

focus on
retirement
income
matters.

survey
results 2018.

supported by



Pensions
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WEALTH at work

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summary.

Aims of the survey

We conducted a survey amongst employers to investigate what workplace support is available to help employees understand how to make the most of their finances throughout their career, in order to optimise income at-retirement.

Key findings

- 80% of employers believe their employees are not saving enough for retirement.
- 33% of employers confirmed that if employees do not select an investment glide path, the default investment option will be targeted towards annuity purchase.
- 61% of employers believe that employees are unaware of the risks they face when accessing their retirement savings.
- 71% of employers do not provide a full retirement income service for employees at-retirement.

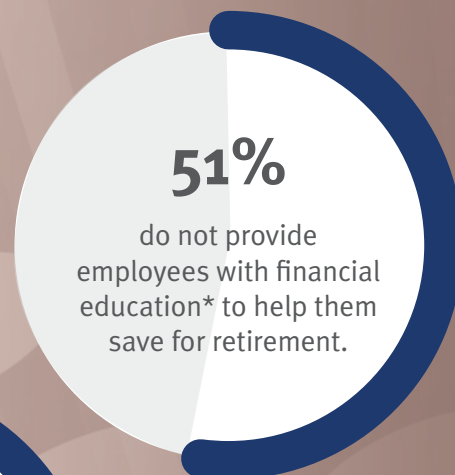
About the survey

The Focus on Retirement Income Matters survey was carried out by WEALTH at work, a leading provider of financial education, guidance and advice in the workplace. The survey targeted key HR, Rewards & Benefits and Pension professionals. In total, the research received 85 responses which were completed online and via paper over 6 months from June to December 2017. All figures have been rounded to the nearest whole number.

part one: saving for retirement.

Many employees start working life with only basic financial knowledge. So, how can we help them understand what they need to do to produce adequate savings for retirement?

Our survey of employers found:



*By financial education we mean a learning experience in a live environment such as a seminar or webinar.

Expert view



Gareth Tancred, CEO,
Pension Management Institute



“One of the main challenges the industry faces is the risk of individuals not saving enough for their retirement, and as a result having insufficient income. Providing educational support to employees from early in their career is a crucial component in facing this challenge.”



Dr David Gray
The University of Lincoln



“We are now seeing that financial education is an important part of the employee’s benefits package and a key component in helping individuals understand the need to save for retirement. One of the things that we’re finding in the workplace is that we have a very diverse working population. Savings habits are very different now to what they perhaps were 10 – 15 years ago and it’s therefore important that financial education caters for all individuals.”

part two: pre-retirement.

The pension flexibilities allow individuals to access a wider range of retirement income options (such as income drawdown, annuities, cash or a combination of options), which may require different investment strategies in the lead up to retirement. What choices do employees face and are they equipped to make these decisions?

Our survey of employers found:

69%

of employees have a choice of investment glide path* covering the three core retirement options of drawdown, annuity and cash.

33%

confirmed that if employees do not select a glide path*, the default investment option will be targeted to an annuity.

61%

allow employees to take money from their DC pension (from age 55) whilst they are still working for them.

although almost half of these

44%

will limit the number of withdrawals.

*By glide path we mean how pension savings are invested in the years leading up to retirement.

Expert view



Gareth Tancred, CEO,
Pension Management Institute



“It’s positive to see employers and trustees taking an active role in providing employees with a choice of glide path. Providing financial education around the retirement income options available is an important step in helping employees to understand, so that they can make informed choices around how their pensions are invested.”



Dr David Gray
The University of Lincoln



“We’ve had a lot of legislation changes coming into the workplace in recent years. With all the changes it’s important for the workforce to feel informed in their decision making rather than having to translate it themselves and misunderstanding, or worse missing an opportunity. Providing support in terms of financial education and advice can help employees focus on making sure that they know what decisions they’ve got to take in the lead up to retirement.”

part three: at-retirement.

Financial support at-retirement should be made a priority given the enormity of the decisions that employees face at this stage of their life. What support is available for employees and how does this affect their income at-retirement?

Our survey of employers found:

22%

believe that employees are aware of all their income options available at-retirement.

71%

do not provide a full retirement income service* for employees at-retirement.

61%

believe that employees are unaware of the risks they face when accessing their retirement savings.

*Including the provision of financial education, guidance and advice and the ability to provide all retirement income options e.g. income drawdown, annuity or a combination.

Expert view



Gareth Tancred, CEO,
Pension Management Institute



“The industry has experienced dramatic changes over the past few years and employers have come some way in adapting to these changes. But helping the next generation of retirees to achieve optimal retirement income will require employers to ensure that they provide adequate support for employees at the crucial point of decumulation.”



Dr David Gray
The University of Lincoln



“The survey shows that almost two-thirds of employees are unaware of the risks they face when accessing their retirement savings. It is unlikely that financial education alone without some expert guidance will ever be sufficient for employees to exercise their pension options. To address this, the employer should behave as an honest broker, supplying a free, full retirement income service.”



Jonathan Watts-Lay
Director, WEALTH at work

I would like to thank the many clients and contacts who contributed to this survey and trust you will find the results interesting and informative.

The results from this survey have provided an interesting insight into the support available for employees in the lead up to and at-retirement.

Our results show that despite the vast majority of employers believing that employees are not saving enough for retirement, over half are still failing to provide any form of financial education in the workplace during pension accumulation.

It's encouraging that the majority of employers now offer employees a choice in glide path in the years leading up to retirement. However, the lack of workplace support during pension accumulation raises questions as to whether employees are equipped to make these decisions.

It's concerning that over a third of employers will still default employees to an annuity tracked glide path if no choice is made, despite a significant fall in annuity purchase since Freedom and Choice legislation took effect.

With less than a quarter of employers believing that employees are aware of their income options at-retirement and the majority believing that employees are unaware of the risks surrounding accessing their retirement income, it's hard to see how employees can secure a good outcome. Without the right support many could be at immense risk of making costly mistakes such as paying too much tax, buying inappropriate products or even falling for a scam.

However, there is something which can be done as employers are perfectly placed to provide the support that employees need for what could be one of the biggest decisions of their life.

We are starting to see a wave of forward thinking employers and trustees bringing in specialist retirement providers to deliver the support employees require as they plan how to generate income in retirement. This includes the provision of financial education, guidance and advice to employees to ensure they can easily implement their chosen retirement income, whether that is via drawdown, annuity, phased retirement or a combination of options.

I welcome your feedback in relation to any of the issues raised. Please do not hesitate to contact me if you wish to discuss further.



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