

Club Vita's Top Charts

Issue 13: Transfer rates and affluence

Question:

Does wealth affect how likely someone is to transfer out a DB pension?

Answer:

The short answer is yes.

Analysing data from 2000 – 2017, wealthier deferred members of a pension scheme are more likely to transfer out than less wealthy members.

The chart below shows how the rate of deferred men choosing to take transfer values varies by salary in the Club Vita dataset (the chart actually shows how this rate varies relative to the average rate of transfer). We see that transfer rates are much higher amongst deferred men who had higher salaries.

Observed relative transfer rate by salary band

Club Vita private sectorschemes (2000 - 2017)



Key considerations:

- Wealthier people are much more likely to transfer out than less wealthy people.
- If this trend continues, it could affect the future characteristics of your pensioner population.

There are a number of reasons why this may be the case. For example, those with higher salaries are more likely to be able to afford the necessary advice and they are likely to be more financially sophisticated and confident about taking control of their own finances.

It is important for pension schemes to monitor this trend for their membership. Wealthier members are expected to live longer lives; if wealthy members are transferring out of the scheme, then the average life expectancy of future pensioners may be lower than initially expected. Caution is needed if using the experience of current pensioners to predict the longevity of future pensioner populations; however, setting a longevity assumption based on member characteristics (for example, using a ratings model such as VitaCurves) will allow for these trends as they emerge.

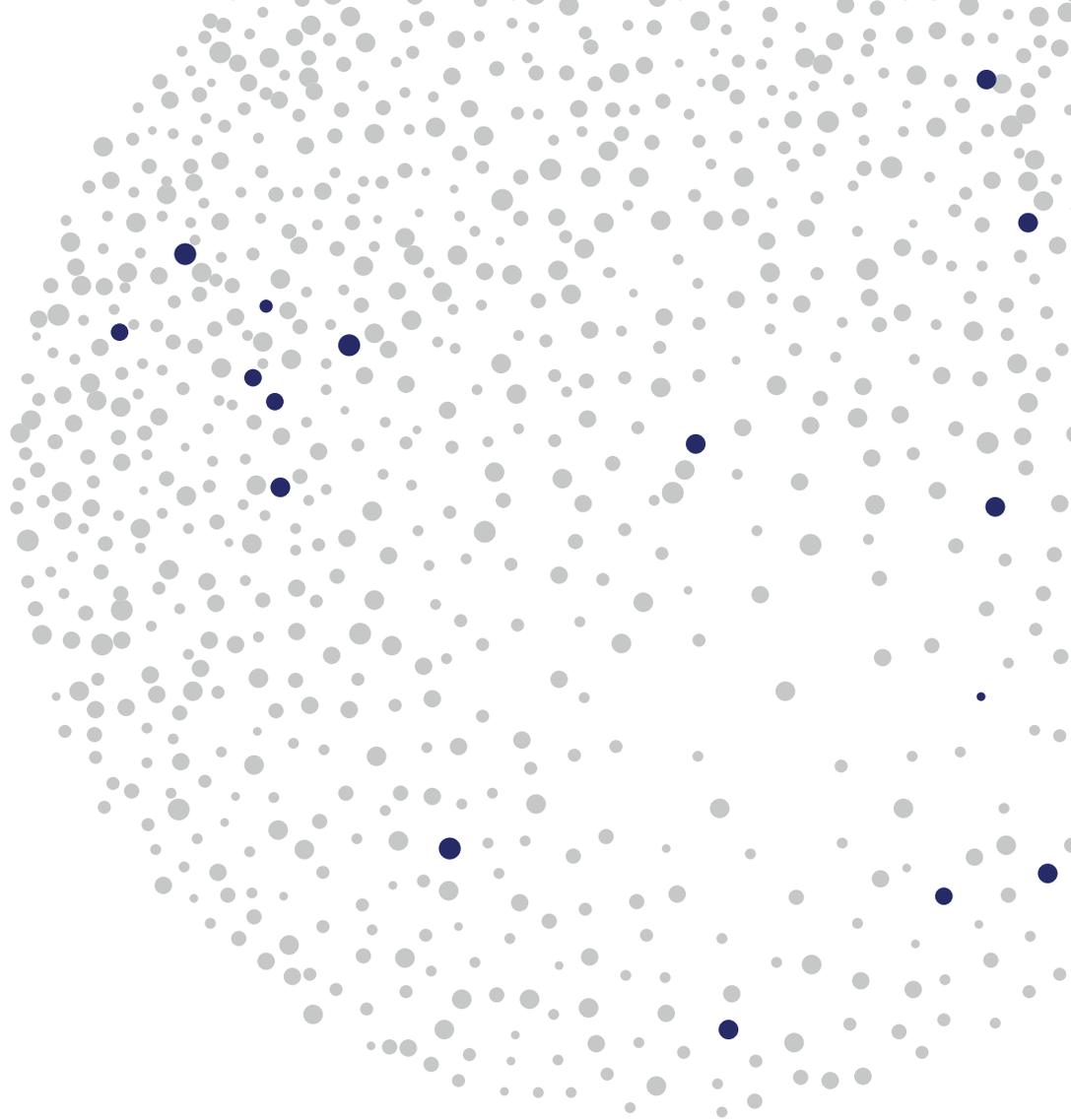
The key questions are: **how is this affecting your scheme, and will it continue?**

What do you think?

Please post your questions in our [Friends of Club Vita](#) discussion group on LinkedIn.



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