



Strictly embargoed: Not for publication or broadcast before Friday 24<sup>th</sup> October 2008

## **CONSUMERS MUST REENGAGE WITH THEIR PENSIONS AND INVESTMENTS says RSA**

**24<sup>th</sup> October 2008**

Any long-term solution to the current financial crisis must aim to ensure citizens as well as financial institutions are able to take more responsibility for the management of investments, according to new research published today by the Royal Society of Arts (RSA).

Examining whether current financial markets could be made more accountable, the RSA found that investors are shocked to discover charges will swallow up to 40 per cent of the value of their pension over the course of its lifetime (roughly equating to ten years worth of contributions).

Researchers found that people are almost universally detached from the management of their pensions. Those consumers who do try to find out more about where their pensions are invested discover that fund managers are unaccountable and financial institutions opaque. They do not feel they have the opportunity to give their investment the best possible chance of delivering what they want in retirement.

The interim findings from the RSA's upcoming report, *Tomorrow's Investor*, due to be published next month, show that consumers engage with their pensions only on a superficial level, not even knowing who takes care of their investments.

A number of key factors are responsible for the consumer disconnect from the pensions market:

- A customer journey which disempowers consumers
- Lack of tangibility – pensions seem too distant, too far in the future

- Lack of inclusiveness – pension companies discourage consumer awareness or participation
- A sense of powerlessness and lack of clear alternatives

The RSA is working to develop practical solutions to increase people’s engagement with their investments. Whilst typical investors do not want to get heavily involved in the day to day running of their pensions and do not generally feel qualified to do so, Tomorrow’s Investor will show that the provision of simple and easy investment choices can bring tangible benefits to the financial sector and society as a whole.

Commenting on the report, David Pitt Watson, founder and Chair of Hermes Equity Ownership Service, said:

“Britain can be the home for the next paradigm in financial markets, offering citizens a low cost way to invest their pensions and other long term savings where their investment will promote good, responsible and sustainable enterprises. If we had these structures in place we might have been able to prevent the current financial crisis”.

Matthew Taylor, Chief Executive of the RSA, said:

“This would be a major project at any time, but the current financial situation makes its findings absolutely critical. If we are to create the investment systems we need to support our way of life, we need to involve ordinary citizens”.

**ENDS**

**For further information and a copy of the report please contact RSA Head of Media, Luke Robinson on 020 7451 6893 or [luke.robinson@rsa.org.uk](mailto:luke.robinson@rsa.org.uk)**

**Notes to editors**

1. Tomorrow’s Investor is part of the RSA’s wider vision to develop and promote practical solutions to today’s most pressing social problems.
2. The Tomorrow’s Investor project has been funded by PricewaterHouse Coopers and Invesco Perpetual.
3. The research has been informed by an expert seminar and keynote lecture. Participants included Paul Myners (now City Minister), Jasmine Birtles (MoneyMagpie.com) and Penny Shepherd (UKSIF)