



is the
financial
well-being
of your
employees
important?

our survey
results.

WEALTH at work

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Despite the demise of defined benefit pension provision, the role of the employer in seeking to secure the long term financial well-being of its employees is still very much alive. The financial risk may have been transferred to the employee but other non financial risks exist for the employer. There is an acceptance that action needs to be taken to ensure a successful outcome.

At retirement, support may be too late for some having not made sufficient provision. Many employees will go on to make an irreversible decision - one that will determine a certain standard of living for the remainder of their lives. Therefore, the degree of education and advice provided and its quality will have a significant impact.

There is often a wide range of savings opportunities available to employees and the degree of choice is likely to increase. In many cases, pensions and share schemes are presented in isolation rather than as a combined offering. A coherent approach is now required.

Financial education and support are required to ensure employees are aware of the need to save, managing the risks they now face and understanding the savings choices available to them by virtue of their employment.

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

Jonathan Watts-Lay
Director, WEALTH at work

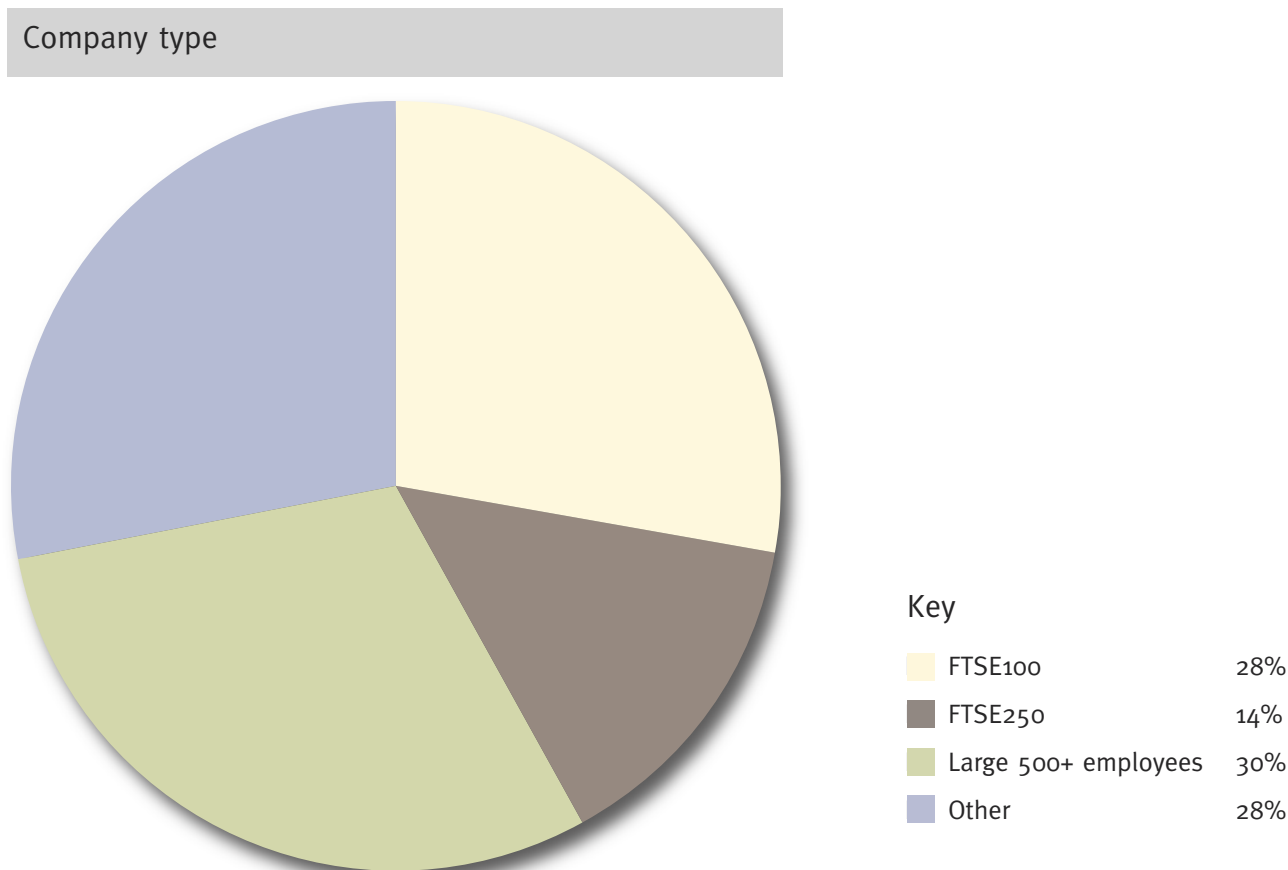
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“the financial
well-being of
employees is fast
becoming a
key element of
corporate social
responsibility in the
workplace.”

aims of the survey.

The valuable contribution employees make during their working lives is likely to contribute to the longer term prosperity of the companies for whom they work, but what can they expect in return? The aim of this survey was to determine the approaches and opinions of the UK's largest companies in relation to the financial well-being of their employees.



Key Findings

- 72% of companies believe that corporate reputations are potentially at risk if employees face poverty in retirement.
- 68% of companies provide financial education at retirement, but only 38% provide general financial education.
- 93% of FTSE 100 respondents think that the responsibility for the long term financial well-being of employees is shared, between employers and employees.
- 76% of companies think that the provision of financial education is set to increase.

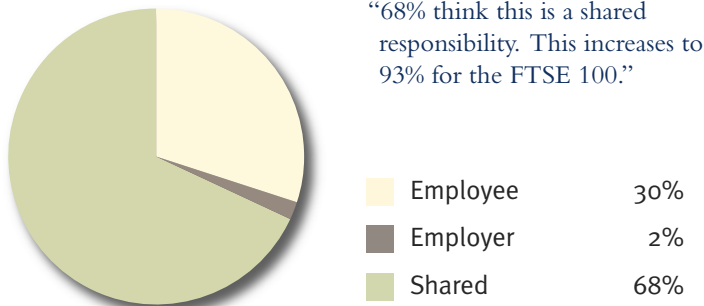
about the survey.

This research was conducted in May 2010 amongst key HR, Reward & Benefits and Pensions professionals. The research received 50 responses. 42% of respondents were from the FTSE 350, 30% from large companies who employed over 500 employees with the remaining balance of 28% from smaller companies.

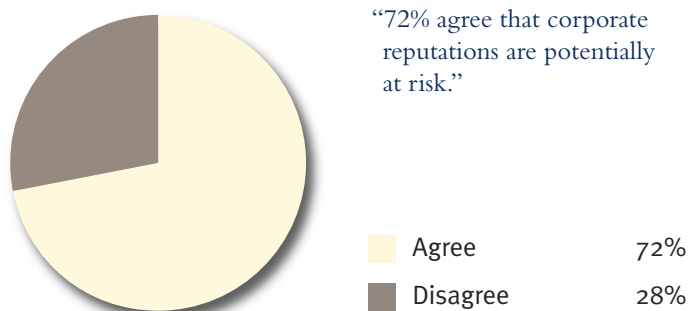
part one: fundamentals.

Are approaches and attitudes changing? Will there be a greater emphasis on the longer term financial well-being of employees to mitigate the risks now faced?

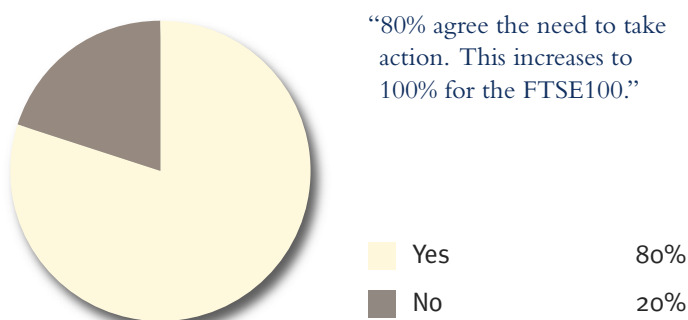
Responsibility for the long term financial well-being of employees.



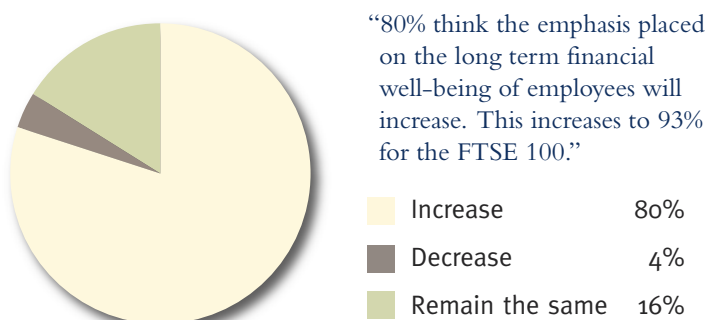
Corporate reputations are potentially at risk if employees face poverty in retirement.



Taking action to ensure employees are aware of the need to save.



The future emphasis placed on the long term well-being of employees.



The closure of defined benefit pension schemes transfers the risk for meeting future income requirements from the company to the individual. Employees long term financial well-being is no longer assured.

What responsibility do employers now have? Our survey suggests a shared responsibility exists between the employer and employee, with 68% of respondents supporting this view. This viewpoint is more strongly held by FTSE 100 respondents with 93% believing this to be the case. The involvement of employers must now extend beyond simple financial provision in the form of employer pension contributions.

Employees should be made aware of their responsibility to save and understand the implications of not doing so. Therefore, effective communication and education is required to deliver this message.

The dangers of not managing this responsibility are stark for employees. If employees rely solely on the provision made by their employer, they will face an uncertain financial future. But what might be the implications for the employer if the shared responsibility is not communicated effectively? 72% of respondents believe that corporate reputations are potentially at risk if employees face poverty in retirement. If having worked for a single employer for a number of years and then employees retire with inadequate retirement savings, they may well claim they have not been adequately informed and supported by their employer. Such an outcome could have an impact upon key elements of a company's corporate social responsibility performance, with implications for both the workplace and the community.

Companies clearly have a new risk to manage, a non financial risk, one that could at the very least damage reputation and worse still, result in employees taking action against their employer.

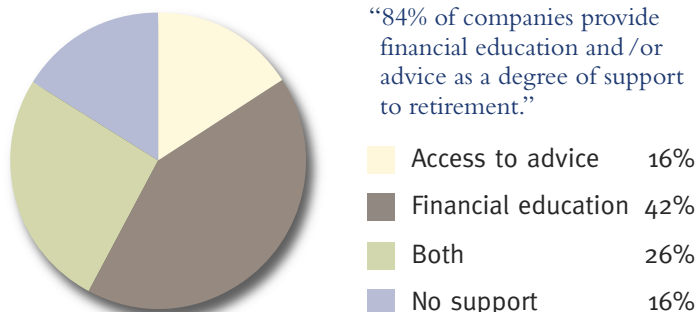
Aware of this new risk, 80% of our respondents agree that action needs to be taken to make employees aware of the need to save. All of the FTSE 100 respondents took this view. This is further evidenced by our own experience of employers either offering financial education or intending to do so.

There is clearly recognition of the issues faced by employees and an acceptance by employers that they have a significant role to play.

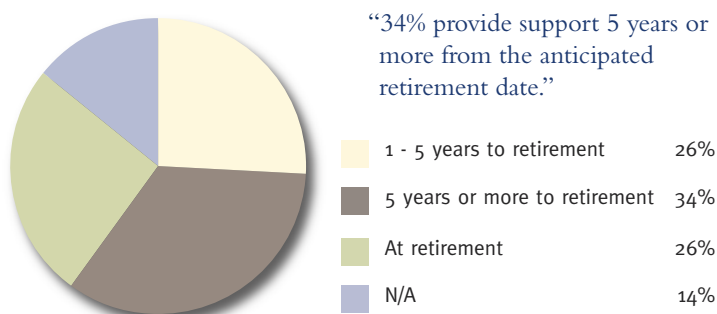
part two: pensions and retirement.

Pension savings represent the core of an employee's longer term savings; the decisions made by employees at retirement are in most cases irreversible. Do you think employees plan accordingly and are provided with adequate guidance and advice?

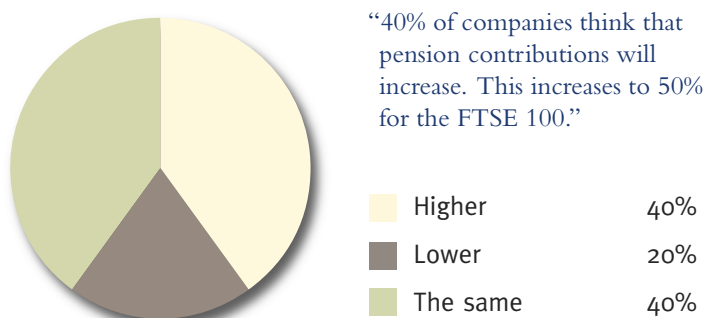
The degree of support provided to employees in relation to retirement.



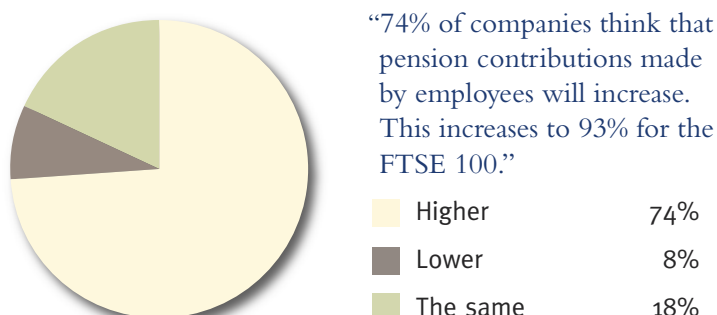
When the support provided commences.



Pension contributions made by employers in 2020.



Pension contributions made by employees in 2020



The financial decisions an employee takes at retirement are most likely some of the most important of their life. An inappropriate choice taken without access to financial education and / or financial advice could prove costly. With so many different retirement income options now available it is more important than ever that support is available.

Interestingly this survey reveals a divide between the support provided by FTSE 100 respondents, where 50% give access to both financial education and financial advice at retirement, compared to a general response rate of 26%. A much higher proportion - 42%, simply offer financial education yet 16% offer no support at all.

Many of our corporate clients view the provision of financial education at retirement as the cornerstone of the support they offer to employees. An increasing trend is for retirement based financial education to be scheduled well in advance of retirement – in some cases five years or more prior to the anticipated retirement date, confirmed by 57% of FTSE 100 companies responding.

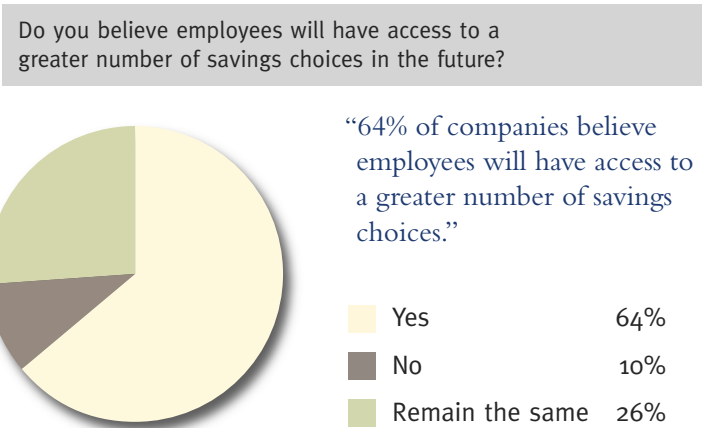
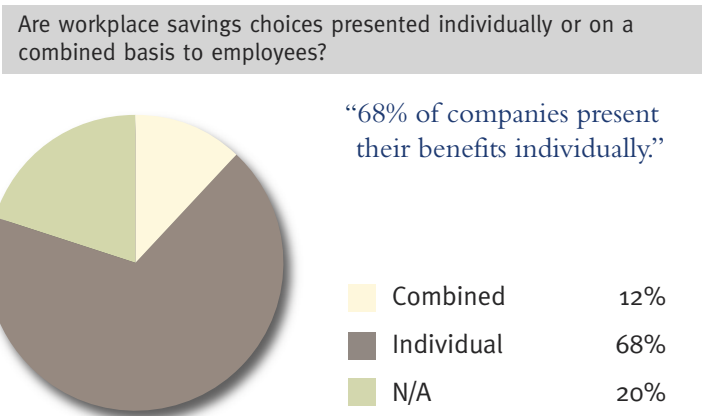
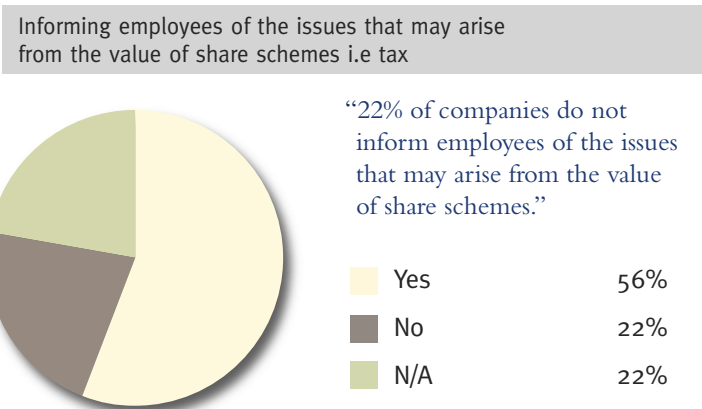
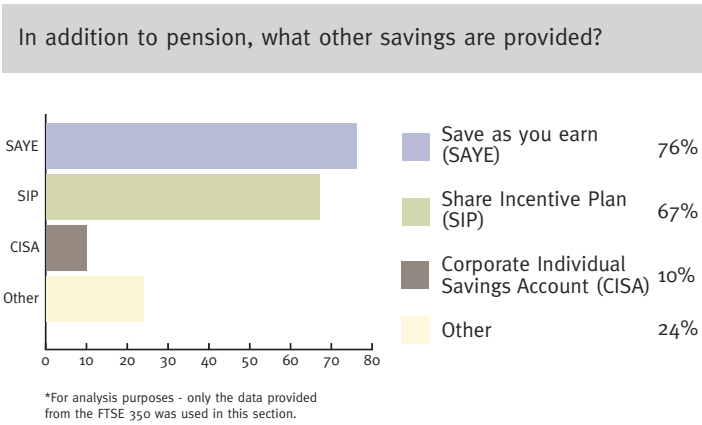
This reflects the need to make employees aware of complex issues which require time to consider and act upon. Previously a member of a defined benefit scheme would simply decide whether or not to take tax free cash.

In preparation for retirement, the general expectation amongst 74% of respondents is that employee pension contributions will in fact increase over the next ten years. In contrast 40% of respondents expect employer contributions to be higher, indicating that pensions will still remain at the core of long term savings provision.

This reflects the need to make employees aware of complex issues which require time to consider and act upon. Previously a member of defined benefit scheme would simply decide whether or not to take tax free cash. Employees now have far more to do, they must analyse existing pension funds, consolidating these where appropriate, check death benefits and life cover, be aware of any annuity guarantees, determine investment risk and strategy whilst also examining existing investments as part their overall financial position.

part three: share schemes and other saving choices.

A more flexible approach to saving can encourage employees to make greater provision for the future and so is there likely to be an increase in the savings choices available in the workplace?



Employers are increasingly looking to introduce their workforce to greater savings flexibility beyond core pension provision. The intention is to offer employee's additional choice in much the same way as choice exists for other non financial benefits.

The increased availability of share schemes as an employee savings choice obviously carries risks that need to be communicated. Our experience suggests that financial education is effective in developing employees understanding of these risks which, can be the importance of investment diversification and any potential tax issues.

93% of our FTSE 100 respondents offering either a SAYE or SIP (or both) confirmed that employees are informed of the tax consequences that may arise. This is helpful in ensuring employees do not suffer unexpected tax liabilities but above all that they are able to make the most of the value received.

Beyond share schemes, 10% of FTSE 350 respondents provide access to a corporate ISA. It is common for the corporate ISA to hold company shares, particularly following the exercise of a SAYE option.

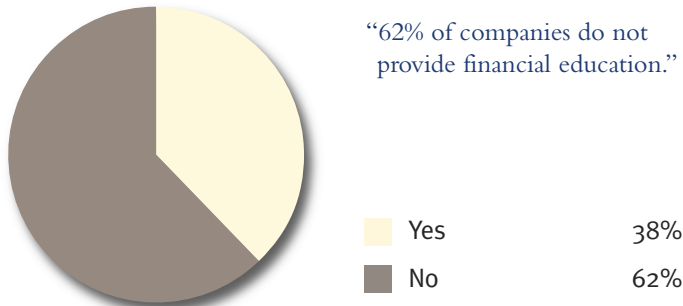
There is growing interest in the use of corporate ISA as a more general savings choice offering some higher earners an alternative to pension, where they now face a restriction in the availability of higher rate tax relief. 64% of respondents do expect employees to have access to a greater number of savings choices in the future.

Many of the ingredients required to support flexible savings are already in place in the form of pensions, share schemes and other tax efficient savings vehicles such as the corporate ISA. These savings choices need to be presented in a coherent manner to achieve maximum benefit; our survey shows that 68% of employers present their savings related benefits individually and not on a combined basis - the signs are that this is about to change with a far greater emphasis on flexibility and making the most of the savings choices available in the workplace.

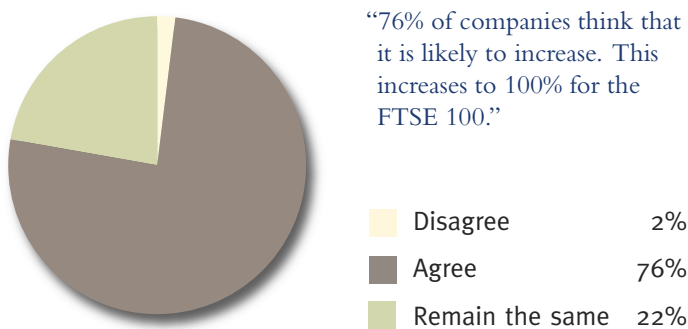
part four: financial education and support.

Securing the engagement of employees requires effective communication and relevant financial education. Only when employees appreciate the need to save and the opportunities available to them by virtue of their employment will the risks diminish.

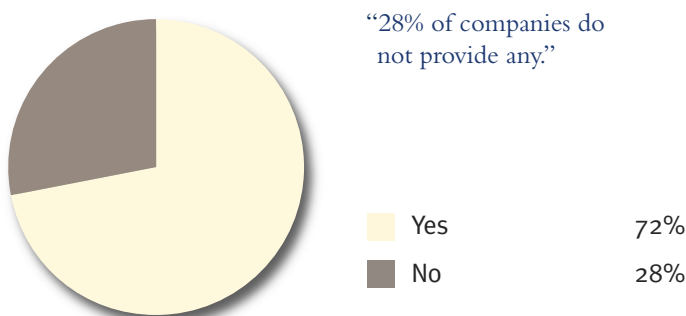
Do you provide financial education?



Is the provision of financial education likely to increase?



Do employees have access to support in relation to personal financial issues, for example via an employee assistance programme (EAP)?



Find out how **WEALTH at work** can help you in providing financial education, flexible workplace savings and investment advisory services, please call us on **0800 028 3200**, email **info@wealthatwork.co.uk** or visit **www.wealthatwork.co.uk**.

The provision of financial education is increasing. There is also a great deal of interest in introducing financial education by those employers where it is not currently provided. Our experience suggests this is being driven by the desire to make employees aware of the need to save, confirming many of the findings reported in part one of this survey; most notably the potential risk to corporate reputations should employees face an uncertain financial future.

The most effective financial education is that which reflects the savings opportunities available in the workplace, so extending beyond generic financial education. Employees will then make the most of the financial related benefits available to them. As a consequence greater value is derived from their employment whilst ensuring that the company remains competitive in the job market.

Yet according to our survey 62% of employers do not currently provide financial education, this figure reduces to 50% where the analysis is restricted to FTSE 100 respondents. This is in contrast to future expectations; here all FTSE 100 respondents expect the provision of financial education to increase whilst 90% of FTSE 350 respondents hold the same view with the remaining 10% expecting no change.

More generally the survey sought to determine the support available to employees in relation to financial issues commonly provided as part of an employee assistance programme. This type of support often helps employees deal with specific personal finance issues, for example debt management. There is a strong correlation between company size and the existence of an employee assistance programme with 93% of FTSE 100 respondents providing support, yet only 36% of respondents with less than 500 employees doing so. However the provision of financial education acts in a preventative way so avoiding many of the more problematic financial issues the employee assistance programme will often respond to. This could result in a happier workforce, improved employee performance and reduced absenteeism.

Finally, WEALTH at work has collected over 23,000 feedback forms from employees of UK companies over the last four 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.

WEALTH at work

Call us on 0800 028 3200. Email us at info@wealthatwork.co.uk or visit www.wealthatwork.co.uk

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