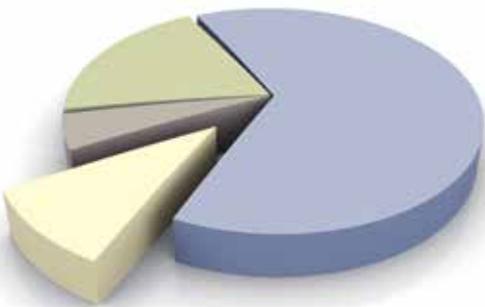




generating income
in retirement.



are your
employees prepared?



2013 survey
of employers.



This year's survey demonstrates that employers are recognising that their employees are not aware of their income generation options at retirement. Employees save for many years to fund their retirement so it is important that they can make informed choices to help them maximise income in retirement. It is often said that the decisions made at retirement are, for many, the biggest financial decision of their life so it is important to get it right.

We have seen an increase over the last year in those organisations who are now putting in place programmes to provide education and advice to employees as they head towards retirement so the signs are encouraging. As more employees retire from DC plans it is becoming ever more apparent that having a comfortable retirement is not just about the level of contributions or the funds selected but what is done with the 'pension pot' when retiring. It is a sobering thought that thousands of pounds can be lost by poor decisions at retirement – especially after a life time of saving.

I would like to thank the many clients and contacts who have contributed to this survey and trust you will find the results interesting and informative. I welcome your feedback so please do not hesitate to contact me.

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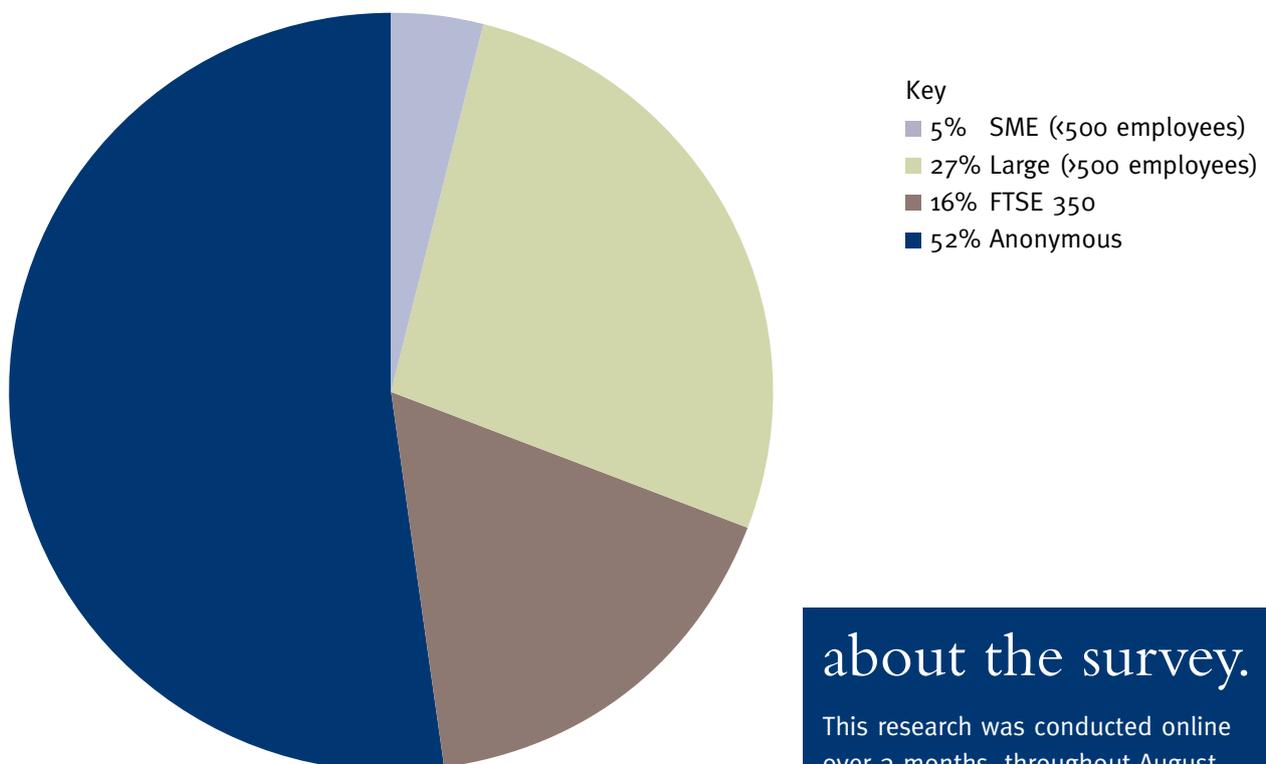
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“it is important
that employees
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aims of the survey.

In the current economic climate and with recent pension legislation changes, more and more employers now see professional retirement planning for their staff as critical to their business. But what are their options? And, are your employees aware of and understand the choices available to them? The aim of this survey was to identify the approaches and opinions of a range of UK companies to see how, and if, they are recognising the growing need to support employees at retirement.

Company type



Key Findings

- Only 13% of employers believe their employees are making sufficient retirement savings
- 83% consider professional retirement planning including education, to be a critical need for their employees
- Only 14% believe their employees are aware of the various income options available to them at retirement
- Only 23% believe that their employees consider their total wealth as part of their retirement planning

about the survey.

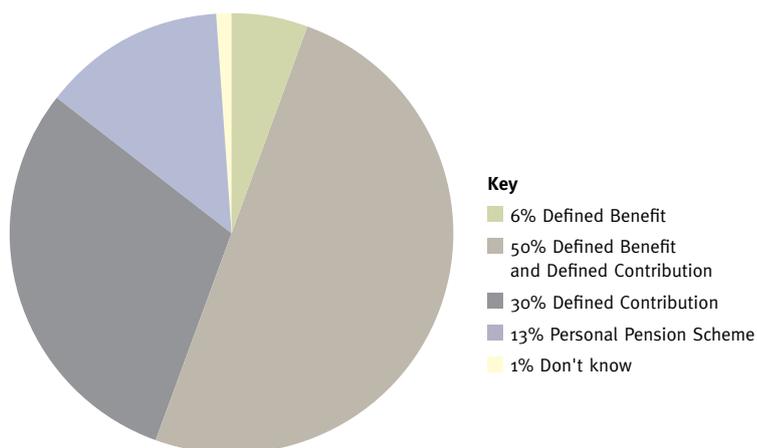
This research was conducted online over 3 months, throughout August, September and October 2013. The survey targeted key HR, Reward & Benefits and Pension professionals. In total, the research received 104 responses. Half of respondents remained anonymous, but of the half identified, 16% were FTSE 350, 27% were companies with more than 500 employees (but not FTSE 350), and 5% were companies who had less than 500 employees.

Please note, figures have been rounded up and down to the nearest whole number, which may produce results slightly over or under 100%.

part one: your schemes.

What type of pension scheme do you have in place and do your employees understand what income to expect from the scheme(s) at retirement?

What type of pension scheme(s) do you currently have in place?

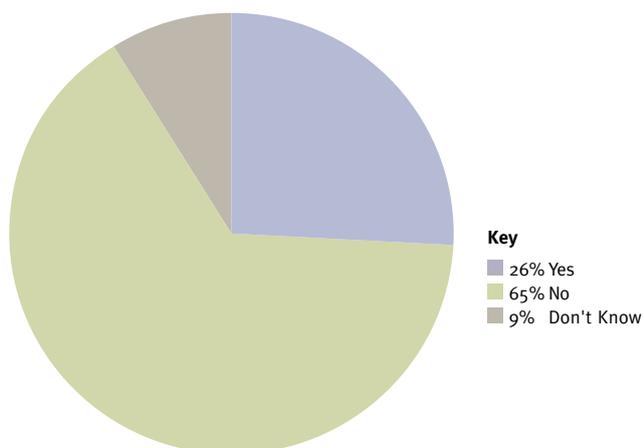


30% of companies asked operate a Defined Contribution scheme, and 50% of participants had both a Defined Benefit and Defined Contribution scheme. It is evident from these results that many employees have a combination of pensions, and it is important that all options are understood by the employee.

Key Considerations

- Do your employees know what type of pension scheme they have?
- If your employees have more than one type of scheme, do they understand the difference?

Even though you will have provided information through valuations and statements, do you believe your employees understand what level of income to expect from their company scheme(s) at retirement?

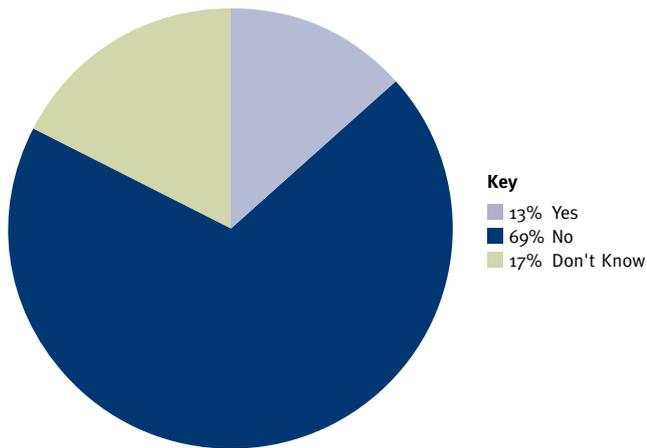


65% of participants believe that their employees don't understand what level of income to expect from their company schemes at retirement. Poor financial choices made at retirement can often impact an employee's income level throughout their retirement. Only 26% of participants believe that their employees are well equipped to understand what level of income they will get from their company schemes at retirement and a further 9% do not know if their employees are equipped to do so. For those who have a Defined Benefit pension it is important to understand not only how much income the pension will generate but how this may be supplemented by tax free cash and other savings.

Key Considerations

- Do your employees understand what level of income to expect from their company schemes at retirement?
- How does your company aid and assist this understanding?

Do you believe your employees are making sufficient retirement savings through their contributions?

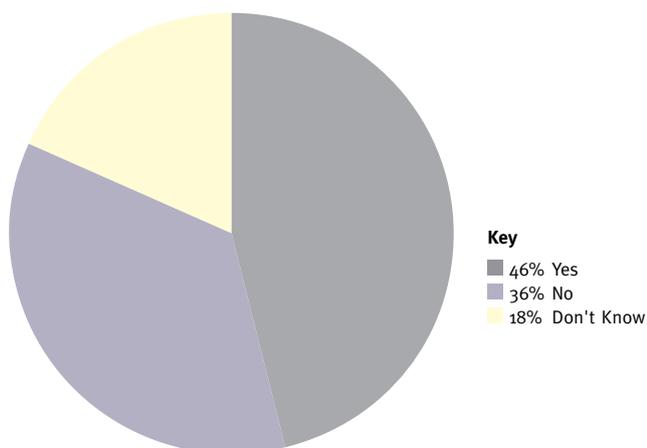


69% of participants believe that their employees aren't making sufficient retirement savings through their contributions. This may be due to a lack of employee understanding and knowledge or perhaps having insufficient income to make the monthly contributions required. Only 13% of employers asked believe that their employees are making sufficient retirement savings through contributions.

Key Considerations

- Do your employees know what they should be contributing to their pension in order to receive their desired income in retirement?

Do you believe auto enrolment has helped your employees understand the importance of saving for retirement?



46% of participants believe auto enrolment has aided employees understanding of the importance of saving for retirement. On the other hand, 36% of participants believe that auto enrolment hasn't helped their employees understand the importance of saving for retirement.

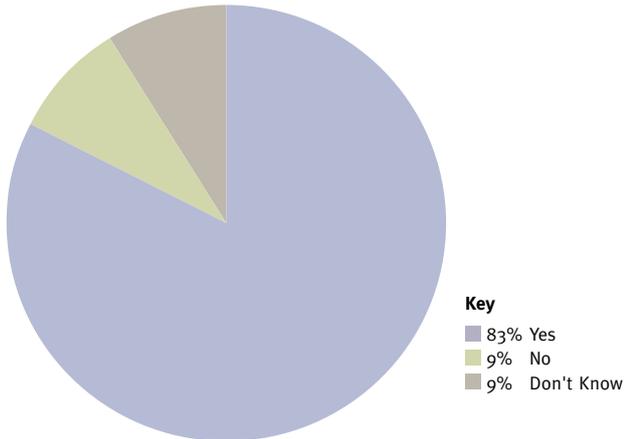
Key Considerations

- Do your employees understand auto enrolment and the impact it may have on their retirement income?
- Has auto enrolment been explained through a financial education programme?

part two: retirement planning.

One of the biggest financial decisions many people will make in their lifetime is how they will maximise income at retirement. Making a poor decision can result in lower income throughout retirement, often costing the individual thousands of pounds.

Do you consider professional retirement planning including financial education for employees to be critical?

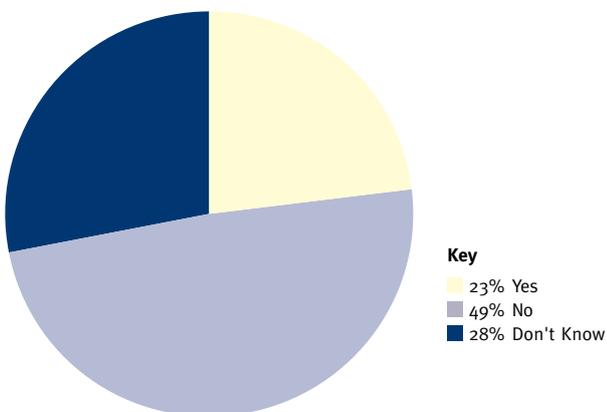


In the current economic climate, and with recent changes to pension legislation, more and more employers now see professional retirement planning for their employees as critical to their business. 83% of participants agree that retirement planning including financial education is critical. Whilst only 9% of participants asked disagree that retirement planning is critical, it is vital that organisations recognise the growing need and provide the necessary help and support, so that their employees are better equipped to understand and consider all of the options available to them. This is not only about how income can be generated from the pensions they have, but also how other assets such as shares, ISAs and property may contribute to retirement income.

Key Reasons Why Retirement Planning is Crucial

- Employees pay into their pension for many years, so it is important that they are supported at the point when they need to make critical financial decisions about their retirement income.
- The income options at retirement have increased which provides more choice, but employees need to understand which choices are right for them.
- The removal of the default retirement age means it is in the interest of both the employer and employee to ensure retirement choices are understood.

Do you believe your employees consider their total wealth as part of their retirement planning?



Employees may have a number of pension schemes from various employers and / or other investments, such as company share schemes or a Workplace ISA which could be used towards funding an income in retirement. Whilst retirement planning is important in ensuring all savings are considered, only 23% of participants believe that their employees consider their total wealth when planning for retirement. 49% of those asked believe that their employees do not consider other sources of wealth when planning their retirement. With more employees having a combination of both multiple pension pots and other investments it is crucial that they understand how to fund and maximise their income in retirement.

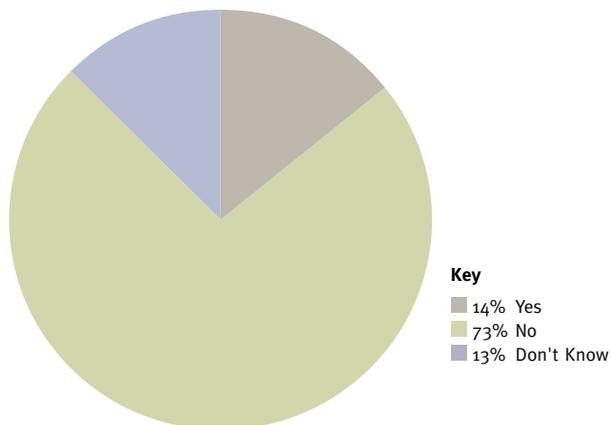
Key Considerations

- Are you providing adequate support and guidance for your employees?
- What support will work best for your organisation to ensure guidance and help is readily available to employees at retirement?

part three: retirement income options.

Do your employees understand what their retirement income options are and how to maximise their income?

Do you believe your employees are aware of the various income options available to them at retirement?

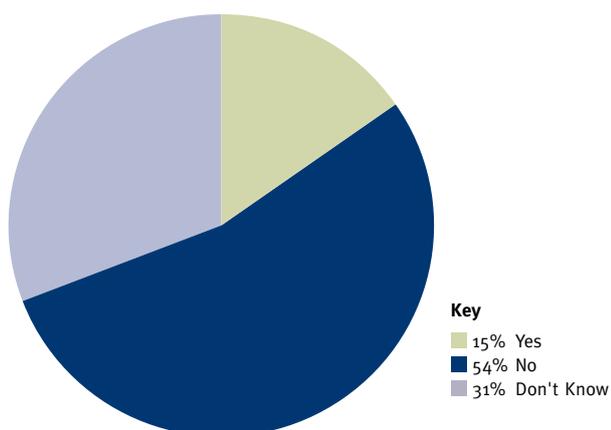


73% of participants believe that their employees are unaware of their retirement income options such as annuities, income drawdown or phased retirement. Choosing the right option is important as making a poor decision can result in lower income throughout retirement, which can often cost the individual thousands of pounds.

Understanding the Options

- Financial education programmes can be implemented within an organisation to ensure that employees understand the options available to them
- Financial education should be proactive, interactive and create a deeper and lasting understanding
- To help engage your employees, support could be provided through financial education, internet support tools, helpdesk support and regulated advice

Are your employees aware that they no longer have to purchase an annuity?

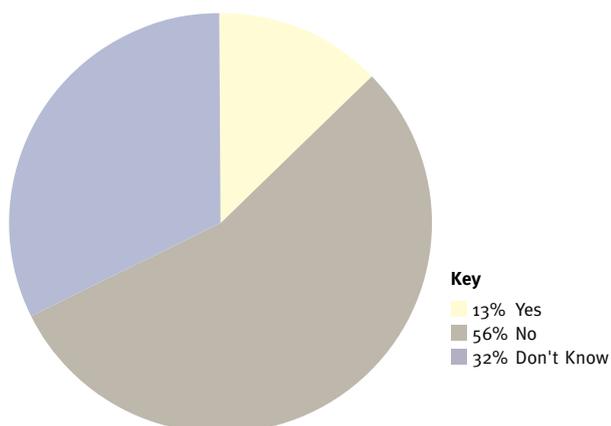


54% of participants believe that their employees aren't aware that they no longer have to purchase an annuity. This is an alarming statistic as annuities are not the only option and it is important that employees consider all of the choices available to them. If employees are aware then they can understand the advantages and disadvantages of all retirement income options and be able to make a more informed decision.

Key Considerations

- Employees need to understand that they do not need to buy an annuity as this may not offer the best income generation. If an annuity is the right option, then it could just be part of the overall solution required by the employee
- It is important for your employees to remember that they may not receive the best annuity income from their existing pension provider and that they have the right to explore the open market option for the best annuity deal
- Many employees may be able to generate more income by utilising an enhanced annuity based on medical or lifestyle considerations so it is important that all options are understood and communicated by the employer

Are your employees aware of the advantages and disadvantages of each retirement income option, in order for them to make an informed decision?



56% of participants believe that their employees aren't aware of the advantages and disadvantages of each retirement income option. This suggests that there is little awareness of the variety of retirement income options available to them. This could mean that employees may be missing out on getting the right retirement income and may lose thousands of pounds over the course of their retirement. Choosing the most suitable retirement income option at retirement is often one of the biggest financial decisions anyone will make. An unsuitable and often irreversible choice could have significant consequences for an employee's personal finances in retirement.

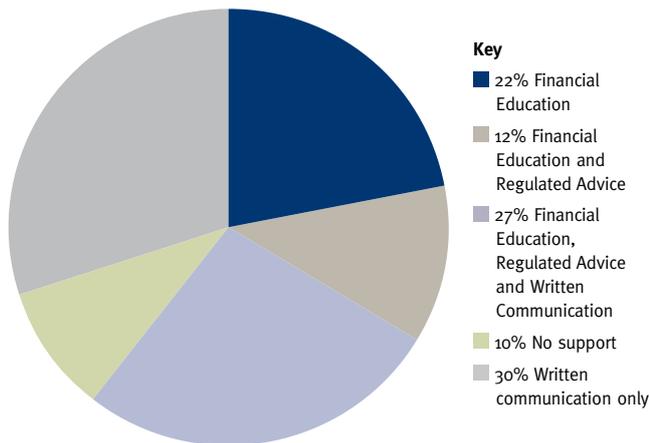
Key Considerations

- Do your employees understand the retirement options available to them?
- Do your employees understand the benefits of income drawdown versus annuity, and appreciate which is the most suitable to their circumstances?
- Do they understand phased retirement and how their earned income may be supplemented by retirement income?
- Are you providing adequate guidance and support?

part four: supporting your employees.

What level of support is currently provided to employees within your company at retirement? With the removal of the default retirement age (DRA); will an ageing workforce be supported through flexible retirement?

Will any of the following support and guidance be provided to your employees at retirement?



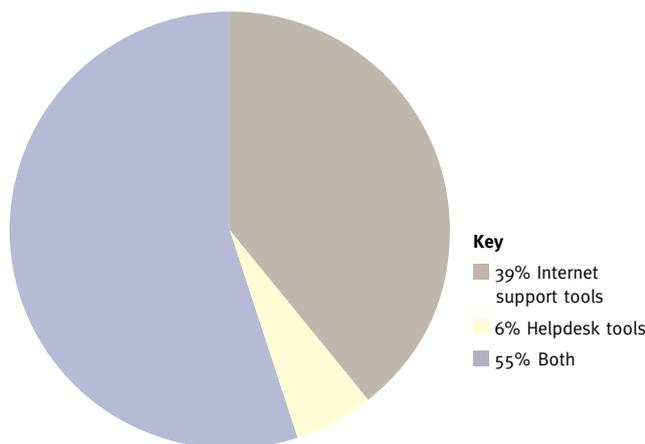
Financial education and advice for employees on their retirement income options should be a core provision for any employer running a Defined Contribution pension scheme. Even for those who have a Defined Benefit pension, it is important to understand not only how much income the pension will generate but how this may be supplemented by tax free cash and other savings. The results show that 40% of respondents provide either no support or written communications only. The remaining participants provide a mixture of financial education, financial education with regulated advice, and financial education, regulated advice and written communications.

The benefits of financial education and guidance

- Financial education will help to ensure that employees understand the options available to them at retirement, and the advantages and disadvantages of each method of generating retirement income
- Financial advice is critical when making, what will be for many employees, the biggest financial decision of their life
- The Pensions Regulator has published guidance with far more emphasis on making information and education about retirement options available to pension scheme members at a much earlier stage.

Having a process for helping members at retirement and communication of the options available are quality features which if implemented, would help to establish a robust retirement process.

In addition to support and guidance, will any of the following be advantageous to help support your employees through their decision making process?

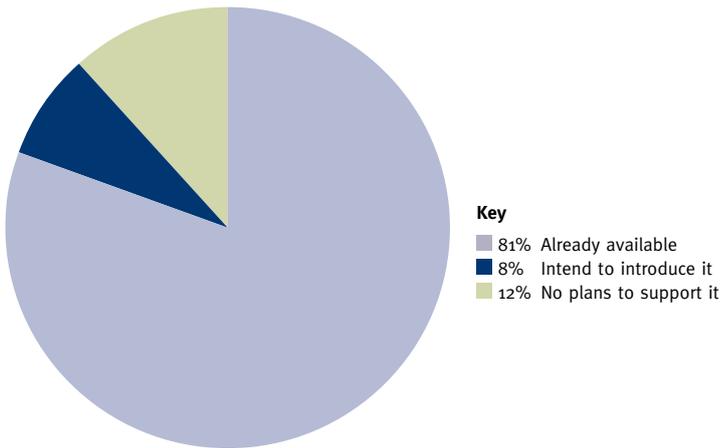


100% of respondents believe the provision of internet and help desk support will be advantageous in helping to support their employees during their decision making process. This is great news as the internet can help to support employees about aspects of their retirement with easy access to resources at work, home or on the go. Helpdesk support can allow employees to ask basic questions about their retirement, and if both are provided alongside financial education and advice, then employees benefit from a fully integrated solution, which can help to ensure that they understand what their retirement options are and how to maximise their income.

Key Considerations

- Have you considered providing online tools such as a pension's calculator or annuity calculator? Such tools can allow employees to see what their pension pot could buy. The use of webcasts can also prove to be an easily accessible resource for employees
- Help desk support - there might not be a huge amount of resource for this within an organisation, therefore using a service provider can allow individuals to contact experts who can go through an employee's options with them.
- Have you considered re-directing budget in favour of interactive financial education, rather than just passive written internal communication?
- Is regulated advice readily available to employees at retirement to ensure retirement income is maximised?

The removal of the default retirement age (DRA) could see a significant number of employees choosing to work longer. Do you support or intend to support flexible retirement?



The removal of the default retirement age has encouraged employers to support a more flexible retirement. The results show that 81% of participants asked are already offering employees a more flexible retirement. Furthermore, only 12% of participants have no plans to support flexible retirement. 8% of participants are also planning to introduce this in the future.

Key Considerations

- Have you considered employees working part-time as part of their retirement plans?
- What impact will this have on your business?

conclusion.



Choosing how to generate income in retirement is one of the biggest, if not the biggest financial decision, many will make and a wrong decision could have devastating consequences for their personal finances in retirement. It is crucial that organisations provide support, help, and necessary guidance, in order for their employees to understand all of their options. Adopting a comprehensive and fully integrated financial education programme, alongside specialist advice and support, can allow employees to make appropriate decisions which should better suit their needs and future requirements.

WEALTH at work has collected feedback from over 56,000 employees of UK companies over the past six years, which provides empirical evidence to the positive impact of financial education. If you and your company would like to learn more, please contact us for further information.

“personal
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Personal financial knowledge and responsibility should be part of everyone's education. The challenge in developing the sense of importance to future income compared with present income, and hence increasing savings cannot be overestimated. It is appropriate for employers to facilitate the provision of advice on pensions and investments, particularly as employees make those crucial financial decisions in the lead up to retirement. In this market context, it is not unreasonable to pay for unbiased professional education and regulated advice with respect to personal savings and investments. This can help to ensure good outcomes for those individuals who are turning their pension monies into income after a lifetime of saving.

**Professor Ted Fuller –
Faculty Director of Research
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Ted Fuller joined the University of Lincoln as Head of the Business School in 2008, and took up the Faculty Research role in January 2011. He has practiced entrepreneurship in the business and university sectors.

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