Pensions dashboards consultation

Management of taxes | Personal tax

01 March 2019

LITRG has responded to the latest Department for Work and Pensions consultation on the government's plans to develop 'pensions dashboards', which will aim to enable individuals to see all of their pension savings in one place online.

On 3 December 2018, the Department for Work and Pensions (DWP) published a consultation, '*Pensions dashboards: working together for the consumer*'.

The aim of a pensions dashboard (or potentially multiple dashboards if policymakers go ahead with proposals to allow insurers to develop their own on a competitive basis) is to draw together information about all of an individual's pensions in one place, which they can view online. This should allow people to better understand their pensions, to engage with them more and to plan for their future.

The Low Incomes Tax Reform Group (LITRG) welcomes the development of a pensions dashboard, given that many people on low incomes have unsettled working patterns, changing jobs frequently or perhaps working in multiple part-time positions concurrently. Automatic enrolment is therefore introducing enormous complexity into people's pension provision. With figures showing that an average person might have 11 jobs in their working life, it is no great leap to deduce that they will end up with pension pot numbers into double digits. This will make it very hard for them to keep track of small pots and to draw together a complete picture of their retirement savings.

LITRG's response to the consultation highlighted that the dashboard must be free to access and provide complete, up-to-date information. Pension providers will therefore need to be compelled to provide information to the dashboard. From a tax advisory point of view, it is impossible to give accurate advice without the complete picture.

The case for having multiple, commercial dashboards is not clear from the consultation document. LITRG's response suggested that a single, government-overseen dashboard is potentially preferable for reasons including security, trust and ease of directing individuals to use it (rather than them facing a potentially confusing choice). Doubt was also expressed as to whether the pensions industry would see enough potential commercial benefit to invest in providing innovative tools for low-income users. It is likely that the government will need to fill this gap directly or fund others to do so.

It is important that the information presented on a pensions dashboard strikes the right balance: too much information will be overwhelming, whereas too little is potentially misleading and dangerous. The key to this balancing act is focus – the dashboard's primary aim should be to present the user with a summation of their total pension savings in an easy-to-understand, digestible format. Further information is important (with LITRG's particular interest being to ensure that people understand the tax and related welfare benefits interactions of pensions choices), but it needs to be available via links or add-on facilities in such a way that does not detract from the core purpose.

The dashboard is not intended itself to be transactional, so LITRG stressed that it must allow users an easy route through to the pension provider if they wish to take any follow up action. Failure to link through to the pension provider or, as a minimum, to provide their contact details is likely to hamper the dashboard's intention to increase users' engagement with their pensions.

The essential and largest part of pension savings for those on low incomes is likely to be the state pension. The dashboard must therefore include details of the state pension. It must also give users a clear understanding about any gaps in their National Insurance contributions (NIC) record and how this might impact state pension entitlement. The dashboard could be integrated with the existing HM Revenue & Customs (HMRC) Personal Tax Account (PTA), which already has some of this functionality.

Digital exclusion continues to be a problem for some of the low-income population. LITRG's response therefore recommends that the dashboard is designed with facilities for potential users to give trusted helpers the ability to access the information on their behalf. People will need to be able to give such consent in an offline format (for example, by paper form or telephone service). Accessibility of the dashboard for disabled users also needs to be built into its development at an early

stage.