



PRESS RELEASE

Scottish Friendly reveals six point plan to correct flaws in the Lifetime Isa

- *New market analysis conducted by the Social Market Foundation for Scottish Friendly calls on the Government to make changes to enhance the product and make it fit for future savers and investors*

Scottish Friendly has today outlined a series of recommendations to enhance the Lifetime Isa (LISA) and help it achieve its potential. The Glasgow based financial mutual has called on the Government to reform the product to ensure it properly serves its dual purpose of helping young people to save for retirement or to buy their own home.

Scottish Friendly is one of the providers to actively support the LISA and its new report identifies a number of flaws in the current structure of the product which need to be re-designed to ensure its success. 'The Future of the Lifetime ISA' report, which was commissioned by Scottish Friendly and produced independently by the Social Market Foundation, calls on the Government to:

1. Ensure that those who save and invest through a LISA are just as able to benefit from employer contributions as those who invest through a traditional pension product.
2. Permit LISA products to be used as compliant auto-enrolment products. Regulators will have to ensure that there is a level playing field between pension products and LISAs, and that inert consumers who are automatically-enrolled into a savings or investment product receive the same protection in relation to charges.
3. Exempt LISA savings and investments from the capital rules for means-tested benefits and support in the same way that money held in a pension product is.
4. Remove the current age restrictions that apply to the LISA so that people can open a product beyond the age of 40 and continue to save and invest into the product beyond the age of 50.
5. Keep the withdrawal penalty and assess over time whether it needs to be higher.



6. Make the age at which LISA savers and investors can access their money for retirement purposes the same as pensions, namely be brought forward from 60 years to, currently, 55 years and keep access ages the same.

Neil Lovatt, Scottish Friendly's Commercial Director said: "There is no disputing that the Lifetime Isa has the potential to address the issue of record low savings levels among British households and, in particular, young people. This report highlights that the majority know they are not saving enough for retirement or are not confident they are doing so. Our findings indicate the complexity and negative brand of pension products is acting as a deterrent and there is a need for an alternative solution."

Lovatt continues: "The purpose of the LISA is to support younger people as they save for retirement and therefore it should have the same status in relation to employer contributions as pension products. This recommendation is supported by our research which reveals nearly half (47%) of people in full-time employment said they would be more likely to use the LISA if employer contributions were included."

Lovatt continues: "Despite the popularity of the ISA structure with savers and investors there is clearly more work to be done on the LISA. It is by no means the finished article. There are a number of considerations the Government must now make before refining it to ensure it becomes the savings and investment product that people desperately need."

Lovatt concludes: "The LISA could have a transformative impact on many people's lives and help them to increase their savings and investments and achieve their financial goals. To help people realise these ambitions the Government and the industry needs to focus on the potential of the LISA and remove the barriers to increased competition and product flexibility in the pensions market."

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For a copy of 'The Future of the Lifetime ISA' report which was commissioned by Scottish Friendly and produced by the Social Market Foundation please contact:

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Editors notes:

About Scottish Friendly

Scottish Friendly is a leading UK mutual life and investments organisation. It provides investors and their families with a wide range of investment and protection solutions and provides life and investment products and services to other financial organisations.

Scottish Friendly has roots stretching back to 1862. Established as the City of Glasgow Friendly Society, its name changed in October 1992 when it took over Scottish Friendly Assurance.

In recent years Scottish Friendly has significantly restructured its business. The Group has flourished through a three-part growth strategy of organic growth, mergers and acquisitions, and business process outsourcing.

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