



Jonathan Watts-Lay

Director

Wealth at Work

Diversify share holdings

A single group Sipp platform accepting core pension contributions via payroll and facilitating transfers from share schemes represents the optimal position – where employees can clearly identify the wealth they have accumulated by virtue of their employment.

Many employees have access to share schemes – the most common being the HM Revenue & Customs approved save as you earn (SAYE) scheme and share incentive plan (SIP). However, these only represent part of the solution. The other part is a pension, but only if employees permit transfers of shares and/or value from share schemes. Employees need to understand how to do this to be able to maximise their total value while also avoiding the pitfalls and therefore financial education is needed.

For example, employees holding a significant proportion of their wealth in the shares of one company (their employer) will suffer most on a fall in the share price. There is no clearer illustration of the dangers than the recent experience of those working in the financial services sector, where many employees have seen their life savings disappear.

Employees therefore need to be made aware of the importance of investment diversification, not to deter people from participating in employee share schemes, but to ensure they manage the value derived from these schemes in a way that is likely to benefit them now and into the future.

Employees should understand the wealth creation opportunities available to them and how these may now be combined to provide significant benefits.

The flexible savings platform supported by an appropriate offline or online financial education programme enables employees to maximise the opportunities available to them as it could make a significant difference to their long-term financial wellbeing and their view of their employer.