



Save as you earn

Jonathan Watts-Lay, Wealth at Work, on making workplace savings flexible and developing the savings habit

Workplace savings are no longer just about pensions. For some time there has been an increasing desire to offer employees greater savings flexibility. A single savings choice designed with only retirement in mind does not serve the needs of employees with differing savings priorities relating to individual life stages and events.

The well publicised change to pension tax relief has created an additional need to

Personal circumstances

The introduction of flexible savings provides the solution, bringing together a variety of savings choices. A pension should, of course, remain an integral part, yet other choices may encourage employees to develop a savings habit.

The savings vehicles required in support of the short, medium and long term can be wide ranging. Employees will make their selections in much the same

In a nutshell

- workplace savings are no longer just about pensions
- flexible savings bring together a variety of savings choices
- a Workplace ISA allows for in specie transfer of shares.

Increased interest

Each of the savings vehicles in support of the short, medium and long term elements should be fully integrated within the workplace and not merely the same products employees can access on the high street. Companies will use their purchasing power to negotiate favorable terms.



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offer alternative savings choices beyond the core pension offering.

As a consequence, many companies have been prompted to reassess how they present and deliver their employee savings choices and in many cases look to completely restructure existing benefits. Most intend to have any alternatives in place ahead of April 2011, from which point it now appears a reduced annual allowance for pension contributions of £40,000 will apply.

The change to the annual allowance, together with the prospect of anti-avoidance legislation restricting the use of unapproved savings arrangements, means that any restructuring will now reinforce the value of share schemes as a savings alternative and introduce a new choice in the form of an individual savings account (ISA), commonly referred to as a Workplace ISA. Both are potentially valuable to all employees, not just those senior employees likely to be affected by the reduced annual allowance.

way as they would for a flexible benefits arrangement – making their choices based on personal circumstances.

The short term (up to five years) is likely to consist of a cash ISA or a savings account providing accessibility to meet more immediate spending needs such as saving for a holiday.

The medium term (five to 15 years) may include the opportunity to participate in all employee share schemes, save as you earn or a share incentive plan. A stocks and shares ISA will also add value. These choices may be useful for those saving for children to fund education fees, for example.

The long term (15 years or more) will remain as pension with the ultimate objective of supporting financial well being in retirement. The pension arrangement itself needs to be flexible, in terms of contributions, the investment choices available and the income options available when benefits are taken.

This is especially true given the increased interest in the Workplace ISA. The Workplace ISA should be linked to payroll, enabling regular deductions from pay. It should also facilitate *in specie* transfer of shares from all employee share schemes.

Engagement essential

Securing employee engagement is essential to the success of flexible savings. Individuals must understand the opportunities available to them, their potential value, the longer term benefits and above all the dangers of not taking ownership of their financial future.

Effective communication and financial education will help achieve this, together with access to the appropriate tools and modellers so employees can learn more about their new flexible savings benefit.

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