Growing together, with integrity and respect

FCA Summary: Retirement Income Advice – Good Practice and Key Findings

Purpose of the Update:

This "bite-sized" article follows the FCA's Retirement Income Advice Thematic Review. It provides practical examples of good and poor practice to help financial advice firms deliver better outcomes for clients approaching or in retirement (also known as decumulation). It supports the FCA's broader strategy of enhancing consumer outcomes and promoting sustainable business growth.

Who Should Read This:

- Firms offering retirement income advice
- Compliance consultants
- Trade bodies and consumer groups

How the FCA Conducted the Review:

- Sample of **28 firms** reviewed
- Desk-based analysis of advice models and governance
- File assessments using the **Retirement Income Advice Assessment Tool (RIAAT)**

Three Core Areas of Focus:

1. Information Collection & Record-Keeping

- **Good Practice:**
    - Detailed fact-finds covering both partners' assets and expected income
    - Clearly recorded objectives and retirement spending plans
    - Structured advice registers tracking risk, age, and withdrawal details
- **Areas for Improvement:**
    - Missing or contradictory data on retirement income and liabilities
    - Poor assessment of changing expenditure needs
    - Failure to reassess risk and capacity for loss in decumulation

2. Risk Profiling

- **Good Practice:**
    - Use of bespoke retirement-focused questionnaires
    - Simulations of market falls to assess income sustainability
    - Post-meeting analysis of risk profiling tool output
- **Areas for Improvement:**
    - Outdated risk assessments (e.g. 3 years old, pre-retirement)
    - No capacity for loss evaluation before recommending lump sum withdrawals

3. Sustainability of Income Withdrawals

- **Good Practice:**
    - Responsive cashflow modelling when clients change withdrawal needs
    - Use of third-party modellers with internal validation
    - Annual updates of assumptions to maintain model relevance
- **Areas for Improvement:**
    - Lack of documented rationale or assumptions behind CFM tools
    - No stress-testing or proper evaluation of withdrawal impact
    - Modelling only the average life expectancy, ignoring longevity risk

Next Steps:

- Firms involved have received individual feedback and are required to take corrective action, including redress where needed.
- **All firms are encouraged to review this article**, the previous thematic review, and the FCA's separate article on cashflow modelling.
- More guidance articles and regional events are planned.

Key Takeaway:

High-quality record-keeping, personalised risk assessment, and robust, stress-tested income planning tools are essential to delivering good retirement outcomes and avoiding foreseeable harm.

Link: https://www.fca.org.uk/publications/good-and-poor-practice/retirement-income-advice-good-practice-areas-improvement