



do your
employees
need to
rethink
retirement?

our survey
results 2012.

WEALTH at work

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It is vitally important for employees to seek professional guidance and support whether preparing for retirement or requiring help to generate income at the point of retirement. With the variety of workplace savings on offer and retirement income options available, this has never been so important - especially in today's financial climate. Therefore, it is likely that many employees must rethink their retirement plans.

This study sought to determine the attitudes of a range of UK companies in responding to these issues. As you may know, we conducted the same survey last year in 2011 and have highlighted this where appropriate to assess any possible trends.

I would like to thank the many clients and contacts who contributed to this survey, and hope you find the results interesting and informative. I would very much welcome your feedback in relation to any of the results or issues raised.

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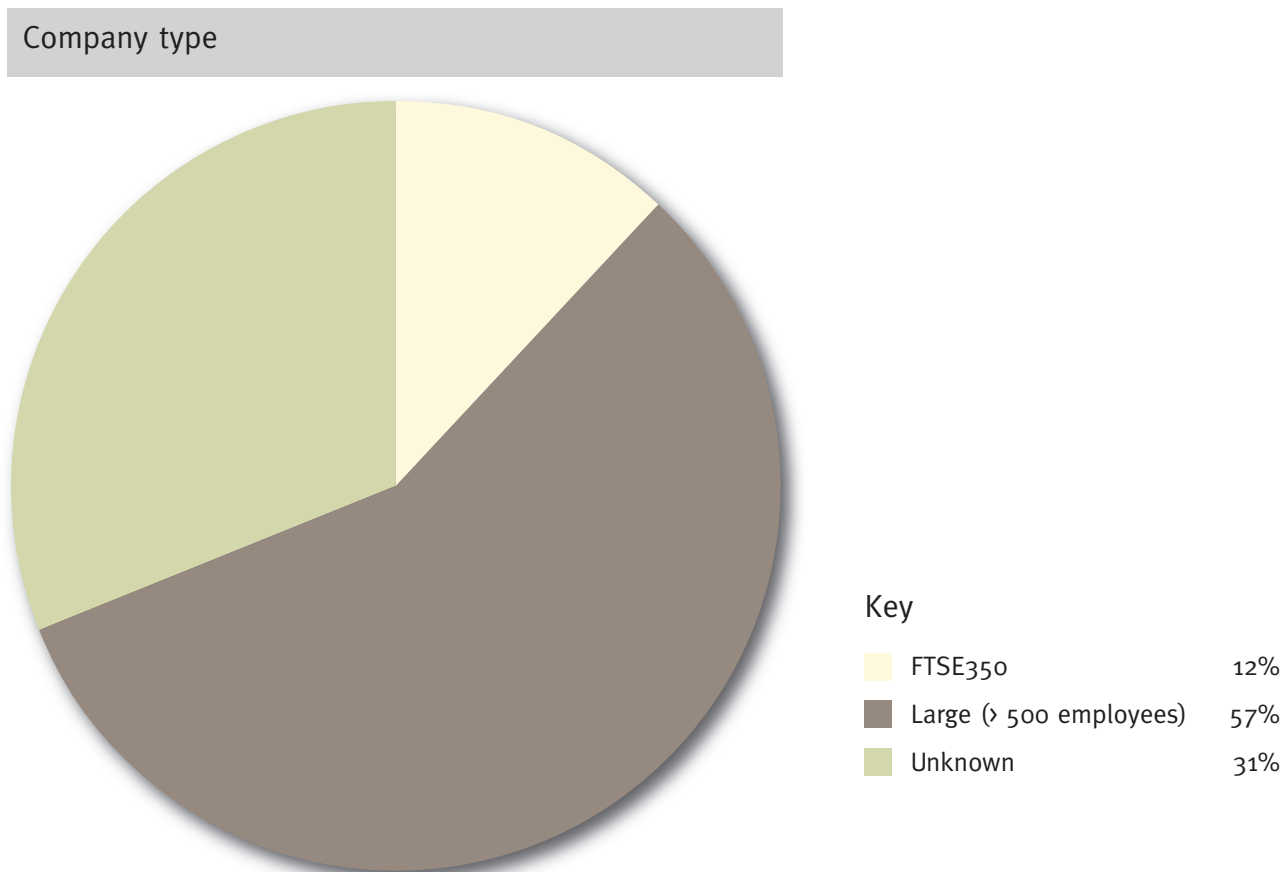


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aims of the survey.

In this ever changing financial climate ensuring your employees are aware of their retirement income options is more important than ever. The aim of this survey was to understand the approaches and opinions of a range of UK companies in response to these changes and whether support is provided to employees.



Key Findings

- Only 16% believe that their employees are saving enough for retirement.
- Only 18% believe that their employees are aware of the various income options available to them at retirement.
- Only 13% believe that their employees are aware that they no longer have to purchase an annuity.
- 71% of employers believe there will be an increased requirement for specialist advice at retirement.

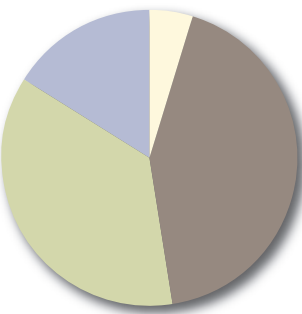
about the survey.

This research was conducted online over 3 months, throughout July, August and September 2012, targeting key HR, Reward & Benefits and Pension professionals. In total, the research received 101 responses. 12% of respondents were from the FTSE 350, 57% were from large companies which employ over 500 people and 31% were from other companies that chose to remain anonymous.

part one: your schemes.

What type of pension schemes do you have? Do you believe your employees are making sufficient retirement savings?

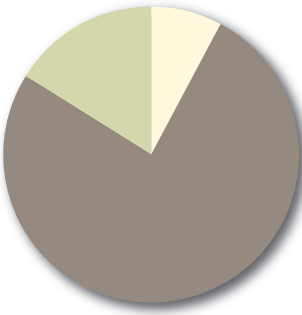
What type of pension scheme(s) do you have?



“43% have both a defined benefit and defined contribution pension scheme.”

Defined Benefit	5%
Defined Benefit & Defined Contribution	43%
Defined Contribution	37%
Personal Pension Scheme	16%

Do you believe the majority of your employees are making sufficient retirement savings?



“Only 16% believe their employees are making sufficient retirement savings.”

Don't know	8%
No	76%
Yes	16%

From those that took part in this survey, as many as 43% had both a defined benefit and defined contribution pension scheme.

Key considerations:

- Do your employees know what type of pension scheme they have?
- If employees have both schemes, do they know the differences?

With the rapid decline of defined benefit schemes, the responsibility now lies with the employee to ensure that they have enough retirement savings to meet their future retirement income needs. With a variety of options now available, often this decision can be a complex one to make.

The results from this survey highlight that the majority of employees (76%) are not making sufficient provision for their retirement. The same question was also asked in last year's survey. This year has revealed that there has been a further increase of 18 percentage points; from the 58% quoted last year which suggests the problem is getting worse.

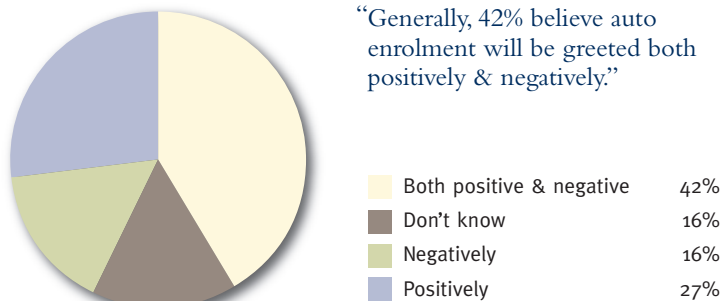
Key considerations:

- Do your employees know what they should be contributing to their pension in order to receive their desired income in retirement?
- Are your employees making sufficient retirement savings?

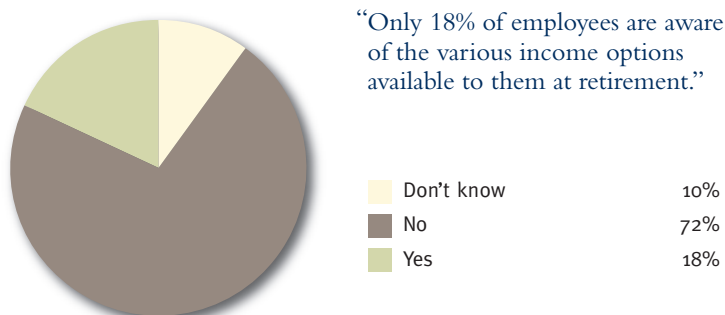
part two: changing landscape.

The various new legislative changes now mean that companies and their employees will have to rethink retirement – but what might some of these issues be?

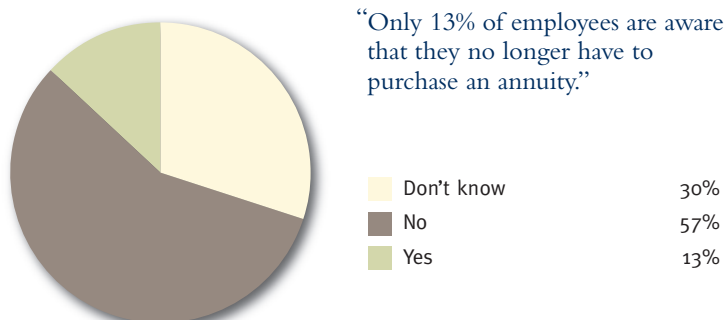
How do you anticipate auto enrolment will be greeted by most employees?



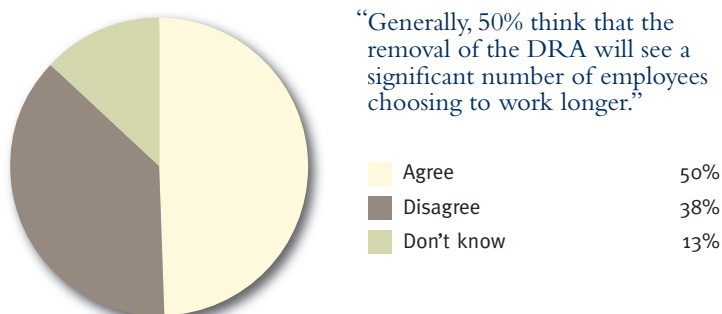
Do you believe employees are aware of various income options available to them at retirement?



Are employees aware that they no longer have to purchase an annuity?



The removal of the default retirement age (DRA) will see a significant number of employees choosing to work longer.



Auto enrolment has been introduced this year and will be rolled out over the next five years. It is one of the most significant changes to UK pension law in decades. The majority of survey respondents predict that auto enrolment will be greeted both positively and negatively. This is a reduction of 10 percentage points from the 52% quoted in the 2011 survey.

Key consideration:

- Do your employees understand auto enrolment and the impact it may have on their retirement income?

The results show there is little awareness of the variety of retirement income options available.

Key considerations:

- Are your employees missing out on a higher income? Potentially losing thousands of pounds over the course of their retirement.
- Do your employees understand the benefits of income drawdown vs annuity and appreciate which is the most suitable to their circumstances?

The Association of British Insurers research shows that a third of people do not shop around for annuity when they reach retirement. From the survey results, we assume the majority of employees still believe that when they stop working they have to start a lifetime annuity.

Key considerations:

- The Pensions Regulator has expressed the need to offer employees an alternative to annuities. The onus is now on employers and trustees to ensure members understand these options at the point of retirement.
- Do your employees understand they have a right to explore the open market option?

The research suggests many employees may find themselves having to work longer in the future in order to grow their retirement savings, which is an inevitable outcome given that 76% of employers believe their employees are not saving enough for retirement.

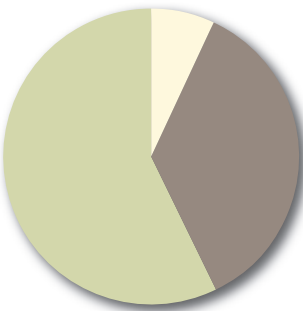
Key considerations:

- Have you considered how many of your employees may need to keep working due to insufficient retirement income?
- What would the impact of an ageing workforce be for your business? Have you considered that you may find yourself having to offer incentive payments and other inducements to encourage older employees to retire?

part three: responding to the changes.

What will be the impact of the changes on existing pensions? Will employees be aware of the Retirement Income Options available to them?

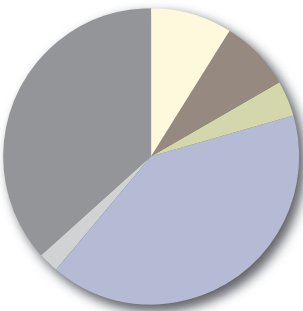
How would you describe the impact of the various legislative changes on your existing pension scheme(s)?



“Overall, 57% described the legislative changes on existing pension schemes had had 'some impact.'”

No impact	7%
Significant impact	36%
Some impact	57%

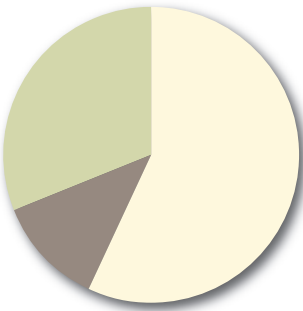
Will any of the following support be taking place within your organisation?



“98% will provide some sort of support.”

Advice	9%
Financial education	8%
Financial education & advice	4%
Financial education, advice & written communication	41%
No support	2%
Written communication	37%

If not already available, do you intend to support flexible retirement?



“57% already support flexible retirement with only a further 12% intending to introduce it.”

Already available	57%
Intend to introduce it	12%
No plans to support	31%

Overall, 93% of respondents believed the various legislative changes will impact their existing pension scheme, with 36% expecting a significant impact.

Key considerations:

- How will this impact your business?
- Are you and your employees ready for the changes?

Generally, 98% of respondents will be providing some form of support to their employees. This has increased from 85% which was quoted in 2011.

Unfortunately the research shows a large reliance on written communications which are often not read or understood.

Key considerations:

- Have you considered re-directing budget in favour of interactive financial education rather than just written communications?
- Is advice available to staff at retirement to ensure retirement income is maximised?

It is clear that the removal of the default retirement age (DRA) has encouraged employers to support a more flexible retirement. The number of employers offering a more flexible retirement has increased from 49% in 2011 to 57% with a further 12% intending to support it in the future.

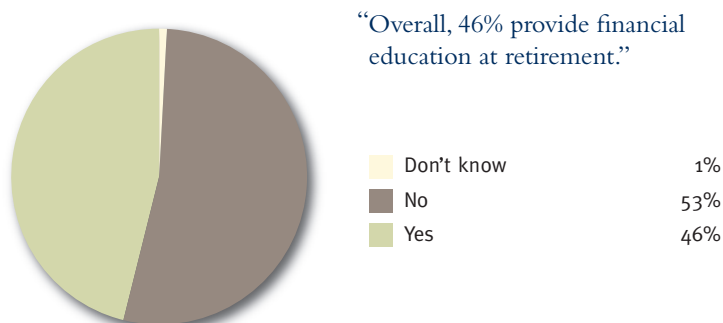
Key considerations:

- Have you considered employees working part-time as part of their retirement plan?
- What impact will this have on the business?

part four: supporting your employees.

What level of support is currently provided to employees?

Is financial education provided for your employees at retirement?

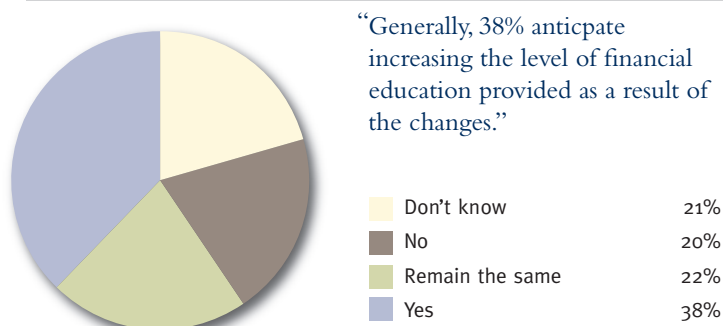


Overall, 46% provide financial education at retirement which has reduced by 2 percentage points, from the 48% quoted in last year's survey. This isn't a significant reduction but the fact remains, that the large majority of employers don't offer financial education for those employees preparing or approaching retirement.

Key considerations:

- Have you considered financial education for those saving towards their retirement?
- Does your company have a financial education programme in place for those considering retirement?

Do you anticipate increasing the level of financial education provided to employees as a result of legislation changes?

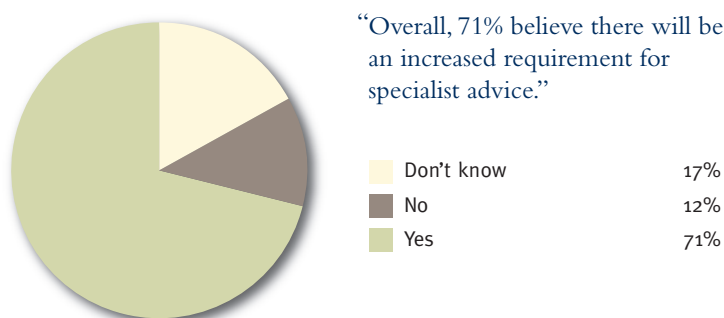


38% of respondents are anticipating an increased level of financial education provided as a result of the changes.

Key considerations:

- Are you providing adequate support and guidance?
- Do your employees understand the retirement income options available to them?

Do you believe there will be an increased requirement for specialist advice because of the changes?



Interestingly there has been an increase of 11 percentage points, increasing from 60% in 2011 to a massive 71%, of employers who believe that there will be an increased requirement for specialist advice.

Support is crucial if employees are to make appropriate decisions given the irreversible nature of annuities and the complexity and risk associated with drawdown.

Key considerations:

- Ensure when choosing a firm of Advisers that they not only understand the various pension schemes you offer but also the other investments that may contribute to retirement income, such as company shares.
- Before taking advice ensure your Advisers are RDR compliant.

All percentages have been rounded up or down to the nearest whole number.

conclusion.

Saving for retirement and turning pension savings into retirement income continues to be a massive financial decision. It is clear that now more than ever employees need to be supported by their employer when making retirement income decisions. With access to comprehensive financial education and specialist advice, employees can make appropriate decisions, reflecting their personal circumstances and future requirements.

WEALTH at work has collected feedback from over 44,000 employees of UK companies over the past five years, which provides empirical evidence to the positive impact of financial education. If you and your company would like to learn more please do not hesitate to contact us for more information.

Call us on 0800 234 6880. Email us at info@wealthatwork.co.uk or visit www.wealthatwork.co.uk

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