

Protecting pensions in times of crisis



**Pensions
Management
Institute**

Knowledge

WEALTH at work

part of the Wealth at Work group

As financial pressure on household incomes continue, it is more important than ever that people are engaged with their finances, and this includes their pensions. Given recent concerns that cost of living worries may be impacting pension savings, **WEALTH at work** conducted research* with employees into what's happening in reality.

It found that whilst a minority are taking action now and either reducing or stopping pension contributions, many more admit they may consider doing so in the future. This will be of particular concern especially when lower fixed rate mortgage deals come to an end and if inflation doesn't come down as quickly as initially thought.



*The research was carried out by Opinion Matters on behalf of WEALTH at work between 13/4/23 and 17/04/23. 2025 UK adults aged 22+ in full time employment were surveyed.

We are also seeing similar activity in those who are eligible to access their pension savings (i.e. those age 55+), in terms of low numbers of individuals currently accessing their pension savings to alleviate financial pressures, but with many more potentially considering it in the future.



What do people need to know?

It's important for individuals to understand that opting out of their pension will have a huge impact in the long term and will cause damage to their standard of living in retirement. Whilst reducing contributions now would make relatively small savings each month, the impact on retirement savings in later life will be dramatic, due to lost employer contributions and tax relief.



Despite the success of auto-enrolment which launched over a decade ago, many are concerned if they can ever afford to retire, with others believing that they will have to work longer to make up for a shortfall in savings.

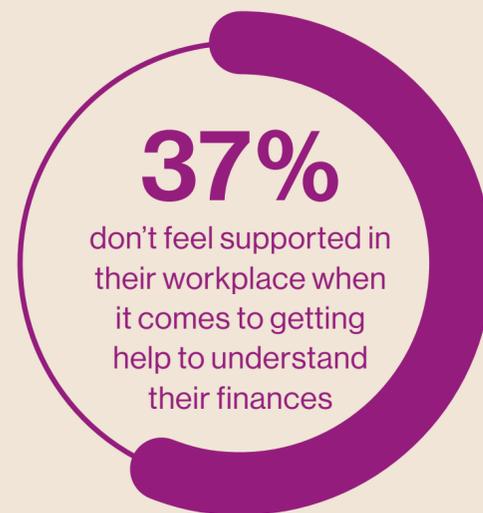
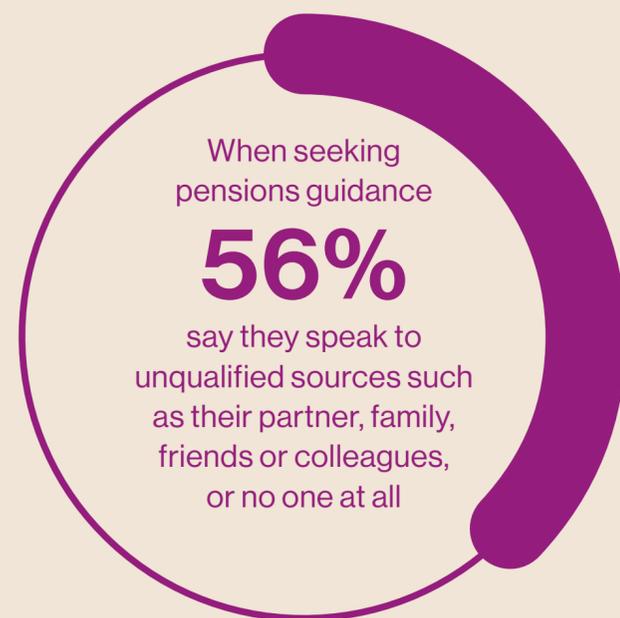


What do people need to know?

It's never too early to start thinking about retirement but for those approaching retirement, it couldn't be more important to make sure they have a plan in place. This means carefully looking at what pensions, savings and investments they have, and deciding on if this is going to be enough. Once they know what their situation really is, they can then decide on the best course of action.

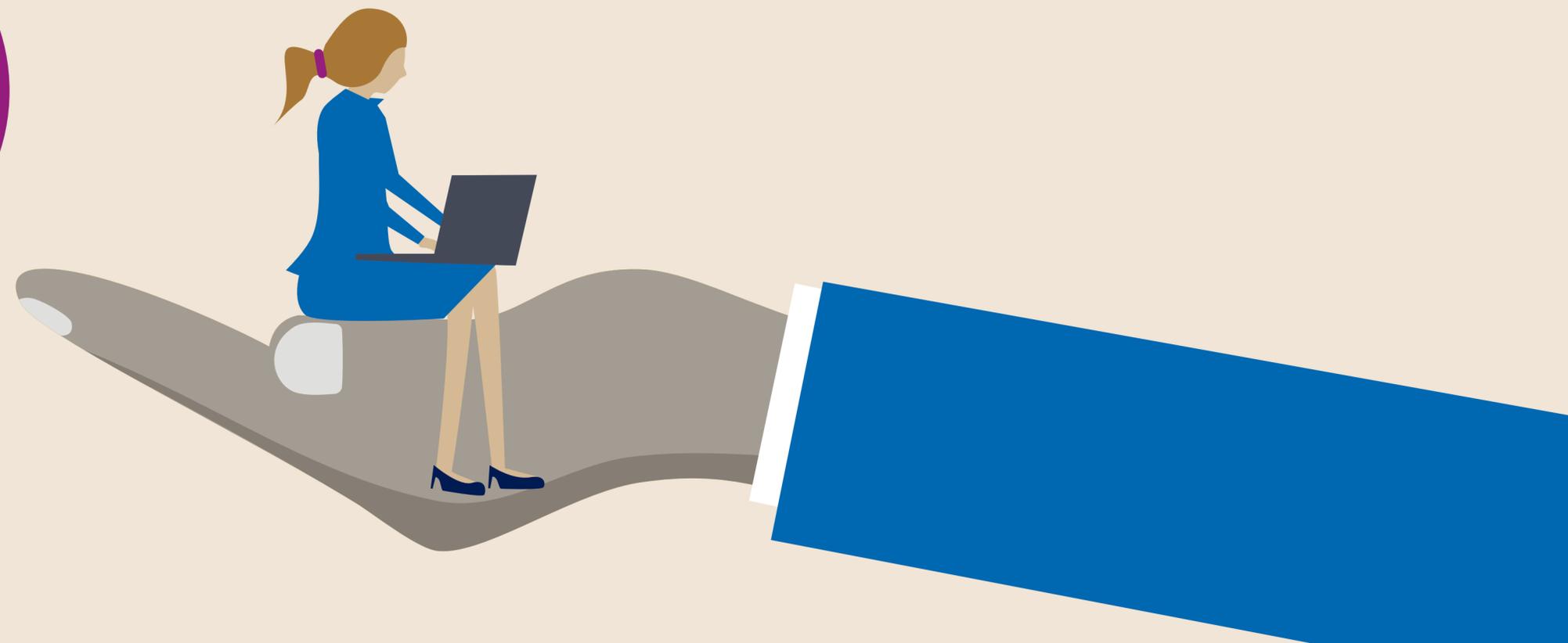


Most would benefit from having a better understanding of money, but are confused where to start. It is very common for people to turn to their friends and family for guidance on their finances and pensions, but they may not be the most qualified or indeed knowledgeable source.



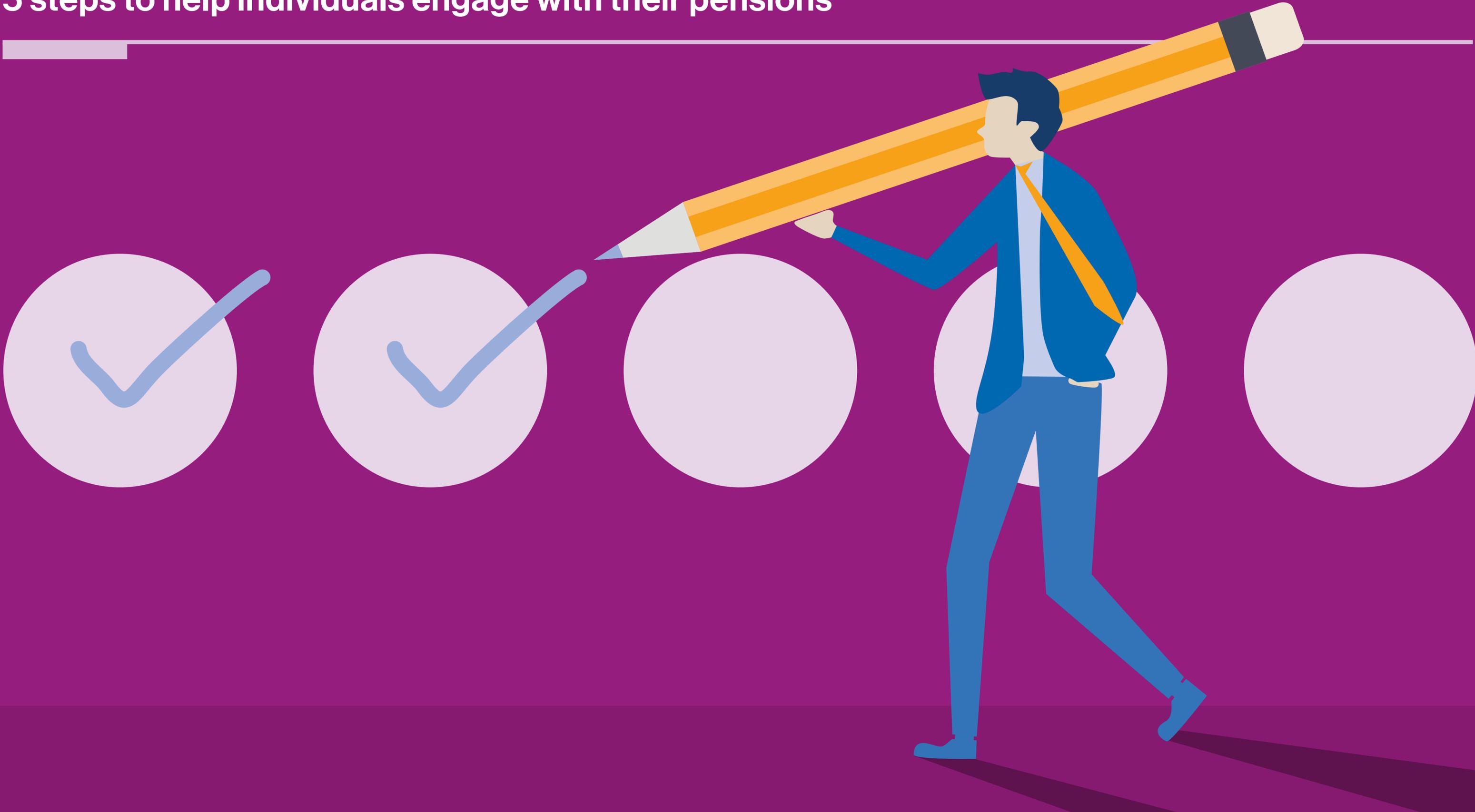
Taking action

Many leading workplaces and Trustees now provide financial wellbeing programmes to help individuals engage with their workplace savings and pensions, understand how to best manage their money, as well as the choices to be made at retirement. This includes providing financial education workshops, one-to-one guidance or coaching, digital tools and helplines.



5 steps to help individuals engage with their pensions

June 2023



1.

Empower people with financial education

Whilst some information may be provided via a website or leaflet, actually attending an interactive financial education workshop about pension options and retirement income options is far more engaging. This is why increasing numbers of leading employers are using either virtual or face-to-face seminars to help their employees.



This should be tailored by career stage including:

Early-career – getting in the savings habit: Auto-enrolment has helped enormously to ensure people are contributing to pensions. However, support is needed to understand what level of income this may generate in retirement and whether contribution levels should be increased – perhaps with additional contributions from the employer. This can be difficult when the monthly budget is tight so broader money management issues may need to be considered too.

Mid-career – staying on course: A mid-career ‘financial MOT’ can help people to see if their pensions and other retirement savings are on target, and what to do if they’re not. Topics can include reviewing financial goals as well as starting to understand how income may be generated in retirement and ensuring investments are being managed in line with this e.g. an investment glide path to cash and bonds is probably not appropriate if wishing to go into drawdown.

Pre-retirement – retiring well: In the years before retirement, support should be provided to help with planning for retirement and understanding retirement income options, clearing debt and maximising pension benefits and other savings in a tax efficient way. Then, around a year or two before retirement, people may also need help to implement their plan including thinking about their retirement goals, how to generate retirement income, understanding the risks, tax planning and how to seek further guidance and regulated financial advice.

2.

Offer access to supporting tools

A number of other methods are also available to support people depending on their preferred learning style and work environment such as interactive tools, videos and animations, or even an online 'Financial Healthcheck' covering areas such as understanding pensions and the income options at retirement.

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 help them decide if they would like further support such as regulated financial advice.



4.

Provide access to regulated financial 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. Rather than leaving individuals to go it alone, many employers and Trustees facilitate employee access to reputable advisory firms that have appropriate qualifications, an exemplary regulatory record and transparent and fair pricing.

5.

Bring in a provider

An increasing number of employers and Trustees are now turning to specialist financial wellbeing and retirement service providers to help individuals engage with their pensions and savings throughout their career. Taking an active approach and supporting individuals with the help of reputable firms, will make the whole process far more robust, as well as helping them to make the most of their life savings.



Find out more

WEALTH at work is a leading financial wellbeing and retirement specialist – helping those in the workplace to improve their financial future. If you would like to discuss how we can help you, please contact us.



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