An inclusive approach to financial products
About Age Concern England

Age Concern England (ACE) is a national voluntary organisation aiming to improve the opportunities and quality of life of people over 50. We work through campaigning, public policy development, research, information provision, publishing, training, grant-making and international and European work.

ACE is part of Age Concern, the UK’s largest federation of organisations working with and for older people. There are 350 local Age Concerns in England and independent national Age Concerns in Scotland, Wales and Northern Ireland. Age Concern provides vital services and information locally throughout the country. Every day we are in touch with thousands of older people, enabling them to make more of life.

Beyond financial inclusion

The ‘Beyond financial inclusion’ project aims to encourage inclusive design in financial services, by developing and promoting a set of principles that it is hoped will shape the industry’s approach to delivering products and services. The end goal is to ensure that all people, including older people, have access to good value financial products and services, delivered in a way they can access, and communicated in a way that they can understand and engage with. The principles have been developed in consultation with older people’s forums hosted by Age Concerns in Cambridgeshire, Dorchester, Knowsley, Lambeth and North Yorkshire, and with Money Matters volunteers from Age Concern Norfolk. We are deeply grateful to them all. Reports of the workshops are available at www.ageconcern.org.uk/AgeConcern/income_policy.asp

Age Concern is grateful for the support of Lloyds TSB and Scottish Widows with this project.

Lloyds TSB  SCOTTISH WIDOWS
preparation is everything
About the author

Jackie Wells is an independent consultant working in financial services markets. She has previously worked for Deloitte, Bacon & Woodrow and two life assurance companies.

Jackie specialises in market analysis, consumer financial behaviour and policy and regulatory developments in financial services markets. Her current clients include government departments, regulators, third sector organisations and financial institutions. Recent clients include:

- HM Treasury – Thoresen Review
- FSA – various projects
- Age Concern England – financial product design for older people
- A major employee benefit consultancy – future of defined benefit pensions.

Jackie is also a lay member of the board of the Chartered Insurance Institute and is currently studying at Southampton University.

Jackie can be contacted on:
jackie@jackiewells.co.uk
07775 785226

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- Peter Barnett, Continuing Care Conference
- Ricability
- Scottish Widows
- Swiss Re
‘The need has never been greater for products, services and environments to be developed in such a way that they do not exclude, but instead reflect more accurately the diverse needs of today’s users – particularly older and disabled people.’

Sir Christopher Frayling, Chairman, Design Council
Foreword

‘Every man desires to live long; but no man would be old.’
Jonathan Swift 1667-1745

The United Kingdom is currently experiencing a massive change in the fabric of society. Some simple statistics illustrate these huge demographic shifts.

- For the first time, the percentage of the population aged under 16 has dropped below the percentage of the population over state pension age.

- The fastest growing age group in the population are those aged 80 and over.

- This year, 10,000 people were aged 100 years or older and eligible to receive a birthday card from the Queen. It is likely that the Monarch will be sending four times as many birthday cards by around 2030.

We all age. Most of us will grow old and in years ahead most people will spend as much of their life retired as they do working. Longer lives are something to celebrate but also bring inevitable physical, mental and emotional change which provides a challenge for users and providers of products and services.

If these challenges are not met longer lives can become endurance.

However getting to grips with defining the needs of an ageing population are actually very complex – perhaps even more so than for their younger counterparts.

We can visualise infirm pensioners shuffling Zimmer frames, but we can also see the many older people who continue to live life to the full, active in their communities, taking holidays or playing golf. Age does not lead to a uniform decline in health or ability. The over 50s are an economically diverse group with unequal resources in terms of income, health and social networks.

As an industry, we cannot and should not ignore the importance of this large and growing demographic group. We need to ensure our products and services are designed around and are responsive to their changing needs. That is why I welcome this report which lays out the issues and starts the debate on how to ensure that all people, regardless of age, have equal access to good value financial advice, products and services.

Andy Briggs
Managing Director Marketing & Distribution
Scottish Widows
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1. Executive summary

- The ageing of the UK population is now a well-known and much written about subject and has led to a number of commercial and policy developments across many markets. The over 50s now form a significant proportion of many companies’ customer base and an important economic power. In financial services, the over 50s make up a clear majority of owners and buyers in some sectors, notably saving and investment.

- However, an ageing population may lead to an increase in the number of people with physical, cognitive and social network limitations, which in turn can lead to social and financial exclusion and an inability to find suitable products and services.

- These concerns have led to the development of principles for inclusive design in the built product environment. These principles encourage companies to design mainstream products with people of reduced capabilities in mind and to reduce the need for special purpose products.

- There are many examples of policy, regulatory and commercial developments in the financial services sector which recognise the opportunities and challenges afforded by an ageing population and which implicitly adopt the concepts of inclusive design. Among these are the existing financial inclusion agenda, basic bank accounts, developments in the equity release market, plans for pension reform and Later Life Adviser Accreditation.

- However, as described in Chapter 6, there remain many examples of financial exclusion among older people, which are not the subject of inclusion programmes. This paper sets out for discussion five principles for product and service design in financial services which it is believed could help address some of the exclusion or difficulties faced by some older people. The principles are:
  
  - adaptability
  - accessibility
  - fairness
  - useable information
  - minimising hazards.

- In Chapter 7, we set out some initial thoughts on how these principles could affect many of the business processes of financial services companies and put forward some of the potential benefits of adopting an inclusive design approach. A successful outcome for Age Concern would be to see the industry engage further in the debate about inclusive design.
Serving the needs of older people will become a mainstream consideration in the design of products and not about special needs for the minority.
2. Introduction

This report sets out to demonstrate that the issues of access to financial services and their design and delivery for older people go further than current debates about financial inclusion. The issues are widespread, affect not just those on low incomes and may require a range of concerted supply-side initiatives to meet more clearly the financial needs of all older people.

Financial inclusion

The government’s financial inclusion strategy has sought to ensure that ‘everyone has the opportunity to access the financial service products needed to participate fully in modern-day society’\(^1\). The emphasis of the work of financial inclusion is on those with low incomes and those suffering from multiple deprivation, and many older people are captured within these groups. Several organisations, including Age Concern\(^2\), the former National Consumer Council (now Consumer Focus), Help the Aged\(^3\) and Joseph Rowntree Foundation have pointed out the significant level of social and financial exclusion that prevails among older pensioners and/or those on low incomes, many of whom have for some time been dependent upon the cash economy. A recent report for the European Commission also confirms that older people are among the most excluded from financial services\(^4\).

In a recent document, the government has set out how the financial inclusion strategy will progress between 2008 and 2011\(^1\), including:

- a new financial inclusion fund with funding of £130 million;
- continuation of the Financial Inclusion Taskforce;
- dialogue between the banks and government on the delivery of banking services;
- further progress on third sector affordable credit facilities;
- the promotion, access and take-up of appropriate savings products;
- improving access to contents insurance.
Age Concern and financial services

As part of its financial inclusion policy initiative, Age Concern England (Age Concern) is seeking to engage with financial services organisations to develop a more inclusive approach to the design, delivery and documentation of their products and services, in particular to reflect the needs of all older people and others who may have difficulties accessing or managing their financial matters. Age Concern believes that financial inclusion needs to go further than the specific initiatives set out by HM Treasury and should become more closely embedded into product and service design.

Age Concern has already conducted some research into the subject of older people and financial services. In March 2007, Age Concern and Help the Aged published a joint report ‘Insurance and Age’ which highlighted the discrimination (perceived and actual) suffered by some older consumers when arranging insurance. In particular, pricing, access to information and channels of distribution were highlighted as being areas of difficulty for some. In October 2007, Age Concern published a policy position paper on financial services which expressed the desire for the financial services industry, regulators and government to ‘work together to provide suitable, secure and fair value financial services, information and advice to help people prepare for retirement, and to help people who are already in retirement to manage their money’. The report sets out three policy objectives which have particular relevance to this piece of work, notably:

- People of all ages should have access to the information and advice they need to plan for retirement, and to maximise income once retired.

- Older people should be able to access the range and quality of financial services that they need in order to maximise income and manage spending.

- Financial services providers’ policies and practices towards older people should be fair, and be seen to be fair.
Objectives

This project is designed to encourage further engagement with financial services markets and the development of a set of principles or protocols that it is hoped will shape industry’s approach to delivering products and services. It is hoped that the design principles might influence pricing strategies, channels of delivery and access to products and services, the media and communication tools used to disseminate information, the language used in and the presentation of product or service information and the way in which customer service is delivered. The end goal is to ensure that all people have access to good value financial products and services, delivered in a way that they can access and communicated in a way that they can understand and engage with.

Report structure

This paper is being published as a discussion document with the express hope that the financial services industry will engage further with the debate. The ideas and principles put forward are not intended to be definitive but rather suggestions that we hope will be challenged and evaluated by industry practitioners.

This report starts by examining some of the consequences of an ageing population and the changing economic, physical, cognitive, social and emotional resources and abilities that can come with ageing or are evident in today’s older population.

Chapter 4 looks at the growing discipline of inclusive design and its application in the built environment. We then turn our attention to how the inclusive design might be applied to financial services and propose some design principles for discussion.

The needs and issues facing older people and financial services are then examined in the light of inclusive design and finally we draw out the implications that they may have for product and service design, delivery and documentation.
Methodology

The first stage of this work, as summarised in this report, involved an evaluation of existing research and papers on the subject of older people and their financial needs, as well as engagement with key stakeholders and consumers. In addition to a literature review, this stage of work has included:

- Analysis of the Financial Services Authority Baseline Survey of Financial Capability (BSFC) which was conducted in 2005. This provides supporting data for the engagement of older people with financial services. See Annex 1 for details of the sample.

- Interviews or discussions with a small number of stakeholders including the FSA, ABI, AIFA, BBA, Partnership Assurance, Peter Barnett, Swiss Re and HM Treasury.

- The development of a draft framework for considering the financial services needs of the older population to be tested in subsequent primary research and initial suggestions for design principles for financial services products and services.

- The output from this phase of work has also been reviewed by the working party put together by Age Concern and the project sponsors, Lloyds TSB and Scottish Widows.
3. Ageing customers

The combination of reduced fertility, infant mortality and improved later life mortality rates mean that the older population represents a much larger proportion of populations around the world and in the UK.

UK population projections put the population aged over 50 at 21 million in 2008 or 34% of the population (or 45% of the adult population)\(^5\). The population aged over 75 numbers more than 4.7 million or 8% of the population. In terms of both numbers and share of the population, these groups are set to grow further (see Annex 1 for further details).

The ageing population is the subject of many public and private sector research and policy programmes and has prompted many reforms of public policy, including: pension reform; the on-going debate about funding long-term care; the advancement of the National Service Framework for Older People; the strategy for ‘Lifetime Homes, Lifetime Neighbourhoods’; proposals for an Equalities Bill to include legislation relating to age discrimination in goods and services; a cross-governmental strategy for an ageing society ‘Opportunity Age’ and a recent Public Service Agreement on tackling poverty, independence and well-being in later life. For further details see Annex 1.

It is inevitable also that in many markets, older people will form a significant proportion, if not a majority, of the customer base. In some markets this may already be the case.

In markets for tangible products, the needs of older people are increasingly taken into account at the design stage (car design, internet usability, sustainable homes, kettles, airport design). As the Baby Boomers start to retire, the influence of older people as consumers and service users will become even more critical for manufactures and service providers. Serving the needs of older people will be a mainstream consideration in the design of products and not about special needs for the minority.

An ageing population brings with it many challenges, not least of which is understanding whether changes that occur with age are due to physiological and neurological changes that come with age or to cohort effects that are due to experiences earlier in life. Not all of the different needs of older people are a consequence of ageing. Many are effects brought about by the economic, social and commercial environments in which different age cohorts have lived their lives. The first wave of Baby Boomers (1946–50) is often noted as a distinct post-war
21 million people are aged over 50
cohort who grew up during a period of radicalism, prosperity and social freedoms. They are generally expected to carry forward a new set of attitudes, behaviour and demands into retirement, making them different to previous retired cohorts. We do not know precisely how age and cohort effects will play out with future generations.

**A heterogeneous market**

In designing products and services that are inclusive and fair to all, including older people, organisations need to take account of both the ageing effects as well as the cohort effects on the needs of the individual. This is no easy task; lifestyles of older people are becoming increasingly diverse.

The over 50s market can be segmented in any number of different ways and is often segmented by age, gender or income. Millennium, a marketing agency focusing on the over 50s has segmented this age group into 20 different lifestage/lifestyle segments.

As is often the case in financial services, segmentation can be by the proximity to retirement – pre-retirement, at retirement and in retirement are typical segments. However this last segment is a very large and diverse group, is often under-researched, and is one where a wide range of different needs may emerge. Moreover, the concept of retirement is one that itself is fragmenting – more and more people are choosing to work beyond state pension age, either in response to personal financial circumstances or as a means of maintaining a social network.

Figure 1 opposite and figure 2 on page 16 segment the over 50 population in just two ways: by working status and by housing status. Overlaying economic, health and social network segmentation would reveal even greater diversity. The later parts of this section of the report illustrate how economic, physical, cognitive and social network circumstances change with age; all factors which need to be taken into account when designing inclusive products and services.
Age and work

The over 50s fall into three main groups when segmented by their relationship to employment. Although more than half of the group define themselves as retired (more than 11 million), 31% are working and 14% are neither working nor retired. Although remaining in work declines steeply with age, more than 1 million people are estimated to be working after state pension age (more women than men). Of the group who are not working but not retired, the majority are unemployed or have a long-term illness but almost 1 million are looking after family or home. Of the retired, 18% have retired before state pension age.

Figure 1: Population 50+ segmented by age and working status

Source: Analysis of BSFC. Base: 2187 respondents aged 50+.
Age and household structure

Analysis of household structure reveals that while the vast majority of over 50s are in households without children, approximately 1.5 million individuals still have dependent children living at home (and some will have independent children still living with them). The data also shows how the proportion of single people increases in older ages. For women, the picture is even more stark with 72% of those aged 80+ living alone compared to 46% of men of a similar age (note: the BSFC did not include people in residential care).

**Figure 2: Population 50+ segmented by age and household status**

![Graph showing population 50+ segmented by age and household status.](image)

Source: Analysis of BSFC. Base: 2187 respondents aged 50+.
Economic circumstances and age

The most advanced analyses of the health and wealth of England’s older population have been derived from the English Longitudinal Study of Ageing (ELSA). The study seeks to track the economic, social, psychological and health elements of the ageing process through a panel of 8,000+ households. Results from wave three of ELSA\(^6\) indicate that household income tends to fall with age beyond age 50 and is at its lowest among older single women who have not accumulated full state or private pensions (and may therefore in part be due to a cohort effect).

Moreover the absolute and relative value of incomes in later life can be eroded by not keeping pace with price and/or earnings inflation. With rapidly rising fuel and food prices (two commodities that represent a higher proportion of spend among older people) they are currently experiencing higher inflation. Research by the Institute of Fiscal Studies and supported by Age Concern\(^6\) found that in August 2008, average pensioner inflation reached 7.4%, significantly higher than the 5.4% rate for non-pensioners.

The loss of a partner in later life can have significant consequences for income, particularly for those who are reliant on a partner’s private pension, but also removes an important form of support and advice.

Figure 3 on page 19 shows equivalised annual incomes by thirds of household income and by age band, drawn from analysis of FSA’s Baseline Survey of Financial Capability (BSFC). Dependency on different sources of income varies markedly between those in the top third of incomes and those in the lowest and middle thirds. For those in the lowest third, benefits represent almost all income at all age bands. For those in the middle third, earned income represents an important share of income until age 60 with other income (which includes private pensions and investment income) becoming significant from then onwards. For the top third, benefits represent a smaller proportion of income at all age bands with earned income continuing to contribute even at the very old ages and investment and private pension income representing a very significant proportion after age 70.

67% of savings and investment assets (excluding pensions) is held by the over 50s but around one in four have no savings or investments of any significant value. The value of savings and investments generally increases with age but falls among those aged 70+ with just under a third having little or no savings (Figure 4). This may be due to a cohort effect of those in the older group having accrued lower levels of savings and investments and/or to these groups having spent or given away their assets.
67% of savings and investments are held by those over 50
Figure 3: Annual income by age band and source

Figure 4: Savings and investments by age band

Note: Aged 70+ in top third of incomes very small segments.

Base: 4838 responses to BSFC with some recorded household income.

Base: 5328 responses to BSFC.
Physical abilities and later life

Physical ability has an important effect on an individual’s general sense of well-being, their ability to continue to engage in social activities and the ease with which they access products and services.

‘Never before have older people formed such a large proportion of the total population. Never before have physical and mental capabilities remained so high into advanced age.’

Although medical advances have led to longer life and brought improvements in health in later life, the picture of changing physical abilities with age is complex. Loss of physical ability is not necessarily an automatic consequence of ageing but for some is a consequence of lifestyle (throughout life) and cohort effects (for example, diet in early life).

The FSA’s Baseline Survey of Financial Capability contains just one measure of physical health. It asks respondents whether they have any long-standing illness or infirmity that limits their activities. The results reveal that 36% of those aged 50+ say they have such an illness or infirmity.

Figure 5: Proportion of population with limiting long-standing illness or infirmity by age and income thirds

Source: Analysis of BSFC. Base: 2187 respondents aged 50+.
ELSA’s measurement of physical ability focuses on activities of daily living and mobility, falls, hearing and eyesight. The study has confirmed that physical ability diminishes with age\textsuperscript{11}, although many other factors play a part (for example, socio-economic status and gender). Key physical developments that affect an individual’s ability to engage with products and services include:

- Difficulty with activities of daily living (ADLs) increases from around 10% among the 50 to 54 age band to around 40% among the over 80s.

- Mobility, which affects an individual’s ability to walk and therefore their ability to access services outside the home. Both mobility and walking speed diminish with age.

- Poor eyesight and poor hearing which also increase with age. Among those aged over 80, 32.7% report poor eyesight and 39.2% poor hearing. Poor eyesight and poor hearing can make it harder for people to access information about products and services.

While largely intangible products, access to financial services nevertheless often requires good physical abilities. A trip to the bank or cashpoint may be difficult for some. Written information forms an increasingly important element of relationships with financial services companies. However reading statements or product explanations in paper or internet form may become increasingly difficult with age. Similarly, speaking over the phone may become more difficult due to difficulties with speech or where hearing difficulties exist. Consideration of physical limitations experienced by customers of all ages is relevant in the design and delivery of all financial products and services.

Cognitive abilities and later life

Age in itself does not affect the power to make decisions, a point which has been recognised by the Mental Capacity Act 2005 which states that lack of capacity cannot be established merely by reference to a person’s age, appearance, condition or an aspect of behaviour.

Dementia is not a normal part of ageing but milder limitations, such as memory loss, can lead to practical difficulties including the management of one’s finances. ELSA measures a number of cognitive abilities including memory, information processing and decision-making. The report of the first wave of data found that ‘progressive age-associated decline in memory, name-finding, complex decision-making and speed of information-processing is common throughout late middle age and later life’\textsuperscript{12}.
The study found that memory declines with age for men but that the pattern is less clear among women. Among women, memory appears to improve in early old age but declines beyond age 70. Memory plays a particularly important role in financial services, in part due to the increased use of PIN numbers and passwords but also in cases where the individual needs to keep track of several different pots of money.

Other studies have found that the speed with which we process information declines with age. This has implications for media where information is supplied at a fast pace (for example, call centres) and where products and resulting decisions are complex (for example, equity release).

Of particular relevance to financial services are the findings on numeracy and information processing. Numeracy was found to be lower in older age groups, although there continues to be debate about the impact of different cohort effects such as education on the data. In their paper ‘Understanding Pensions: Cognitive Function, Numerical Ability and Retirement Saving’ (2006), Banks and Oldfield suggested that levels of numeracy play an important part in understanding financial products and in planning for and in retirement. Other studies in the US have also suggested that numerical abilities decline more with age than other abilities.

Figure 6: Numerical ability and age

Source: Chart from Banks et al. (2006).
Social networks and changing emotional needs

Adult children and friends form an important element of social networks and an important source of information and advice. Women have more frequent contact than men. However, this may change in future with more women entering older age not having had children and with the growth in single adult households.

Many older people can feel either socially isolated or cut-off from modern life. The loss of a partner and sometimes children can lead to loneliness and to a lack of support and advice. This sense of isolation can lead to heightened concerns about personal security and a perceived or real inability to access products and services.

Financial services and the over 50s

Analysis of the FSA’s Baseline Survey of Financial Capability (BSFC) reveals just how important older people are to financial services markets. Details of this analysis are included in Annex 1 to this report. In summary, those aged 50+:

- Make up a clear majority of the owners of many savings and investment products and are over-represented in terms of ownership of household insurance.
- Hold their own in terms of share of life assurance and several banking products but are under-represented among the holders of many credit products.
- Continue to hold a significant number of financial products well into retirement.
- Continue to be active purchasers of many financial products and again form the majority of active purchasers of investment products.
- Are less likely to shop around, use the internet or broke their insurance business on a regular basis once into later old age.
- Are generally good at managing their money and making ends meet but are more dependent upon cheques and cash as means of payment than younger groups.
- Are reluctant users of credit, preferring to save up rather than put things on credit cards.
- Have less exposure to formal financial advice at older ages.
- Have higher scores for some aspects of financial capability, but experience some decline in financial capability beyond age 70 and may be particularly vulnerable if required to make important product choices.

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Life assurance in this context includes products which pay out only on death and do not have a savings element.
Figure 7: Product ownership segments by age

<table>
<thead>
<tr>
<th>Age</th>
<th>Equity-based product holdings</th>
<th>More than just a current/savings account but no investment products</th>
<th>Current or cash savings account only</th>
<th>No financial products (banking, insurance or investment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 and under</td>
<td>100%</td>
<td>90%</td>
<td>80%</td>
<td>70%</td>
</tr>
<tr>
<td>21-30</td>
<td>90%</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
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<td>31-40</td>
<td>80%</td>
<td>70%</td>
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<td>41-50</td>
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<td>71-80</td>
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</tr>
<tr>
<td>81+</td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Analysis of BSFC. Base: 5328 respondents to BSFC.

Figure 8: Mean scores for aspects of financial capability

<table>
<thead>
<tr>
<th>Age</th>
<th>Staying informed</th>
<th>Making ends meet</th>
<th>Keeping track</th>
<th>Planning ahead</th>
<th>Choosing products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 50</td>
<td>100</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
</tr>
<tr>
<td>50-59</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
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<tr>
<td>60-69</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
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<tr>
<td>70-79</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>80+</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Analysis of BSFC. Base: 5328 respondents.
‘Many of the decisions that individuals make about retirement, health and housing in later life are complex and may be compromised by impairments in decision-making ability or other aspects of memory and executive function, including planning, organisation and mental flexibility.’ Banks (2006)
Design and the older customer

Growing old is a natural and predictable part of life and one in which changes occur that require changes to previous habits and routines. Older people have been shown to develop coping mechanisms where their abilities prevent them from maintaining their earlier way of life – see Annex 2 which details the findings of research among older people.

While changes in economic, physical, cognitive and social resources do not fundamentally change an individual’s needs or desires they can limit an individual’s ability to engage fully with society and can in turn lead to an exacerbation of the problems being experienced. Moreover, research by the ELSA team has shown a correlation between poor health and low incomes leading to multiple deprivation and difficulty. Companies who serve the older population increasingly have to consider the design challenges facing them in delivering accessible, meaningful and appropriate products and services. Not all people will experience the changes shown in the diagram opposite, but it summarises the design challenges that companies should consider when seeking to design inclusive products, not simply for the older population but more broadly to reflect different needs and abilities. Companies should also seek to understand the coping mechanisms employed by people and develop their services in a way which complements or reduces the need for them to be applied.

The argument for a more inclusive approach to designing products has been developed in the built product environment. Before considering how this might be applied to financial services, we explore in the following section of this report the principles of inclusive design and its application to product design in the UK.

‘Good design can play a major role in maintaining or increasing physical independence among older adults. Good design can ensure that age-related impairments in physical capabilities are not disabling.’
Figure 9: Design challenges of an ageing population

- Reduced mobility, dexterity, sight and hearing
- Memory, information processing and numeracy skills may decline
- Income and spending patterns change. Value of income erodes with time.
- Access to social networks may diminish. Emotional needs and responses may change.
4. Inclusive design

The world of built product design has for some years developed its thinking about the concept of inclusive design. This has been set against the context of an ageing population and social inclusion. It has also been driven in part by developments such as the 1995 and 2005 Disability Discrimination Acts (DDA) and, more recently, by requirements for lifetime housing.

The DDA addresses, in part, a number of design issues which affect people with varying degrees of ability. It requires that providers of everyday services should make ‘reasonable adjustments’ for disabled people. A service provider is required to take reasonable steps to:

- change a practice, policy or procedure which makes it impossible or unreasonably difficult for disabled people to make use of its services;

- provide an auxiliary aid or service if it would enable (or make it easier for) disabled people to make use of its services.

In addition, where a physical feature makes it impossible or unreasonably difficult for disabled people to make use of services, a service provider has to take reasonable steps to:

- remove the feature; or

- alter it so that it no longer has that effect; or

- provide a reasonable means of avoiding it; or

- provide a reasonable alternative method of making the service available.
An introduction to inclusive design

Inclusive design seeks to extend the concept of inclusion in society by reducing the focus on ‘special needs’ products. Special needs products have, in many markets, become stigmatising and can be expensive to develop and deliver. By widening out the design of mass market products to meet the needs of those with reduced capability, inclusive design seeks to ensure that products are designed for use by people with a range of abilities. By ensuring that the end-user group is not too narrowly defined at the design phase of a product (not just the fully capable but those with reduced capability as well), the market for a product can be extended and the costs of designing products that meet the needs of the majority are reduced.

Inclusive design encourages manufacturers to define the target population as the maximum number of people who could use the product and aims to minimise the number (at the top of pyramid below) for whom specially adapted products are required. It also encourages us to understand consumers with a wide range of needs and abilities and how needs may change with age and changing abilities.

Figure 10: Inclusive design and capability

![Diagram showing the pyramid with sections for Fully capable, Reduced capability, and Disabled.]

Source: Benkztin and Juhlins18.

A set of universal design principles has been developed by the Center for Universal Design in North Carolina and are reproduced on the following page. While Universal Design has been replaced in the UK by the more widely accepted concept of Inclusive Design, the principles are worthy of listing since they help to bring alive some of the concepts.
**Figure 11: Universal design principles**

The universal design principles are reproduced in their original wording below:

<table>
<thead>
<tr>
<th>Universal design principles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principle one: equitable use – the design is useful and marketable to people with diverse abilities. Guidelines:</strong></td>
</tr>
<tr>
<td>1a. Provide the same means of use for all users: identical whenever possible; equivalent when not.</td>
</tr>
<tr>
<td>1b. Avoid segregating or stigmatizing any users.</td>
</tr>
<tr>
<td>1c. Provisions for privacy, security, and safety should be equally available to all users.</td>
</tr>
<tr>
<td>1d. Make the design appealing to all users.</td>
</tr>
<tr>
<td><strong>Principle two: flexibility in use – the design accommodates a wide range of individual preferences and abilities. Guidelines:</strong></td>
</tr>
<tr>
<td>2a. Provide choice in methods of use.</td>
</tr>
<tr>
<td>2b. Accommodate right- or left-handed access and use.</td>
</tr>
<tr>
<td>2c. Facilitate the user’s accuracy and precision.</td>
</tr>
<tr>
<td>2d. Provide adaptability to the user’s pace.</td>
</tr>
<tr>
<td><strong>Principle three: simple and intuitive use – use of the design is easy to understand, regardless of the user’s experience, knowledge, language skills, or current concentration level. Guidelines:</strong></td>
</tr>
<tr>
<td>3a. Eliminate unnecessary complexity.</td>
</tr>
<tr>
<td>3b. Be consistent with user expectations and intuition.</td>
</tr>
<tr>
<td>3c. Accommodate a wide range of literacy and language skills.</td>
</tr>
<tr>
<td>3d. Arrange information consistent with its importance.</td>
</tr>
<tr>
<td>3e. Provide effective prompting and feedback during and after task completion.</td>
</tr>
<tr>
<td><strong>Principle four: perceptible information – the design communicates necessary information effectively to the user, regardless of ambient conditions or the user’s sensory abilities. Guidelines:</strong></td>
</tr>
<tr>
<td>4a. Use different modes (pictorial, verbal, tactile) for redundant presentation of essential information.</td>
</tr>
<tr>
<td>4b. Provide adequate contrast between essential information and its surroundings.</td>
</tr>
<tr>
<td>4c. Maximize ‘legibility’ of essential information.</td>
</tr>
<tr>
<td>4d. Differentiate elements in ways that can be described (for instance, make it easy to give instructions or directions).</td>
</tr>
<tr>
<td>4e. Provide compatibility with a variety of techniques or devices used by people with sensory limitations.</td>
</tr>
</tbody>
</table>
### Universal design principles

**Principle five: tolerance for error – the design minimizes hazards and the adverse consequences of accidental or unintended actions. Guidelines:**

5a. Arrange elements to minimize hazards and errors: most used elements, most accessible; hazardous elements eliminated, isolated, or shielded.
5b. Provide warnings of hazards and errors.
5c. Provide fail safe features.
5d. Discourage unconscious action in tasks that require vigilance.

**Principle six: low physical effort – the design can be used efficiently and comfortably and with a minimum of fatigue. Guidelines:**

6a. Allow user to maintain a neutral body position.
6b. Use reasonable operating forces.
6c. Minimize repetitive actions.
6d. Minimize sustained physical effort.

**Principle seven: size and space for approach and use – appropriate size and space is provided for approach, reach, manipulation, and use regardless of user’s body size, posture, or mobility. Guidelines:**

7a. Provide a clear line of sight to important elements for any seated or standing user.
7b. Make reach to all components comfortable for any seated or standing user.
7c. Accommodate variations in hand and grip size.
7d. Provide adequate space for the use of assistive devices or personal assistance.

Copyright © 1997, The Center for Universal Design
Some of the implications for product design of changing physical and cognitive abilities identified in existing research on the subject include:

- Physical demands made of users of products can create exclusion. If a product or service requires strength to use it or is situated in a place that requires the user to walk long distances to access it, it may exclude many people, whether due to problems arising from ageing, disability or lifestage events, such as pregnancy.

- Poor lighting or visual displays which use poor contrast or are busy may exclude those with poor visual or cognitive abilities.

- A reliance on only auditory or visual signs can limit the ability of some to use a service.

- Ambient sound and high frequency sounds can cause difficulties for some people with hearing difficulties.

- Complex verbal, numerical or written information may exclude many people, irrespective of age.

- Sales techniques or other environments where rapid decisions have to be made may place older consumers under inappropriate levels of stress.

The UK organisation Research Institute for Consumer Affairs (Ricability) is concerned with the needs of disabled and older people. It has addressed the issue of inclusive design in its tests on everyday products. They have found that very few mainstream products have been designed with older people in mind and, even less so, people with disabilities. Moreover, products which do serve the needs of the many often do so more by accident than design. They highlight a number of typical design features which can cause exclusion including small print, poor contrast in printed material, complicated menu systems, rotary dials with smooth sides or poorly lit readout panels. They, like others who have researched the subject, stress that inclusivity is about more than age and disability and that designers should consider a wide range of needs and users when designing products and services.

The concept of inclusive design is finding its way into a number of commercial organisations. The most widely discussed example is the approach adopted by Fiat in car design (the Autonomy programme). In ensuring that the design accommodated those who might experience difficulty getting in and out of cars, reading displays or driving itself, Fiat found itself with a range of cars that offer better mobility for all, extended their market to previously excluded groups and extended the cars’ use for those with temporary difficulties (for example, due to broken legs or pregnancy).
One of the most active initiatives is being developed by the web consortium W3C which has been active in encouraging web designers to adopt a number of principles in their design that will allow those with limited sensory, physical or cognitive functioning to access the web. The Web Accessibility Initiative (WAI) seeks to set international standards and has started to apply these in the context of an ageing population.

Their ageing guidelines include:

- clear presentation and writing
- clarity of navigational elements and links
- avoidance and correction of form errors
- colour and contrast
- link and heading clarity
- augmentation with images.

Inclusive design does not advocate that one product can meet the needs of all; that market segmentation is inappropriate; that commercial requirements should give way to social responsibility; or that product designers need to consider the whole population when designing a product. Rather it suggests that when defining a potential market for a product, designers consider those within the market who have different levels of ability on a number of dimensions.

A toolkit designed to assist companies in the development of inclusive design has been published by the Engineering Design Centre (EDC), Cambridge. The book contains suggestions for designs which take account of communication, visual, hearing, locomotion, reach and dexterity difficulties as well as cognitive impairments. The EDC website also contains useful tips for incorporating inclusiveness into the design process.

Before considering whether and how the principles can be adapted and applied more fully to financial services markets, we first consider how financial services has adapted already to the needs of this group and how they are different to other markets. We then propose some draft principles and discuss how these might be applied to existing gaps in the market given the financial needs of the population and older people in particular.
Transparent and fair treatment of customers is of growing importance.
Inclusive design – are financial services different?

While many aspects of the inclusive design principles could be read across directly to financial services, products and advice – particularly the design of hardware such as ATMs and buildings – the market has some very distinct characteristics that make it more appropriate to consider redefining the principles.

- The first and most obvious difference between built and financial products is the intangible nature of financial products and many of the services that surround them. This makes some of the principles applied to built products (physical effort, size and space) of less relevance, although they are still important where there is physical contact with a service (for example, visiting the bank).

- The product and the service surrounding the product are inextricably linked. The product is nothing without the associated service, and vice versa (imagine having a bank account but not being able to withdraw cash or find out the balance).

- Information and advice are a much more critical component of financial services than they are with many built products. The difficulties that many people, not just older people, have with financial services relate to understanding the products and services they are offered or hold. This puts more emphasis within the principles on the role of information, both at the point of sale and over the lifetime of the product or relationship.

- Channels of distribution and access to products and services are more remote (and less frequently accessed) for most financial products than for other products and have developed in a way which has led to large sections of the population being excluded, or self-excluded from the sales and advice environment. While regulation and the economics of distribution have a strong influence on distribution channels, it is less clear that customer needs are reflected fully in today’s design.

- Risk is inherent in many financial products and with investment products it is not possible, or appropriate, to eliminate the risks but rather to provide a clear information framework within which customers can understand the risks to which they are exposed.

- Different customers have different risk profiles which may lead to different pricing. The reality of fairness and equity are not always obvious to the customer in insurance products but the transparent, fair treatment of customers is of growing importance across the financial services industry.
Legislation and regulation often impose certain requirements or restrictions on providers or advisers such that the ideal of inclusive design may be harder to implement. Some of the lessons of inclusive design may need to be reflected in industry regulation (for example, in the design of product information; the regulation of the sales process; the design of statements for unit trusts).

Very real tensions exist between the safety of a customer’s money and ease of access and providers need to balance these two aspects in designing their service.

The relationship between customer and provider and/or customer and adviser may last for many more years than would be typical for most built products. This has particular relevance for communication with the customer over their lifetime. In the case of older people, their needs may demand more frequent or different forms of on-going communication and customer service.

Tensions also exist between the responsibilities of the adviser and those of the product provider. This has been the subject of much debate within the context of the FSA’s Treating Customers Fairly debate. As customers age, they may lose touch with advisers which may place more responsibility on the product providers to ensure that they remain aware of and understand the products that they hold.
5. Draft principles for inclusive design in financial services

It is with all of this in mind that we put forward for debate and challenge five inclusive design principles for financial services:

Figure 12: Inclusive design principles for financial services

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adaptability</strong></td>
<td>Product development process should consider the needs of customers over the lifetime of the product/relationship</td>
</tr>
<tr>
<td><strong>Accessibility</strong></td>
<td>Products and services are available through channels which can be accessed by as many people as possible</td>
</tr>
<tr>
<td><strong>Fairness</strong></td>
<td>Treating all customers fairly irrespective of age, income or ability</td>
</tr>
<tr>
<td><strong>Useable information</strong></td>
<td>Information is designed to be capable of being understood by customers with a range of abilities</td>
</tr>
<tr>
<td><strong>Minimising hazards</strong></td>
<td>The safety of the customer and their money is built into the design of products, systems and facilities</td>
</tr>
</tbody>
</table>

**Adaptability**

Many financial services products are held for many years and advisers and providers may have long-standing relationships with customers. Over the course of these relationships, customers’ needs and abilities may change. When designing products and associated services, providers and advisers should consider the needs of the customer or target market not only at the point of sale but also across the lifetime of the customer relationship. By this we do not mean that all products should be designed to last a lifetime but rather that it should be just as easy for a customer to use the product or service towards the end of the relationship as it is at the point of sale. Providers and advisers should also audit the ease of use and understanding of the product from time to time among their customer base.
Accessibility

One of the major themes running through the more detailed analysis in Chapter 6 is the difficulty older people (and many others) have in accessing financial services, either in finding a service or using it when they have found it: for example, getting access to advice; getting to a bank branch; reading marketing material; coping with complex phone or (if they have internet access) website navigation. Accessibility brings together four of the original inclusive design principles: equitable use (the product should be marketable to those with diverse abilities); perceptible information (information should reflect the user’s sensory abilities); low physical effort (minimise physical effort); and size and space (service design should allow for users’ physical abilities).

Fairness

Treating customers fairly and being seen to treat customers fairly is becoming more widely embedded within the industry. However, to date, it has not been examined in detail in terms of what that means for older customers or others who may have difficulties in dealing with the industry. Research by the FSA in 2005 identified six consumer perspectives on fairness:

- give the customer what they paid for: this involves ensuring that the customer’s understanding matches that of the provider of the product or service;
- do not take advantage of the customer: avoid pushy sales tactics; putting the customer needs first;
- offer the customer the best product you can in both the initial sale and subsequent customer service;
- do your best to resolve mistakes as quickly as possible;
- show flexibility, empathy and consideration in dealing with customers;
- exhibit clarity in all customer dealings: make terms and conditions as easy to understand as possible; spell out changes clearly.

All of these principles are appropriate for an inclusive design approach. In designing products and services, companies should consider how these principles play out among their older customers.
Useable information

Information lies at the heart of financial services. It is therefore critical that it can be read and understood by customers throughout their relationship with the product or service provider. More companies have incorporated testing of products and information among customers or prospective customers as part of their response to the FSA’s Treating Customers Fairly initiative. To meet the requirements of inclusive design this testing should include customers with a range of different abilities and at different times in the relationship. Reiteration of information about the product over the lifetime of the relationship may be appropriate for some complex products with little regular engagement.

Minimising hazards

Applying this principle in financial services does not mean that products should be risk-free but rather that the risks are highlighted to the customer in a way that they can understand. Minimising hazards also applies to the design of processes, for example:

- ensuring that processes that support carers where they take on responsibility for the finances of others build in protection from financial abuse
- the design of internet processes should be designed to prevent those less experienced in the use of technology losing their way or making mistakes
- the design of branch facilities and cash machines should reflect a wide range of customer abilities
- the marketing and sales process should be designed in such a way as to ensure that customers do not find themselves buying products that are unsuitable or being put under pressure to act inappropriately.

The following chapters of this report set out examples of where we see inclusive design being applied and areas where exclusion remains. We also consider the implications for financial services organisations in implementing an inclusive design approach.
6. Applying inclusive design to financial services

While there is little documentary evidence that financial services markets have explicitly embraced the concept of inclusive design, the ageing population has already triggered a number of policy and commercial initiatives, many of which are by their nature inclusive in their design.

- Many banks provide support for their blind and deaf customers. Many will provide information in Braille or large print if requested and some banks have adjusted their colour schemes to help those with limited sight. Others have magnifying sheets available, screen enhancers for visual displays, enhanced web design and navigation aids on cash machines for the blind. Lloyds TSB became the first bank to achieve the RNID’s ‘Louder than Words’ charter standards for telephone banking through the use of technology such as textphones and training of staff in deaf awareness.

- One of several aims of the FSA’s retail distribution review is to encourage ‘a market which allows more consumers to have their needs and wants addressed’. This is being encouraged through a number of draft regulatory initiatives to more clearly define and develop different advice and sales channels, thereby widening access to financial products and services.

- The Treasury Select Committee (TSC) has reviewed many aspects of the UK retail banking system with a view to extending access and improving fairness. In 2007, the DWP and HM Treasury launched the ‘Now let’s talk money’ campaign designed to ‘encourage financially excluded individuals to find out about and take advantage of the financial advice, products and services available’.

- Basic bank accounts have been designed explicitly to address financial exclusion and to enable people of all ages to participate more fully in financial services markets and to benefit from electronic money transmission.

- Major reforms of the UK pension system, bringing changes to the state benefit system and the introduction of Personal Accounts in 2012 are seeking to improve retirement benefits for a larger proportion of the market. The proposals for Personal Accounts specifically take account of the lack of access that many individuals have to good value pensions.

- See the RNIB website at www.rnib.org.uk for details
Information lies at the heart of financial services
Regulatory and commercial developments are reshaping the equity release market, a market which has grown steadily on the back of increased home ownership among older people, a boom in house prices (until very recently) and changing attitudes to borrowing against the value of one’s home. Developments have expanded access to products and sought to ensure that the sales process is more appropriately designed for the needs and abilities of the target market.

The development of a new accreditation system for advisers who wish to specialise in advice to older people – the Later Life Adviser Accreditation scheme. The accreditation scheme has been developed in response to the need for advisers dealing with older clients to have a more complete understanding of the issues facing these clients. Advisers seeking accreditation are required to achieve specific qualifications, demonstrate the right soft skills and undertake continuing professional development.

FSA and older people

In 2001, the FSA launched a thematic review entitled ‘The implications of an ageing population for the FSA’. In its report in 2006, the FSA announced that it was ‘encouraging the industry to develop longer-term relationships with consumers saving for retirement, which should serve consumers better as their product needs and circumstances change with age’. It identified the need for better information for older consumers and a focus on decumulation products and services. The FSA identified seven risks of an ageing population:

- consumers of all ages do not adequately plan for retirement;
- consumers are not saving enough for retirement and are unaware of the increasing exposure to investment risk;
- consumers do not understand their choices associated with specific retirement products;
- the growth and potential mismanagement of longevity risk poses a threat to firms’ solvency;
- generic advice for the ‘in retirement’ market, in particular, is limited, leaving consumers who are approaching or already in retirement unaware of their choices and they may suffer detriment as a result;
- gaps in basic advice and comparative information mean consumers may be unable to make informed choices; and
- the quality of post-sale, ongoing advice for income withdrawal products is uncertain.
The assessment led to a number of regulatory initiatives including an increased emphasis on financial capability and generic financial advice, changes in the sales regulation for certain products (for example, SIPPs and income drawdown) and, more widely, the principles of Treating Customers Fairly.

In 2007, the FSA followed this with ‘Finance in and at retirement – results of our review’ in which the FSA examined whether the market for decumulation products (for example, annuities, income drawdown, equity release) is operating efficiently for older people. The report found that, while there are no regulatory barriers leading to new market failures, there remains a lack of advice for people of all generations and considerable and widespread low levels of understanding of the products available in this market.

The FSA’s lead on financial capability has led to a number of information and guidance initiatives focused on different groups of the population. However, to date, older people have not been singled out as a group requiring a specific focus.

Moving forward with inclusive design

It is clear from the literature review for this project that several reports exist which highlight either specific financial needs of the older population or which explore particular financial problems encountered by them. In addition, it is likely that most financial services firms themselves have researched the needs of older customers and have reports which are not in the public domain. However, given the importance of responding to the changing needs of an ageing population, relatively little has been published on how financial needs change as people age or, more particularly, how financial product design may need to reflect more fully the needs of older people both in terms of the products that they need to buy and those that they already hold.

Several organisations have published research into the financial exclusion issues that continue to face those who are older and/or on low incomes. Among them: Help the Aged has published ‘Money Maze’ and a number of other publications on financial services and older people; the former National Consumer Council (now Consumer Focus) published a number of reports including ‘Three steps to inclusive banking’; the Association of British Insurers (ABI) has published a report ‘Financial Inclusion and Insurance: Meeting Low Income Consumers’ Needs’.
Inclusive design and the financial needs of older people

The financial needs of older people mirror those of other cohorts but the emphasis may change with age. We have grouped financial needs into five broad categories:

- Receiving and making payments;
- Saving and investing;
- Generating an income or lump sums;
- Protecting assets; and
- Guidance or advice.

For many, making ends meet from month to month may be the only financial priority. Others may still be saving for the short or longer term. Maximising income from state benefits or investments may take priority over saving or protection for some. For others protecting assets for the benefit of the family may be more important. Almost all will experience an event which triggers a need for financial guidance and/or advice.

Receiving and making payments

For many older people, receiving their state pension and day to day banking are the only financial services with which they have any interaction. For people of all ages, gaining access to their money in a safe and easy manner is critical and can be particularly difficult for those who have not grown up using bank accounts, credit and debit cards or cash machines.

The Social Exclusion Unit/Taskforce and HM Treasury’s Financial Inclusion strategy and Taskforce have focused much of their effort to date on the provision of access to bank accounts and affordable credit. Basic bank accounts and Post Office Card Accounts have provided many more with basic banking facilities (800,000 more adults had bank accounts in 2005/06 than in 2002/03)\(^1\).

Particular issues which may arise with regard to day to day money management in the later years of life include:
Some older people lack experience of the banking system, not having grown up using bank accounts, credit and debit cards or cash machines. As a result, many older people remain excluded from financial services markets in spite of a shift to direct payment of benefits, including state pension, into a bank account. Moreover, evidence given to the Treasury Select Committee (TSC) by Professor Elaine Kempson suggested that more effort should be made in understanding whether and how accounts are used once they are opened. Some older people find managing their money (and avoiding getting into debt) easier by withdrawing cash on a weekly basis and budgeting using that cash rather than using their accounts.

The closure of bank branches and Post Offices (allied to a lack of public transport) can create difficulties for many older people in gaining access to their money. The TSC noted in its report ‘Banking the unbanked’ that the elderly are more active users of branches than the young and a watching brief should be kept on exclusion through branch closure. Physical and economic constraints may make it difficult for some older people to reach a branch or cash machine. For those who manage their budgets on a daily or weekly basis this can prove extremely difficult. Help the Aged has stressed the importance of counter services to older people. Many prefer to use the counter rather than the cash machine – going into the bank can feel safer than standing outside to get cash.

Remembering pin numbers and passwords may be hard for those with memory problems or those unable to use a PIN pad. While chip and signature facilities are available, Help the Aged has reported that these are not widely promoted by the banks and are not always easy to use.

Cognitive limitations, lack of experience in the use of modern technology and/or lack of access to computers may limit the ability of older people to benefit from internet banking. 37% of those aged 45+ never use a computer and this figure rises with age.

While the Disability Discrimination Act has achieved much in reducing the physical difficulties in accessing bank branches or call centres, long queues in bank branches, having to climb stairs to the banking counter or long delays holding on the telephone can prove particularly difficult for those with illnesses or reduced physical abilities.

Limited exposure to banking systems can also present difficulties for older people when opening accounts or seeking to gain access to credit. They may lack the required proof of identity to open a new account within the money laundering procedures adopted by some banks or simply lack the credit history required (see Annex 2).
60% of over 50s save an amount of money each year.
Saving and investing

Although traditional economic theory would suggest that people should draw down their savings in retirement, many people continue to save through later life. Some older groups have strong concerns about using up all of their money before they die, and some worry about not leaving any for their family\textsuperscript{33}.

Analysis of the FSA’s Baseline Survey of Financial Capability suggests that 60% of the over 50s save something each year and average savings (including zeros) among the over 65s are in excess of £2,000. The analysis also indicates that 53% of older people hold at least one equity-based product and on average this group holds just over two equity-based products. For some, their portfolio may consist of a small portfolio of shares in denationalised companies (BT, British Gas, etc.) or an equity ISA. For others it may be a more complex portfolio of shares, packaged investment products and business assets.

Research by the Joseph Rowntree Foundation\textsuperscript{34} found that many older people continue to save and that saving is evident among both those who are not experiencing financial hardship and those who are. They found the following types of saving/non-saving behaviour among older people:

- those who are saving actively for later old age;
- those who add to existing savings more generally;
- those who prefer to spend or give away surplus income;
- those who did not feel able to save or did not feel the need to save.

Particular issues which may arise with regard to saving and investing in the later years of life include:

- Regular or irregular saving of small amounts may not always be facilitated by many savings accounts or plans. Some savings products may have minimum levels of contribution which act as a barrier to those on low incomes\textsuperscript{35}.

- For those with a range of financial products, managing the risk profile of their portfolio and adapting the asset mix to their needs as their circumstances change is important. Other than IFAs who may not be accessible to all older people, it is not clear where older people go to explore and understand these issues and the investment options open to them.

- Older people, particularly those on low incomes can find it difficult to access savings accounts because of lack of suitable ID.
The collapse of Farepak and the subsequent review by Brian Pomeroy showed that low income customers can be attracted by products which involve lock-in of their savings and home collection (compartmentalisation of savings) – features which are not regularly found in mainstream savings products. Many may not realise that the accounts that they have opened have been superseded by accounts with improved benefits or, through lack of regular reviews, may fail to get the best returns or realise that they no longer need to pay tax on their savings. Others may lose track of those accounts and other assets that they hold, for example on moving into long-term care. Changes in the market (such as new product types) may add to the confusion.

For many people, not just those over 50, understanding product features and risks may be particularly difficult. While age and experience may help in engendering a better understanding, information processing and memory difficulties later in life, as well as changes in the financial marketplace, may lead to confusion and uncertainty about risk.

Although little work has been conducted on existing product holdings, it may be the case that many people with existing savings products have difficulty understanding the products that they have and are not aware of the functionality of the product or how to gain access to their savings. Products purchased at a younger age may or may not continue to be suitable in later life. However, little suitable information may be available to the customer to enable them to assess and understand this.

Those with small parcels of shares may find it difficult to know how to access share trading or to find a service that is affordable.

Statements and product information supplied by product providers or advisers may not be adequate in reminding people what they have and what they can do with their holdings. Statements may also be difficult to understand.

As with other products, limited experience of and access to the internet or an unwillingness to use the web may prevent some older people from accessing some products and information.
Generating an income or lump sum

As the value of income in retirement erodes, generating an income from other sources can become a priority. For others, unusual expenditure (on housing, health care or a new car) can present an unexpected need to generate a lump sum. For an increasing number, decisions about annuity purchases have to be made at retirement. The complex interaction of the benefit system with personal wealth often makes it difficult to know how best to maximise income.

For many, income can be boosted only by increased take-up of state benefits. The government has put in place a number of targets and initiatives to encourage the take-up of pension credit and other benefits. However, concerns about take-up of benefits persist. The DWP has carried out research into the difficulties faced with state pension and benefit provision by older people with health problems or disabilities. It found examples of difficulties in accessing payments and communication arising from both physical and cognitive limitations.

The most important income event for many is at retirement when an increasing number of older people find that they need to convert pension savings into an annuity or other income generating product. As the trend towards defined contribution pensions works its way through population cohorts, more and more older people will be making an annuity choice at retirement. The annuity market and the open market option (OMO) that exists in the pension annuity market has been the focus of several reviews. In October 2007, HM Treasury published its proposals for further opening up of the OMO market through a number of information and regulatory initiatives.

While the most income-poor older groups may not have assets on which they can draw, many older people do hold either financial or property assets that could be used to generate an income. Their ability to generate an income ranges from the relatively straightforward (through interest on cash savings) to the highly complex (equity release) with many other options between the two extremes. For some with urgent needs for a lump sum, cashing in investments may be a suitable option but one with significant practical difficulties – for example, how to cash in unit trusts, ISAs or sell shares may not be self-evident, particularly where these products were purchased through an adviser who no longer provides a service to the individual concerned. For others, help in understanding how to take an income from their investments may be required. Not all of those with financial assets may have access to a financial adviser and so may neither recognise that they can generate more income nor know how to go about it.
A wide range of financial products exist that offer the potential to generate a regular income or lump sum, from the basic savings account paying out monthly interest to income generating unit trusts, annuities, income drawdown products and equity release. However, consumer awareness and understanding of many of these products remains low. Access can also be limited by lack of supply (long-term care insurance), lack of big brands in market (equity release) or high premium levels (life assurance).

Although older consumers tend to want to avoid debt, some are increasingly using debt products to top-up their income. Help the Aged has raised concerns about the levels of debt among older people while also pointing out that some may not be able to access the full range of credit products due to age limits.

For some, the desire is to generate a lump sum after death to deal with funeral expenses or to provide money for dependents. However, such products become more expensive with age as risks increase.

Particular issues which may arise with regard to generating an income or lump sum in the later years of life include:

- Reviews of the annuity market have highlighted the lack of suitable information and advice available to those reaching retirement. Many suppliers of annuities operate almost exclusively through the IFA market. The IFA market itself may have insufficient reach or incentive to deal with those reaching retirement with small lump sums.

- Lack of awareness or experience of income generating products and perhaps a lack of communication about income facilities from product providers/advisers (for example, bonds and unit trusts) may limit some older people from maximising their income. Others may have difficulty knowing how much they should spend at different stages of their life.

- The UK equity release market has not developed as rapidly as expected by some commentators or as underlying demand would suggest. The market has been hampered in part by product designs that were originally biased towards the provider, by a lack of mainstream providers and by a lack of clarity on regulation. Many of these issues are being addressed in the market but there remains some consumer uncertainty about the products. In his report for the CML, Peter Williams states that ‘Product development needs to get closer to an asset management strategy for older people rather than a one off hit. This suggests a suite of products which take account of the fact that many households have a ‘lumpy’ income profile which may allow for more options’.

- As reported previously, some consumers may have limited access to some credit products.
Protecting assets

Protecting assets through insurance is as important to older people as it is to younger age groups. Home insurance can provide an important peace of mind and car insurance is necessary for the many older people who wish to continue driving. Driving represents an important aspect of independence and continued social engagement for older people, particularly those with less access to public transport. Travel insurance is also important for growing numbers of older people who wish to travel overseas.

Car and home insurance for the over 50s is now widely marketed and premiums can be lower than at younger ages for those in their early older age. However, Age Concern and Help the Aged have highlighted concerns about ageism in travel and motor insurance and related products such as car hire, and its effect on people in later older age (typically those aged over 70) and have raised a number of other important issues facing older people. A report into financial inclusion by the ABI also identifies a number of issues and barriers facing those on low incomes. The financial inclusion taskforce has also noted the importance of insurance to those disadvantaged by low incomes or social deprivation.

The reports identify the following specific issues:

- Many older people believe that they are being discriminated against in motor and travel insurance due to what appear to be arbitrary and large increases in premiums as they hit certain age thresholds (for example, turning 75). There is a perception that not all age-related increases in premiums can be justified and that many companies use premium increases as a blunt instrument to reduce the number of older customers.

- Worse still, some found that they had difficulty even getting quotes for insurance beyond certain ages. Nearly one in five of those aged 65+ were unsuccessful in getting a new quotation for motor or travel insurance or car hire, a barrier to shopping around for a better price.

- Companies vary considerably in their treatment of physical limitations or illness. Some appear to customers to adopt an arbitrary approach to increasing premiums on reaching certain age bands rather than increases in line with risks. Given the difficulties of shopping around, many older customers may either pay more than is needed, may go without cover altogether or in the extreme stop driving or travelling.

- Some consumers may not replace their house insurance cover when the mortgage is repaid.
Limited experience of or access to the internet may prevent some older people accessing some policies and broking their insurance business. The decline in the traditional high street insurance broker may have left many older people without access to suitable guidance.

Low cost simple policies are not widely available and tailored to those on tight budgets. Those in social housing or in a care home may find it difficult to get low levels of cover for their possessions.

Getting advice

Almost everybody will need access to information, guidance or advice on money matters at some stage of their later lives. Many may have had an adviser earlier in life but no longer have access to formal advice channels. Many may not have sought financial advice for many years.

Across all ages, people rely heavily upon friends and family for financial advice in addition to more formal sources such as banks, financial advisers and media. As people age, some of their informal sources of information and advice disappear. For many of today’s older people their financial adviser of the past may have been the ‘Man from the Pru’ (or Pearl, or Co-op or other home service company), the high street insurance broker or indeed the bank manager. Very few of these advice, sales or guidance resources exist today.

Particular life events may trigger the need for advice, notably retirement, bereavement, moving home, moving into care, looking after a sick friend or relative.

Research by the FSA indicates that the need for financial advice peaks in the ten years before retirement and around the point of retirement. However, the FSA has also recognised the need for information, guidance and advice later in life as the need for income and/or lump sums kicks in.

Equity release is just one of the solutions that people may need help with in later life when they no longer have access to financial advice and have limited experience of the issues they need to consider. Moreover, the decision about equity release may have to be made at a particularly stressful point in life when ill-health or the loss of a partner can add to the stress of making an important and sometimes urgent decision.

Information and advice services focused on older people are available from a number of third sector and commercial sources. A number of IFAs provide focused services for older people as do Age Concern and Help the Aged (Your Money Matters). Information is also available from the FSA’s financial capability website. However, the reach of all of these services is limited.
One in five of those aged 65+ were unsuccessful in getting a new insurance quotation.
Following the Thoresen Review of generic financial advice and as part of the government’s long-term financial capability strategy, the FSA is due to implement a pathfinder project to further test and refine the requirements for a national money guidance service. At the time of writing this report, it is not clear of the extent to which this will incorporate any specific needs of older consumers.

Particular issues which may arise with regard to financial guidance and advice in the later years of life include:

- Older people may find that their previous adviser no longer exists or has moved on and cannot be traced, leaving them with limited access to formal advice.

- While some advisers have specifically focused on older consumers, many have a limited focus on needs of people who are already in retirement. Some lack a detailed knowledge of the benefit system and its complex interaction with savings and other assets later in life.

- The mainstream commission system of reward for financial advisers may make many older people less attractive as customers because they lack wealth and/or are not highly active product purchasers.

- Older people may have difficulties in accessing information and advice available over the internet.

- Those who have had little recent experience of financial services and are out of touch with today’s products may lack confidence in approaching advisers.

- Particular concerns about privacy and personal safety may prevent some seeking out financial advice. They may not wish to provide information about their finances to others and may not wish to invite an adviser into their home, concerned about the risk of high pressure selling techniques.
7. Implications and benefits for financial services

The ageing population and the concept of inclusive design have wide-ranging consequences and a number of potential benefits for the financial services industry, some of which are explored in the summary below. A successful outcome for this overall Age Concern project would be to see the industry engaged further in the debate about the impact and benefits.

Implications for design

Almost all aspects of the design of products and services (both point of sale and on-going customer service) could be affected by the introduction of an inclusive design mindset among the financial services industry. We describe just some of these below:

- **Strategy:** as the population ages, some businesses will find themselves adapting their overall strategy to reflect the changing needs of the population. As the FSA has highlighted, it is incumbent on senior management to assess the risks as well as the opportunities presented to their business by an ageing population\(^7\). We would add to that, the challenges that face a business in designing products and services for an ageing population.

- **Most product development processes, at present, take into account the needs of the buyers of products. With the exception of products such as equity release, much of that research is focused on those in pre-retirement lifestages. This research project has found little published material to suggest that providers take account of the longer term needs of those who buy their products. Increasingly, providers may need to widen out their research to consider the needs of the owners of products as they age. Including older people and people with different abilities in the product development process would be one of the natural consequences of adopting an inclusive design approach. Older people may not form part of the target market for selling but if buyers are likely to hold the product into later life, it is important to consider this in the design process.

- **Customer service requirements will change with age. Customer service is often designed around efficiency. With more and more older customers, financial services firms may find that they need to adjust the ways in which they deliver customer service to meet the changing needs of their customer base.**
Sales channels are often constrained by cost pressures and regulation. With the closure of many sales forces, brokerages and bank branches, many older consumers have become excluded from access to financial services. Less able to access information and advice through the internet, they may come to rely on services that are costly or inappropriate. In order to reach older consumers, channels may need to be designed with greater accessibility in mind.

Technology is often designed with younger customers in mind. Accessibility features such as clear signposting, the use of standard symbols, larger size text and less clutter can make sites more useable to more people. The adoption of RNIB guidelines can also make sites more accessible.

Marketing material, statements and product information. While the content and design of some material may be defined by regulation, it is important to ensure that information is supplied in a way which can be understood. Information should be tested among a wide range of customers with different abilities.

Pricing: the pricing of products should be fair, transparent and clearly explained. Where older people are charged more, there should be robust data to support this.

Information, guidance and advice: older people may not be able to access this in the same way as younger people. This will have implications for the design of money guidance and for the wider design of advice services.
The potential benefits of inclusive design

We have not sought to build a business case for adopting an inclusive design approach in financial services, nor more widely for simply taking the needs of an ageing population into account. Some companies may fear that taking the needs of older customers into account will simply increase costs or reduce persistency. Some increases in costs may arise and some customers may sell their products if they understand more about them. However we believe that commercial benefits could also be realised:

- **A bigger market** – ignoring the needs of older people will be a seriously limiting factor for providers of all products in an ageing society. While the period at or near retirement is likely to continue to be the peak of much buying activity, financial services providers could reach a much bigger market by considering the needs of those post-retirement.

- **Improved customer relationships**. Customers who are helped to understand and to maximise the use of their financial services products will feel differently about their providers and advisers than those who are left without support or suitable information. Persistency may improve if older customers feel that their needs are being delivered.

- **New opportunities for sales**. The analysis above shows that although purchasing activity declines with age, nevertheless significant numbers of older people do buy financial products. As the number of older people increases and longevity improves, the opportunity to cross-sell will also increase.

The purpose of this paper is to encourage further debate on this subject among financial services companies. Companies wishing to comment on any of the points above should email: beyondfinancialinclusion@ace.org.uk.
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Age Concern is the UK’s largest organisation working for and with older people. In England, we are a federation of over 350 charities working together to promote the well-being of all older people.

Age Concern’s work ranges from providing vital local services to influencing public opinion and government. Every day we are in touch with thousands of older people from all kinds of backgrounds – enabling them to make more of life.