



The Financial Conduct Authority's Thematic Review of Retirement Income Advice (TR24/1)

Good practice checklist



In partnership with



About the Consumer Duty Alliance

The Consumer Duty Alliance is an independent, not-for-profit community interest company which aims to help the personal finance sector implement the FCA's Consumer Duty.

The Retirement Income Taskforce is part of the Alliance, headed up by a cross-sector steering group. The taskforce offers practical interventions to help address the challenges consumers and the sector face in relation to retirement income planning.



“You should consider our findings and take appropriate steps to meet our requirements on retirement income advice, including the Duty, and document how you have done so.”

→ **Dear CEO letter**, Thematic Review of Retirement Income Advice, FCA, March 2024

About this document

The Financial Conduct Authority (FCA) published its Thematic Review of Retirement Income Advice (TR24/1) in March 2024.

This document has been created to help firms act on the review's findings and recommendations.

Retirement income advice will be an ongoing focus for the FCA and you can expect to hear more if your firm is involved in this market. The FCA has also said it'll carry out supervisory work to explore the scale of the issues it's identified and tackle any harms.

For more about the review and its implications, → [read our summary](#)

You can also → [read the full review](#)



If you're a financial advice firm

This document is for you if you have retirement income as a targeted market.

We recommend that you:

1. Carry out a gap analysis between your advice processes and the points in this checklist, as well as the FCA's **Finalised guidance on financial promotions on social media** (FG24/1).
2. Use the **Retirement Income Advice Assessment Tool** (RIAAT) to assess whether your current advice and file-review processes cover the key regulatory requirements.
3. Use the FCA's **Retirement Income Advice Survey** to identify any improvements you can make to your management information (MI) to monitor customer outcomes and respond to regulatory information requests.
4. Document any work you do as a result of these steps. Remember, more supervisory work is planned with firms who operate in the retirement income advice target market.

If you're a provider

If you provide products, funds or services to regulated financial advice firms we recommend you consider the implications of the Thematic Review for your own businesses, and think about how you can support the advisers and companies you work with.

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Adviser incentives

Firms should have appropriate remuneration policies, procedures and practices to promote effective risk management.

FCA objective, Thematic Review of Retirement Income Advice

If you offer adviser incentives, do they encourage good behaviour and lead to good outcomes for clients?

Do you have remuneration policies in place showing how pay is calculated?

Cashflow modelling (CFM)

Do you understand the standard assumptions of CFM?

Do you offer guidance to advisers on how to use CFM?

Do you use CFM in a consistent way? For example, do you give advisers guidance about its use each time you use it?

Can you explain why you've chosen to use any CFM tools you use?

Can you show how you've checked and researched your choices, and when you review them?

Can you explain the key features of each type of CFM? This helps you choose the most appropriate type for your client, based on their current and future income needs.

Are you familiar with FCA expectations on using CFM in related areas such as defined-benefit (DB) pension transfers?
→ **Read more about this.**

Have you read through what the FCA says about improving the quality of CFM?
→ **Read more about this.**

Your reasonable assumptions and parameters for using CFM should reflect changes in economic conditions. Do you review yours to make sure they do?

Do you consider all relevant tax charges and include stress testing?

Is your approach to sustainable income robust? For example, do you use both conjectural and deterministic cashflow planning?

Do you show your CFM outputs clearly to clients?

If you don't use CFM, do you have a withdrawal guide rate to estimate sustainable levels of income?

Centralised retirement proposition (CRP)

Do you have good processes, training and tools in place to support your CRP?

Have you got appropriate oversight in place?

Do you assess how your firm looks for signs that could indicate the way you design and deliver your CRP doesn't meet the needs of clients?

Charging and fees

A firm's adviser charging model should be appropriate for its customers, transparent and communicated clearly.

FCA objective, Thematic Review of Retirement Income Advice

Do the charges recorded in your CRPs broadly align to the work of delivering different levels of service?

Are your charging structures transparent and understandable?

Where clients are paying for ongoing advice, do you clearly explain the details of the ongoing service, how much you charge and how they can cancel?

Do you have a 'decency cap' to limit the total amount clients with large fund values might pay for ongoing services?

Do you take into account circumstances where charges might not represent fair value? In these instances, you can apply a cap or reduction of some kind.

Do you review your fees to make sure clients are paying an appropriate level? You should do this at least annually.

Conflicts of interest

Firms should have a clear policy in place to manage any conflicts of interest.

FCA objective, Thematic Review of Retirement Income Advice

Do you have a conflicts-of-interest policy? A good one will recognise where conflicts might exist and set out how to monitor and resolve them.

Do you review and update your conflicts-of-interest policy?

Because of ongoing service charges, there could be a conflict of interest with product advice and drawdown vs annuities. How are you managing this potential conflict?

Consumer Duty

The Consumer Duty sets higher and clearer standards of consumer protection across financial services and requires firms to put their customers' needs first.

FCA, [Consumer Duty](#)

Have you defined who makes up your target market(s)?

Do your products and services meet the needs and objectives of the clients in your target market(s)?

Have you mapped out typical client journeys, showing where you've interacted? Think about cross-cutting rules, outcomes, behavioural biases and meeting the needs of all clients, including those in vulnerable circumstances. → **Read more about this.**

Control framework and data/MI

A firm's systems, controls and MI should ensure effective management and oversight of its decumulation business.

FCA objective, Thematic Review of Retirement Income Advice

- Do you have steps in place to make sure your firm's MI is appropriate and your data collation process is robust?
- Do you have information that helps you identify, measure, manage and control any risks around regulatory concerns? For example, the fair treatment of customers.
- Do you have a plan to make sure you're proactively delivering services?
- Do you track when review meetings are due or have been missed? Do you have a following-up procedure in place?
- Do you keep your firm's data in a central place, rather than accessing individual files?
- Do you have a process in place to monitor customer outcomes and reviews?
- Can you produce an accurate, completed advice register, including information about the advice you've given?
- The FCA's **Retirement Income Advice Survey** helps you check you can provide complete information if asked. Have you made use of it?

Decumulation solutions and investment selection

A firm's investments, including any model portfolios, should be appropriately aligned to customers' risk profiles.

FCA objective, Thematic Review of Retirement Income Advice

- Have you discussed investment pathways when recommending drawdown?
- Have you recorded how the investment funds have met your client's needs, and reviewed if the investments are still appropriate?

Design and delivery of advice processes

A firm's retirement income advice services should be clearly defined and appropriate for its customers.

FCA objective, Thematic Review of Retirement Income Advice

Have you identified any customers for whom your decumulation advice model might be inappropriate, partly or in full?

How do you make sure your decumulation advice stays appropriate for your clients?

Disclosure

Do you routinely remind your clients about the risk of capital erosion, the possibility that annuity rates could be worse in future, or that income levels might not be sustainable?

Have you disclosed any tax implications of your income recommendations?

Due diligence

For due diligence around platforms, use **section 17**.

For due diligence around third-party service providers and tools, **see section 21**.

Have you checked the market for suitable provider alternatives?

Do you have service agreements in place?

Gathering information

Have you reviewed the FCA's Retirement Income Advice Assessment Tool (RIAAT) to understand what client data you need to collect?

→ **Read more about this.**

Governance and oversight

Do you have a process in place to identify, manage, monitor and report on any risks to your business?

Do you have procedures in place to make sure you're complying with your regulatory obligations?

Do you have a training and competence scheme or other arrangement in place to help you assess and supervise advisers?

If your firm has supervisors in place, can you show how they're trained and assessed for competence to oversee, coach and assess advisers?

Do you have a quality assurance system in place?

Can you show what remuneration policies, procedures and practices are in place for effective risk management?

Income withdrawal strategy and methodology

Firms should use a strategy that applies appropriate assumptions to meet the income needs of decumulation customers.

FCA objective, Thematic Review of Retirement Income Advice

Have you consistently applied cashflow modelling (CFM) or a guide rate to support your income withdrawal recommendations?

See section 2.

Does your modelling take every customers' circumstances, including their short- and long-term needs, into account?

Do you have a process that helps you consider how sustainable income withdrawals will be?

Lifetime lending

Firms should make sure that lifetime-lending recommendations are suitable for decumulation customers.

FCA objective, Thematic Review of Retirement Income Advice

Have you considered the FCA's commentary when giving advice on lifetime lending?

→ **Read more about this.**

Have you offered lifetime lending as a last resort for 'relevant clients'? If so, have you assessed whether this approach is appropriate?

Ongoing advice and services

Have you clearly set out what services you include and don't include in ongoing advice?

A service process flow outlines what's expected of advisers during ongoing reviews. Do you have one of these?

Does it tell clients what will and won't be covered in ongoing reviews?

Do you clearly describe any ad hoc services covered by ongoing fees? For example, providing valuations, dealing with death claims or issuing periodic newsletters.

Platforms

The firm's choice of investment platforms should meet its customers' needs.

FCA objective, Thematic Review of Retirement Income Advice

What's your process for checking and reviewing that your platforms and discretionary fund-management solutions (DFMs) meet your clients' decumulation needs?

Can you show why you've chosen each platform? What are the benefits to clients and which groups of clients is each platform suitable for?

Record keeping

- Is your record-keeping process robust?
- Have your advice files got any material information gaps (MIGs)?
- Can you show fact-finding, recommendations, communications and required disclosures in your advice files for each client?

Can you show how you established your customer's level of investment knowledge and experience and understanding of investment risk?

Risk profiling

Firms should have a robust process to assess customers' attitude to risk (ATR) and capacity for loss (CFL).

FCA objective, Thematic Review of Retirement Income Advice

You should distinguish your approach to risk profiling between accumulation and decumulation. Do you use language and questions that are framed to support your customers in decumulation?

Have you separately assessed ATR and CFL to help identify suitable solutions for your clients? Read more about this.

Do you have processes to reassess ATR and CFL when a client moves from accumulation to decumulation?

Suitability (initial and ongoing)

- Does your fact find have enough information about your client's expenditure to assess their income requirements and the timeframe for their income or lump-sum needs?
- Have you considered loss of guarantees and features, penalties incurred, and unnecessary charges or tax when assessing suitability?
- Do you have a record of your client's knowledge and experience of investments, and their understanding of risk? See section 18.

Have you recorded an expenditure analysis to show the minimum income need and essential spending?

Have you recorded any future lifestyle changes? For example, when a partner retires or gets their pension. Or how objectives or income needs could change?

Have you made clear the risk of capital erosion, the possibility that annuity rates could be worse in years to come or that income levels might not be sustainable?

Third-party tools and service providers

Firms should complete due diligence and oversight on third-party service providers and tools.

FCA objective, Thematic Review of Retirement Income Advice

Have you researched and completed due diligence on the providers of your tools and services?

Have you thought about circumstances where you might need to move away from these third-party tools or service providers?

Have you got an exit plan for doing this?

Training and competence

Firms should have a training and competence scheme or similar in place for assessing and supervising advisers.

FCA objective, Thematic Review of Retirement Income Advice

Do your advisers and paraplanners take ongoing training on decumulation?

Vulnerability

Firms should make sure vulnerable customers are treated fairly during the advice process.

FCA objective, Thematic Review of Retirement Income Advice

There's a greater chance of decumulation customers having characteristics of vulnerability. Do you have a bespoke vulnerability policy to protect them and your business?

Can you show how you've implemented this across your business effectively and consistently?

Do you have processes in place to ensure that potential vulnerabilities are consistently identified, recorded and/or explored?

Do you collate any data so that you can measure or track outcomes for vulnerable customers?

Do you and your team ever have vulnerability training or take vulnerability assessments?

Appendix: resources

Thematic Review of Retirement Income Advice, FCA, March 2024

[fca.org.uk/publications/thematic-reviews/thematic-review-retirement-income-advice](https://www.fca.org.uk/publications/thematic-reviews/thematic-review-retirement-income-advice)

Dear CEO letter, Thematic Review of Retirement Income Advice, FCA, March 2024

[fca.org.uk/publication/correspondence/dear-ceo-letter-thematic-review-retirement-income-advice.pdf](https://www.fca.org.uk/publication/correspondence/dear-ceo-letter-thematic-review-retirement-income-advice.pdf)

Retirement Income Advice Assessment Tool (RIAAT)

[fca.org.uk/firms/retirement-income-advice-assessment-tool-riaat](https://www.fca.org.uk/firms/retirement-income-advice-assessment-tool-riaat)

Retirement Income Advice Survey, FCA, June 2023

[fca.org.uk/publication/corporate/retirement-income-advice-survey.pdf](https://www.fca.org.uk/publication/corporate/retirement-income-advice-survey.pdf)

Undertaking cashflow modelling to demonstrate suitability of retirement-related advice, FCA, March 2024

[fca.org.uk/firms/undertaking-cashflow-modelling-demonstrate-suitability-retirement-related-advice](https://www.fca.org.uk/firms/undertaking-cashflow-modelling-demonstrate-suitability-retirement-related-advice)

Finalised guidance on financial promotions on social media (FG24/1), FCA, March 2024

[fca.org.uk/publication/finalised-guidance/fg24-1.pdf](https://www.fca.org.uk/publication/finalised-guidance/fg24-1.pdf)

