

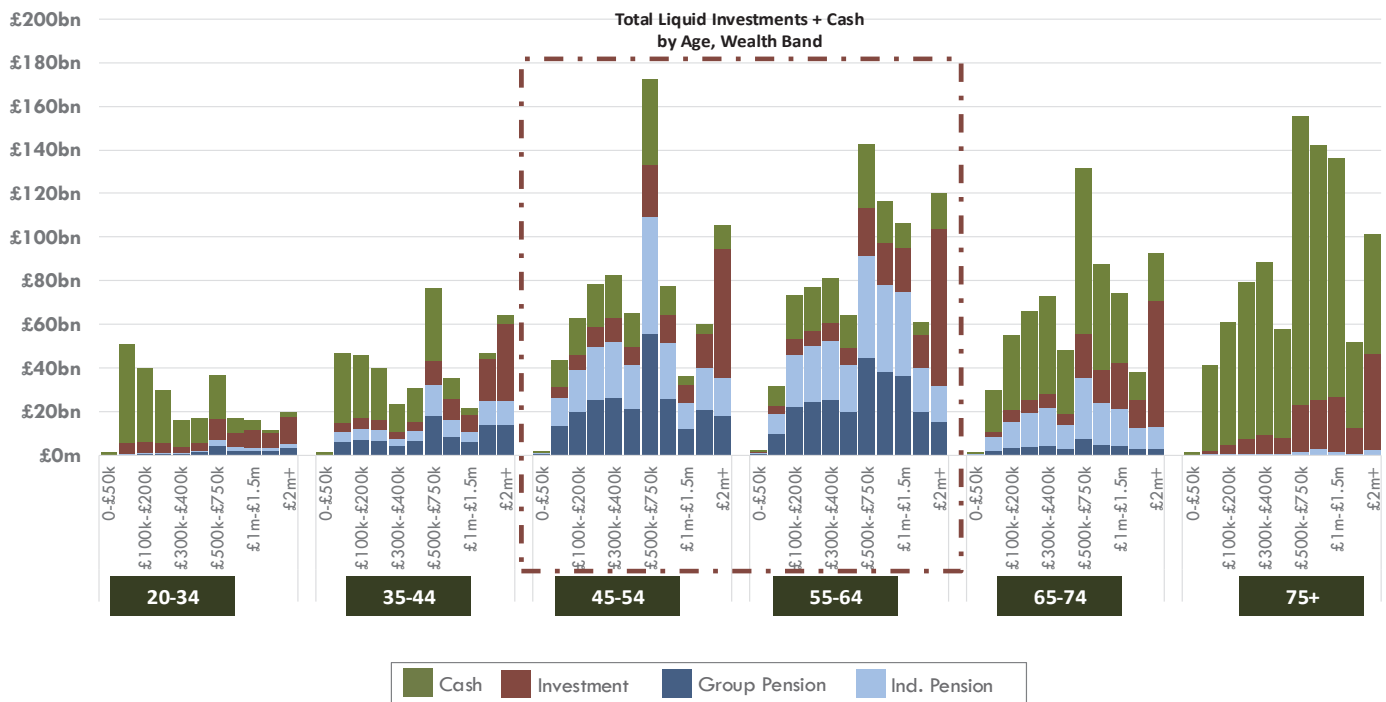
Where the (Pension) Money is



by JP Frohling, Managing Partner, Ethos Partners
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>70% of all AUM invested in pensions--£1tn--is owned by people 45-64.

Where the Money Is: 72% of all AUM in pensions is owned by consumers 45-64



This visual from the Ethos Customer Balance Sheet is striking. The read across shows how material a consideration age is to understanding where the largest pools of "liquid" investment assets are concentrated--e.g. cash, pension, investments--as well as what the potential personal balance sheets could look like for some customers.

There is a 20-year window---between 45 and 64---where pensions represent the largest proportion of a household's assets, with the sweet spot being those with liquid assets £200K-£1.5MM

(above £1.5M, we run in to issues of caps and increased flows to GIA's, off-shore, and into property). Customers in these segments deliver the double benefit of: 1) large flows as they enter the "peak accumulation" stage of their working lives, e.g. higher compensation and lower household outgoings as mortgages and school fees are paid off; 2) increases in stock of AUM with larger portfolios appreciating with the market. This poses a potentially significant opportunity to drive higher than market average growth at potentially better than market average margins.

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Where & why to play:

- A £1tn, 10M household target to go for
- Higher average portfolio sizes and flows relative to younger age groups
- Higher levels of engagement and desire to save money in what is typically a ten year ramp up to “retirement”
- High incidence of owning multiple pensions as well as having both workplace and personal/ SIPP
- Multiple “white spaces” for investment propositions, financial planning and budgeting tools customised to these age groups

How to win? Some questions to consider:

- Many of our clients continue to prioritise young mass affluents based on the view that they can acquire them young and grow with them. We suggest going to where the money is.
- Workplace propositions tend to focus much more on the employer and have increasingly sought to provide broader employee benefits propositions as a differentiator. There is a significant opportunity to apply segmentation to workplace employees and to develop propositions targeted to sub-segments within the 45-64 age group. Additional segmentation by wealth band and other attributes will be critical. Capitalising on the high levels of engagement of this group increases the odds that workplace providers will deepen

relationships and potentially reduce the levels of attrition common customers when they retire from their employment.

- Integrating workplace and individual pension propositions to better align with the fact that many consumers have both will increase assets, flows, and stickiness.

We will be publishing the latest findings from the Ethos Market Map and Customer Balance sheet later this year.

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