

The Investment Association

Camomile Court, 23 Camomile Street,
London, EC3A 7LL

T +44 20 7831 0898
E enquiries@theia.org
W theinvestmentassociation.org
Twitter @InvAssoc

Money Advice Service
Holborn Centre
120 Holborn
London EC1N 2TD

17 February 2016

Dear Sir/Madam

Consultation on the Money Advice Service's 2016/17 Business Plan.

The Investment Association is pleased to give the Money Advice Service feedback on its 2016/17 Business Plan.

Overall, we wholly support the partnership approach. It is a strategy that we have asked for since the MAS was first formed. At last it is being given sufficient emphasis and MAS can fulfil its potential as a catalyst and facilitator for a sea-change in the financial capability of UK residents. 'Gap-filling', as opposed to a one-stop shop and blanket coverage; championing not-for-profit activities that work, but need support to become scalable; and, encouraging innovation by third parties are all ideas that we have been waiting for from the centrally-funded, leader of the UK's financial capability strategy.

The Investment Association represents over 200 firms that invest the savings of individuals for their future needs. Such firms contribute towards the funding of MAS via an allocation of their FCA fees. Our members manage £1.5 trillion assets in pension funds for UK individuals. They also manage money in Stocks and Shares ISAs and life insurance policies. Indirectly, anyone who is saving for retirement is a customer of our member firms. Our focus is therefore more on the 'save more' and 'access to advice' aspects of your strategy.

We have answered your ten questions accordingly:

1. Your analysis of your customers is thorough. Young adults and people later life are rightly identified as groups needing special attention in your financial capability strategy. We are strong supporters of auto-enrolment and default arrangements, but we are concerned that the new pension freedoms – while the right policy in terms of creating greater plurality in product choice in the retirement income market – will lead to confusion and potentially poor decision making if consumers are not given appropriate support. In our response to the FAMR, we highlighted a combination of approaches to tackle the challenge of the 'advice gap'. (See 3.) We support initiatives for those with less than £100,000 investible assets or incomes under £50,000, including therefore both your 'squeezed' and 'struggling' segments.
2. We are encouraged by your six aims. The first aim of 'succeeding through partnerships', measuring impact in the process, should pervade all of your work over the next three years. Your goals are indisputably important as the Government expects citizens to become financially independent. Efforts to improve individuals' ability and scope to thrive should be recognised and co-ordinated. MAS is in a strong position to achieve that and we hope you will be supported by, not only those of us in the private sector, but also those of influence in the public sector. Whether the level of ambition is right, is not easy to discern. You will need to prioritise carefully. As your plan outlines, there is a great deal you could do, but you will need time to see what works, in terms of measurable improvement in behaviour.

3. We will not comment in detail on your proposed activities and priorities, but we would like to be kept informed, perhaps through specific case studies, of what you learn and achieve as you implement your plans. Inevitably, the plan has been written at a high level, for example, under 'more people budgeting and saving' you state you will 'be exploring the workplace' - we look forward to discovering some more specific information as to how you will put this intention into practice. Similarly, we appreciate the need to build on the findings of the FAMR and HMT decisions on guidance. The IA has responded in detail to the FAMR and many of our recommendations are relevant to your strategy. (For our full response [see link](#) and for a summary of key points see our attached appendix.) The emphasis on 'networking' to expand the range of partners you work with makes good sense - again we look forward to examples of this in practice and the measurable impact of each partner's activities. Lastly, the investment industry has been a long-term supporter of financial education in schools, especially through its support of the pfeg. It was particularly positive about the potential to develop necessary numeracy skills in financial contexts through the maths curriculum. Therefore, we welcome the proposal to work with the Oxford University Press to test the integration of financial education in maths and provide teachers with the support they need.
4. Evaluation in the financial capability arena has historically been more about numbers of people using a given service, than outcomes in terms of understanding, skills and behaviours in practice. MAS's Evaluation Hub is an important step towards improving this situation. We also support your aim to help not-for-profit providers build their internal evaluation capacity and, furthermore, to increase their scope for funding, such as via Social Impact Bonds.
5. You have considered a wide range of interesting evaluation methods. We are pleased to see that input from levy players is included. Members of the Investment Association regularly conduct research on consumers' understanding of the terms used to describe the costs and benefits of investment services. The output from these surveys may be of interest alongside your research as you measure changes in financial capability over years to come.
6. Your plans for improvements in the devolved countries do appear to reflect each country's distinctive financial capability needs in so far as these distinctions are discernible. It is also pleasing to see the names of partners listed in each case.
7. We agree that the Business Plan sets the right direction for the Service over the next three years.
8. There are no specific solutions, partners or techniques that we expect you to make use of at this stage of exploration and partner development. In the spirit of joined up thinking, we would encourage you to continue to engage relevant Government departments in your strategy: HMT, DfE, DWP and BIS. We are, of course, delighted to continue working with you as you develop your information and advice for your customers on investing.
9. The key risks are that measurable improvements are not evidenced in your evaluation as soon as you would like and that support for your initiatives will decline.
10. The plan is clear and easy to understand, but it is high-level. Please show us how you are progressing, including some specific examples. In particular, we would like to understand how you are co-ordinating and maximising mutual effectiveness with other 'advice' initiatives developed with public funding, such as CABx, Pensions Wise and TPAS.

If you would like to discuss any of the points we have made here in more detail, I and my colleagues and the Investment Association would be delighted to support you.

Yours faithfully,

VICTORIA NYE
DIRECTOR, TRAINING & EDUCATION



Summary of IA recommendations in response to the FAMR and relevant to the MAS's strategy

The IA recognises the need to encourage engagement, particularly given the implications of Freedom and Choice. There is no silver bullet. Changes should be incremental and sit alongside existing successful initiatives.

We recommend an overarching savings action plan in which all the stakeholders: Government, MAS, industry, including asset managers, will participate. This should comprise:

- A. Catalysts:
 - Co-ordinated messages, heuristics, signposts.
 - Innovative tactics using behavioural insights and technology.
 - Campaigns and activities to build awareness in schools, colleges and workplaces.

- B. Clarity:
 - Clearer, more consistent language in communications and products features.
 - Distinguish and amplify the consumer understanding of generic advice from regulated advice and so free up providers – namely MAS and its many partners - to extend their services using technology and other support mechanisms help customers with a very broad range of savings and investment questions.

- C. Accessibility:
 - Update and streamline compliance methods, e.g. the proposed TISA digital passport.
 - More standard solutions with the objective of offering savers, who understand investment risk, to achieve diversified sources of return over their savings lifetimes.

MAS has a key role to play in developing and implementing this action plan. The Investment Association would be delighted to provide further input.

For more information on the IA response to the FAMR see [link](#).