



Tim France-Massey is a senior Digital Transformation leader with 20+ years of leadership experience in Digital Financial Services Strategy, Experience Design, Transformation, and Fintech Innovation. Tim now drives rapid innovation in Financial Services, applying human-centred experience design and leveraging digital, data analytics, automation and AI technologies from Capita Consulting's co-creation labs.



Tim France-Massey  
Senior Digital  
Transformation Leader

# What Will Financially Fit Look Like in the Future?

**<Me> “Alexa, how financially fit am I this week?”.**

<Alexa> “It’s not looking great, Tim. You’ve overspent your budget for Shopping and Entertainment, and you are due to pay your mortgage tomorrow which will make you overdrawn. You don’t get paid until next Tuesday so I’ll need to move some money in from your savings account to cover it. If current spending trends continue, I estimate you will need to keep working for an extra three years beyond your current target retirement date. Would you like me to suggest some ways to get back on track?”

Recognise this scenario? That’s because according to the FCA’s Financial Lives Survey, nearly half of UK adults have limited financial knowledge, 4.1 million people failed to pay bills or credit commitments in three or more of the last six months, and two thirds of 45-54 yr olds have not prepared for retirement<sup>1</sup>. All of this adds considerable stress to employees in the workplace, with 59% saying that ‘current financial worries’ prevent them from performing their best at work. Across the UK, financial stress is estimated to cost the UK economy £121 billion in lost productivity per year<sup>2</sup>.

In the past, banks and Investment Advisors (IAs) provided free financial planning and investment advice in return for earning commission from the investments they sold. The problem was that IAs sometimes gave advice to buy the products that paid the most commission, rather than the most suitable investment for their client. ‘RDR’ regulation<sup>3</sup> has changed this by abolishing commissions and forcing IAs to charge for ‘advice’, but in the process an “advice gap” has opened up, as customers balk at parting with hard-earned cash for advice.

With the advent of open banking since January 2018, established banks and their digital challengers have been quick to enable customers to ‘link’ accounts from other banks into their Mobile Apps, giving customers a ‘single view’ of their bank balances and transactions for the first time. Adoption by customers is growing gradually, but the real benefits for consumers are emerging now as banks and fintechs use the aggregated account and transaction data to generate helpful insights into spending patterns, and nudge customers to stay within budget. With ‘open banking payment initiation’ standards coming into force in 2020, AI is being used to move money or make payments on your behalf to stop you going overdrawn or missing a payment.

Financial wellbeing goes beyond day to day money management. A family that is in the black, but has no long term plan to achieve the desired lifestyle in retirement, or has no protection in place to withstand financial or health-related shocks, needs to be nudged to take action now. Whilst the best time to start saving for a pension might have been 20 years ago, the second-best time to start is now. Yet gaining a picture of whether you are on track for your retirement and how to get back on track is not easy, and again can cost thousands of pounds if you go to an IA. With final salary pensions becoming a perk of the past, and employees having an average of 11 jobs in a lifetime<sup>4</sup> most of us have acquired “defined contribution” pension pots with each of our previous employers. In 2016, the government announced a commitment that Pensions Dashboards would be created by the pensions industry, enabling everyone to view details of all of their pensions together by 2019 – a kind of “open pensions” initiative.

The potential is for digital innovators to create 'financial wellbeing' services or platforms that give customers a holistic view of their day to day and long term financial wellbeing. This can be done by aggregating open banking data from banks, investment data from Wealth Managers, pensions dashboard data from pensions companies, protection coverage data from insurance companies, and then giving smart nudges to customers to take action. So hopefully not too long before I hear this free advice from Alexa:

<Alexa> "Good news Tim. I've invested the money you saved last month into your workplace pension.

I suggest you keep that up for the next 12 months, which will increase your expected retirement income by 5%...."

## About Capita

Capita is a key player in the financial wellbeing space, as administrator for over 10 million life and pensions policies, investor in cutting edge data analytics start-up 'Barrachd', and AI Robo-advisor 'Munnypot' (a Capita Scaling Partner). Capita continues to build its capabilities with the establishment of 'Capita Consulting for Financial Services' in September 2019.

---

## References

1. FCA Financial Lives Survey
  2. Capita Financial Wellbeing research with Manchester University:  
<https://capita.turtl.co/story/5c3df78ccb9c2a3dedf00fb7>
  3. Retail Distribution Review regulations
  4. Pensions Dashboard
-