

How to boost pensions engagement in challenging times



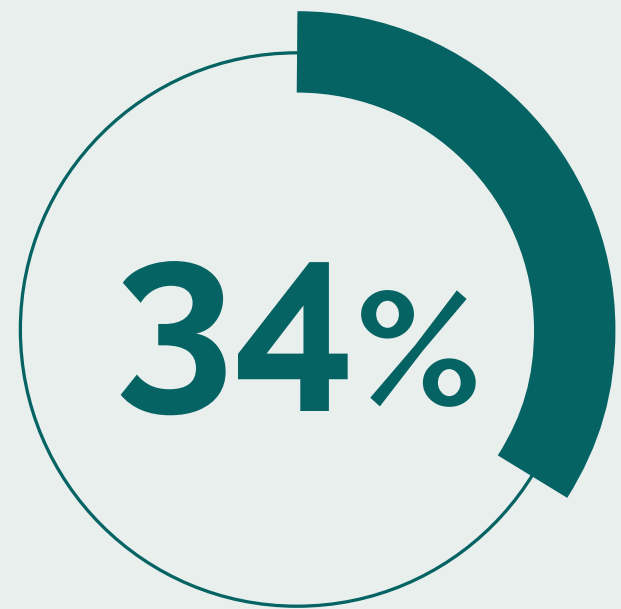
PMI's Insight Partner

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Section 1: Money & Retirement worries

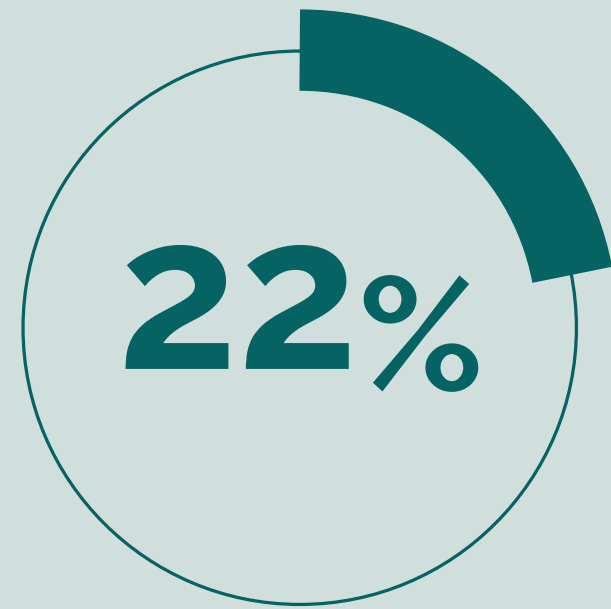
The rising cost of living is causing financial strain on many households



of employees said their biggest financial concern this year was not being able to pay basic living costs such as rent, mortgage payments, energy bills, food etc



In the last year:

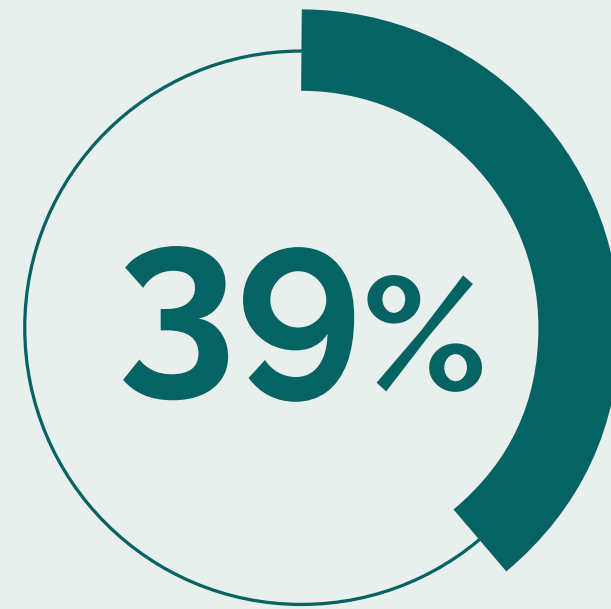


of employees have had to borrow money from family and friends

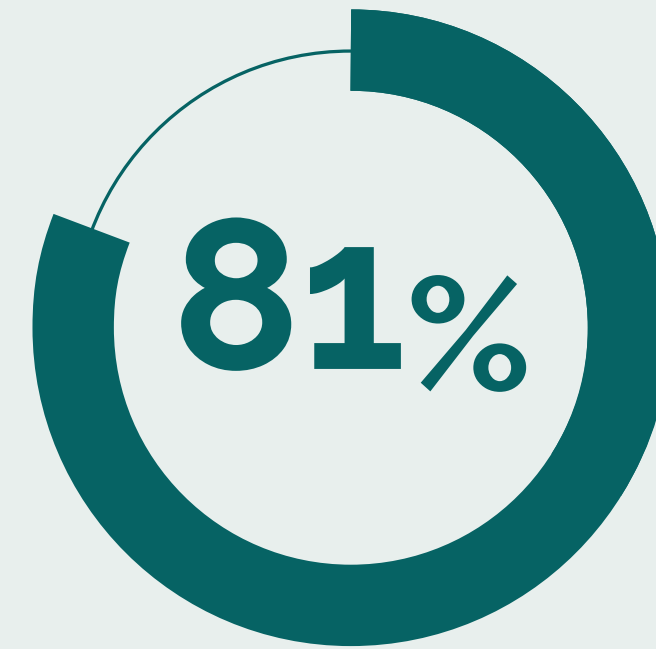


of employees have taken on debt

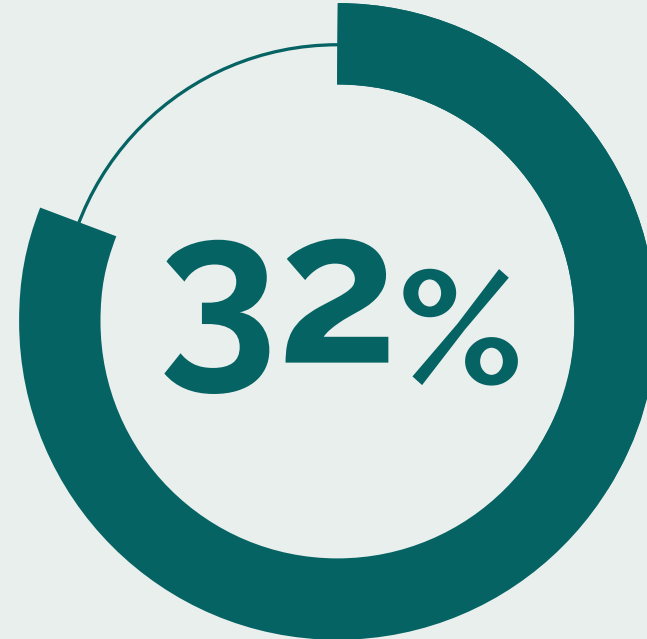
The impact of rising costs has also meant that:



of employees think they will never be able to afford to retire at all



of employees are concerned that they will have to work longer before retiring to make up for a shortfall in savings



of employees have decided to delay retirement



What do people need to know?

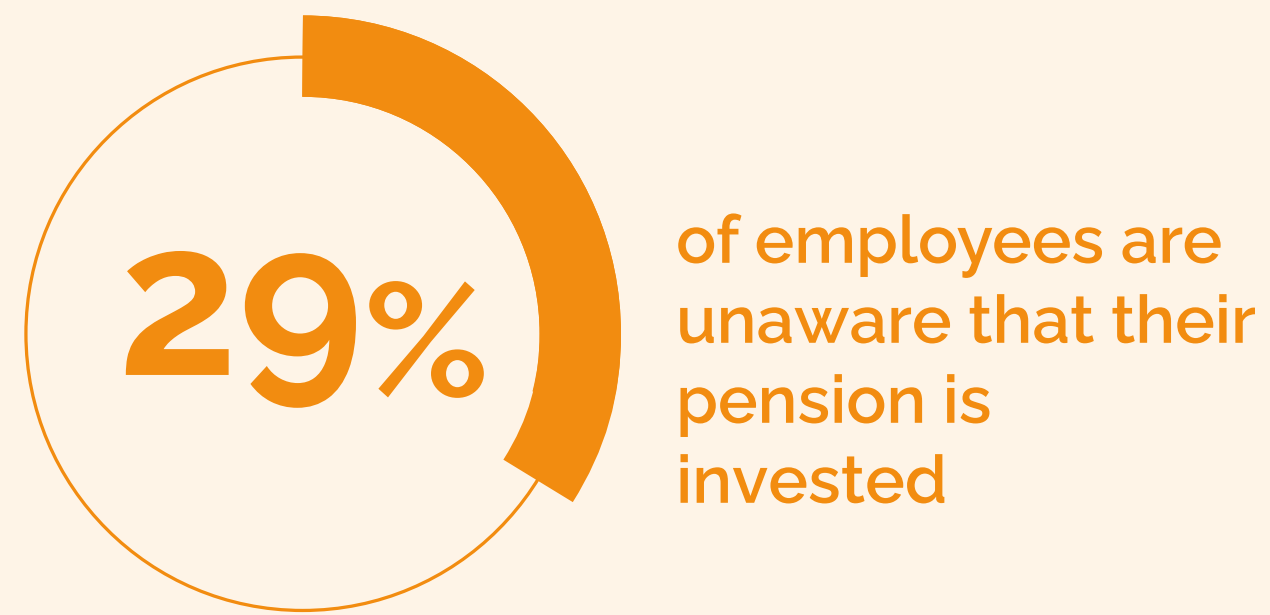
Many don't realise the significant difference a small increase to their pension savings can make. For example, someone in their 20s, saving just 1% more each year into a workplace pension can boost future savings by 25%.

This may not feel affordable but making small changes such as setting a household budget, shopping around and not auto-renewing on things like car insurance, as well as utilising workplace benefits i.e. discount schemes, really can make a huge difference. Therefore, people need support to understand their finances, including ways to save money, learn about budgeting, manage debt, and how to boost savings and prepare for retirement.



Section 2: Pensions engagement

As well as the challenges faced due to rising costs, there also seems to be a general lack of pension understanding and engagement.



However, on a positive note,



Taking action:

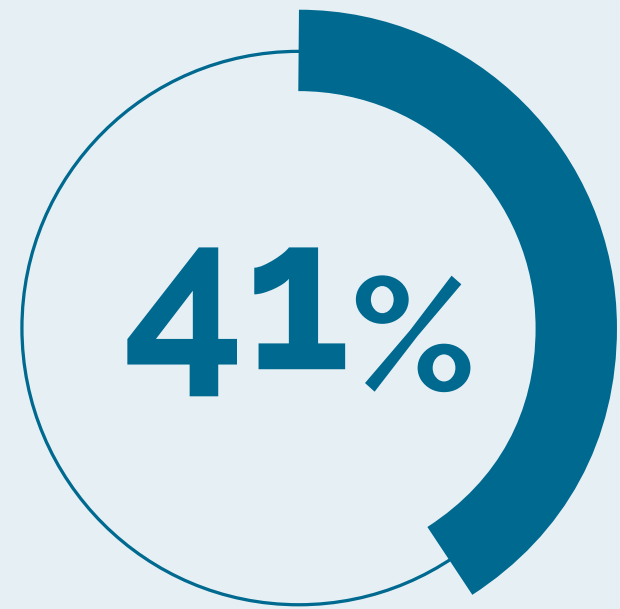
In order for people to better prepare for their financial future, it's vital that they engage with their pensions as early as possible.

In recent years there has been a significant expansion of Environmental, Social, Governance (ESG) considerations, with people wanting to align their pension investments with their values and beliefs. However, ESG is a broad category and it means different things to different people, with no one size fits all approach. There will be some people who care passionately about environmental issues and others will have religious beliefs to take into account when making decisions. Some might want to invest in companies that promote social cohesion, greater representation and diversity. It may be that others are just wanting to choose investments that are having a positive impact on the world. But simply knowing that pensions can be used to make a difference can be a powerful way to switch people on to better engage with their long-term savings.

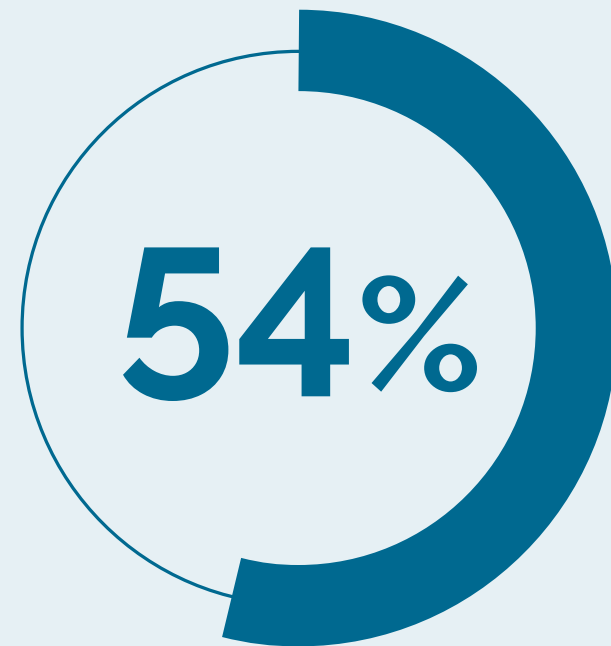


Section 3: Providing the right support

The research shows a clear need to help members overcome the financial challenges they may be facing, as well supporting them to actively engage with their pension savings. After all...



of employees say they don't feel supported in their workplace when it comes to getting help to understand their finances



would seek guidance about their pension from someone unqualified like family and friends, or no one at all



would speak to their employer



5 steps to help your people engage with their pensions

1. Empower them

Many leading employers and Trustees recognise the need to help their people improve the way they manage their money and better prepare for later life and provide financial wellbeing and retirement support in the workplace. This could include financial education and guidance, as well as access to saving vehicles such as Workplace ISAs or Share Plans and also pension consolidation services to help people manage their pension savings effectively.



2. Offer tailored support

To make it meaningful, financial education should be tailored to each demographic in the workplace by career stage. Earlier on in an employee's career it should cover how pension schemes work, employer and employee contribution levels, tax relief, what funds they can select from, as well as how they can change the funds their pension is invested in. Later on around mid-career, employees will also need to understand if their pensions and other retirement savings are on target, as well as how income may be generated in retirement and ensuring investments are being managed in line with this e.g. their investment glide path. Then once at-retirement, people will need to understand how to generate an income from their pensions and other savings, as well as how to seek further help including investment advice.



Don't forget that topics like ESG can also offer a useful way to boost pensions engagement (see page 6).

3. Run financial guidance sessions

One-to-one financial guidance or coaching sessions could be particularly useful for those who need a deeper level of knowledge around their options, which is especially relevant for those at retirement. These could be delivered via a video call or via the telephone and can really help people understand what their next steps should be and if they would like further support such as investment advice.



4. Provide access to investment advice

This is particularly useful for those at the point of retirement who want to understand their personal financial situation and may have more complex questions about their pensions and retirement income.



5. Bring in a provider

Many employers and Trustees are now working together with financial wellbeing and retirement specialists to help individuals engage with their pensions and savings throughout their career. It is essential to carry out due diligence on providers. This includes ensuring that they are workplace specialists and checks on advice firms should cover areas such as qualifications of advisers, the regulatory record of the firm, compliance process and pricing structure. Taking an active approach and supporting employees with the help of reputable firms will make the whole process far more robust. Ultimately, empowering your people by providing them with access to appropriate support at the right time can result in better outcomes for all.



Find out more

WEALTH at work is a leading financial wellbeing and retirement specialist - helping those in the workplace to improve their financial future.

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