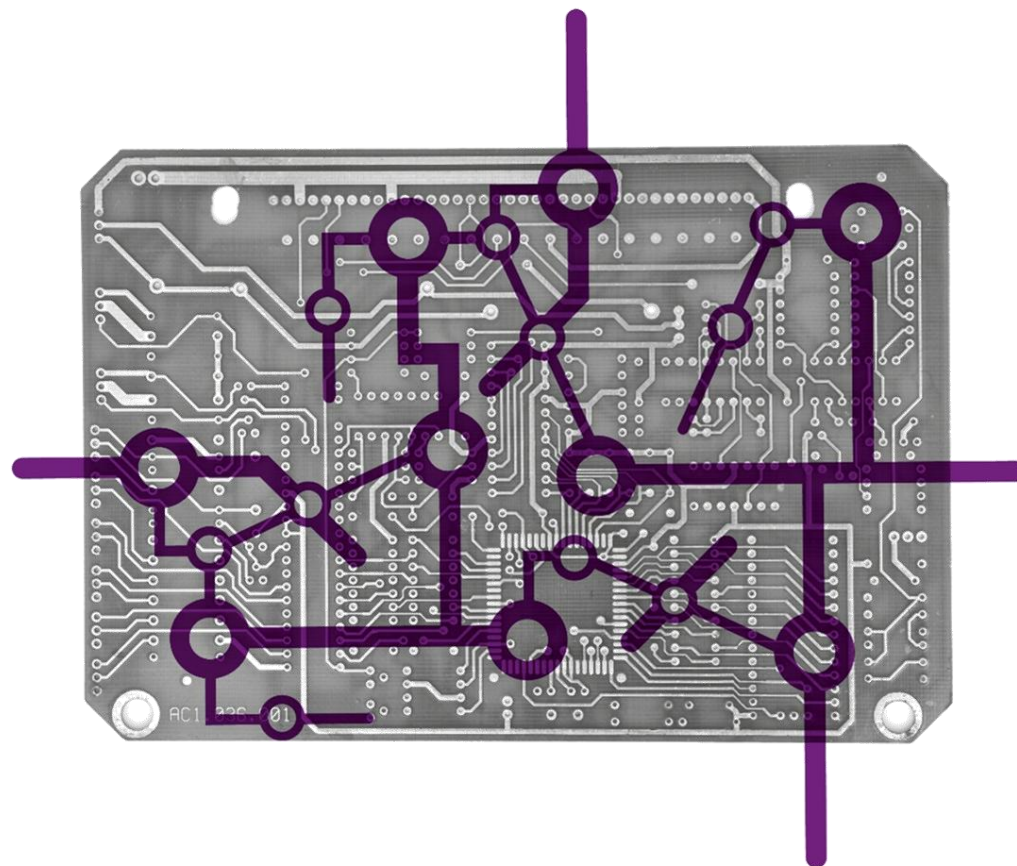
Decumulation strategy in ensuring adequate retirement income

15 October 2025



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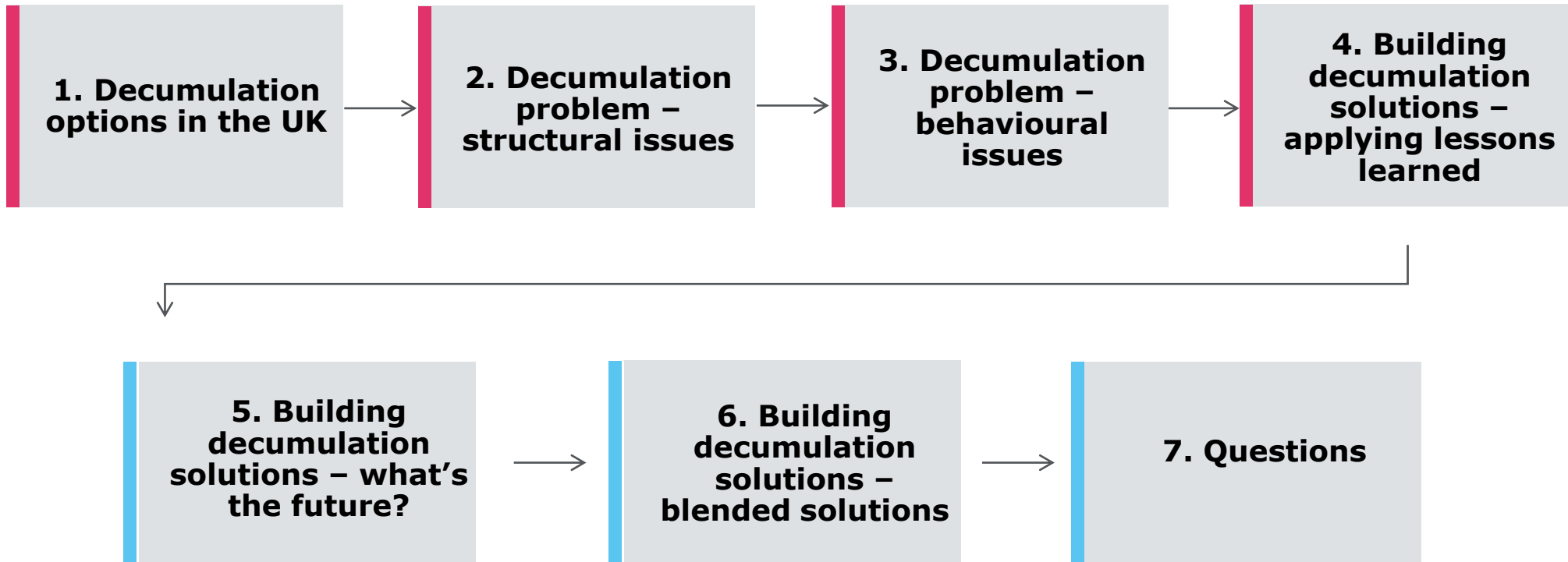
Partner and Head of DC Pensions



Decumulation - ensuring adequate retirement income



Agenda



Retirement landscape in UK



What are the main retirement options?



Annuity - regular fixed income through insurance policy



Flexi-access drawdown - variable income taxed at marginal rate



Taxable lump sums – 25% of each instalment is tax free



Pension commencement lump sum – 25% tax free



Blended retirement solutions

Solving the decumulation problem



What are the main structural issues to resolve?



Shift to DC as primary private pension



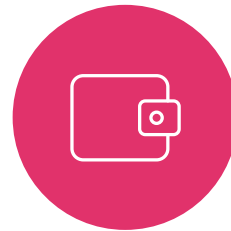
Auto-enrolment system based on inertia



State Pension is insufficient on its own



Freedom and choice



Small pots and fragmented system



Advice gap - decumulation requires individuals to make active decisions

Solving the decumulation problem



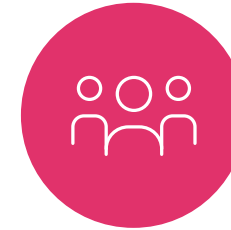
What are the main behavioural issues to resolve?



25% tax-free lump sum at retirement is a powerful nudge



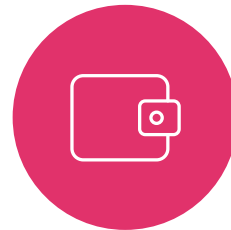
Savers cash out or remain in accumulation strategies



Savers favour flexible income options



70% fully withdraw without financial advice or tailored guidance (FCA 2024)



Savers overlook key risks – inflation / longevity

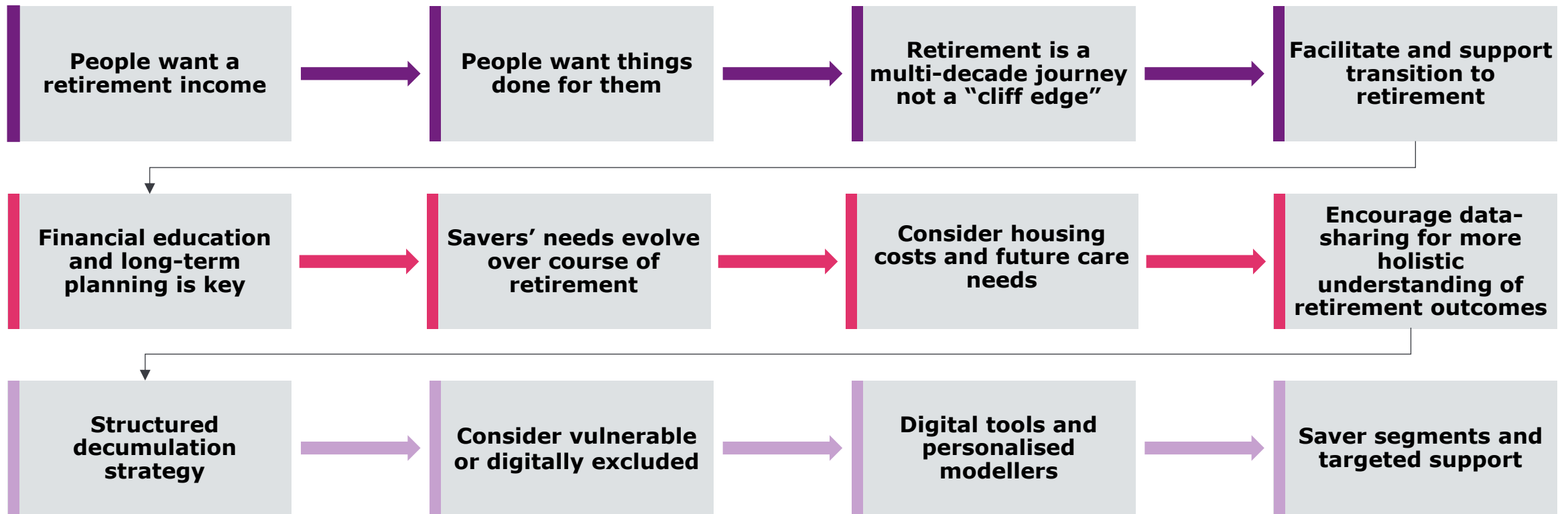


Savers making decisions on a per-pot basis

Building decumulation solutions



Applying lessons learned



Building decumulation solutions



What does this mean for the future decumulation market?



Structured defaults – sustainable income withdrawal



Flexibility to opt-out



Guide individuals to make informed decisions



“Flex then fix” model



Alternative investment pathways

One possible option from the UK...

Age 80

Flexibility in the early years...

...**stability** in the later years

25% tax free cash lump sum
(Allowed in the UK)

45% Flexible income pot
(Drawdown income)

22.5% Annuity
(Guaranteed income from age 80)

7.5% Occasional spending pot (Unplanned spending through retirement)

Questions





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