

# WEALTH wise.

Brought to you by

**WEALTH at work**

KNOWLEDGE | EXPERIENCE | OPPORTUNITY



## a new compulsion.

The Budget has changed the face of retirement options for the world of defined contribution (DC) schemes, with perhaps the most radical pension proposals in our lifetime.

The changes have far reaching consequences for employers, employees and pension trustees alike and introduce a level of flexibility and choice in a way that DC pension schemes have not previously seen.

It is proposed that from April 2015, there will be no restrictions on how savings from DC pension schemes can be taken from age 55. Of course, other than tax free cash allowances it will still be treated as income however it is taken and marginal rates of tax will apply.

Before then, and until the Finance Act receives Royal Assent, interim changes to pension regulations are already in force which affect the choices individuals have, giving them more to consider.

Those who want to purchase an annuity or take income drawdown will still be able to do so. However, the ability to take entire DC pension funds as a cash payment next year brings more complexity and risk to the decision making process. From an employer's perspective, it is likely to lead to greater workloads for pensions departments through an

### From the CEO

In this issue we look at this year's Budget which proposed big reforms to the way UK retirees will take their pensions. Employers need to act quickly if they want to avoid disgruntled employees.

Failure by pension providers and the insurance industry to give individuals a fair deal on retirement was highlighted in a recent FCA report which has surely been a factor in the changes, described by the Chancellor as 'the most fundamental reform to the way people access their pensions in almost a century'.

At the heart of his announcement is the ability for Defined Contribution (DC) pension scheme members at age 55 to take their pension savings however they want them, subject to their marginal rate of tax. They will not have to buy an annuity and can even take their entire pension savings fund in one go.

Also in this issue, we look at recent survey results which reveal shockingly low figures highlighting the need for financial education to ensure employees save towards their retirement and understand the various retirement income options available to them at the point of retirement.

Decisions at retirement are for most one of the biggest financial decision of their life, so it is important employers consider the provision of financial education and advice.

If you would like to find out how we can help, please contact us.



David Cassidy  
Chief Executive  
Officer,  
**WEALTH at work**



Continued on page 2

# a new compulsion.

Continued from page 1

increase in employee enquiries; this is before we fully understand the impact the Budget will have on Defined Benefit schemes.

Removing the majority of restrictions for pension savings, and the compulsion to purchase an annuity for DC members has made room for a new compulsion - this time for providers and trustees of occupational DC schemes to provide a 'Guidance Guarantee' for pension savers when they come to retirement, which should help them to make informed decisions that best suit their individual needs.

This will have a significant impact on what pension savers actually do with their money and how employers, pension scheme providers, and pension trustees help them make wise decisions that last throughout their retirement.

The proposals detailed in the Treasury's consultation document 'Freedom and choice in pensions', outline a future where flexibility and choice is available to all DC pension savers over the age of 55 but they also recognise that with freedom and flexibility comes additional complexity and that offering choice alone is not enough.

Whilst there is much to consult upon before the rules around this are agreed and pass into law, it is clearly outlined that this guidance will be free and impartial and include the right to face to face guidance with an expectation that consumers will then be able to make more confident and informed decisions.

Given the added complexity and increased risks (for pension savers to understand and manage) that 'freedom and choice in pensions' confers, it is evident that as well as 'guidance' there will be a greater requirement for advisory services for employees as they access their retirement savings.

This is an area that bears closer scrutiny as research by the Financial Services Consumer Panel highlighted that individuals often read 'guidance' as advice and post Budget, a number of politicians and commentators have conflated the use of guidance and advice. However, the intention seems clear and that is to ensure that people have the right support to make decisions to suit their evolving personal circumstances, stimulating them to make active and informed retirement choices.

This intention should not come as a surprise. In the months leading up to the Budget there was an upsurge in the media about the shortcomings of the retirement income options market - in particular the annuity market and the poor value and service that consumers were receiving.

In February, the Financial Conduct Authority (FCA) completed an initial market review of annuities and said the market was not working well for consumers. They found that eight out of ten consumers who purchased their annuity from their existing provider could have got a better deal on the open market. They described the market as disorderly and subsequently started a market study into retirement options which is due to report later this year.



To learn more about financial education or employee wealth



0800 234 6880

2



info@wealthatwork.co.uk



This was hot on the heels of a report by The Financial Services Consumer Panel on the annuity market which said it did not work well for consumers and were concerned about possible exploitative pricing of annuities sold by insurance companies to their DC customers who had saved with them for a pension.

They were struck by the growth of so called non-advised annuity services which had become increasingly popular with employers as an option for employees as they retire. They called for the equivalent of a code of conduct for the non-advice market which would emphasise the need for high professional standards, transparent disclosure of charges and a clear explanation of the implications of non-advice for consumer protection.

These implications may be little understood by employer and employees. With regulated advice, a qualified financial adviser takes responsibility for recommending the best course of action for a customer. In the non-advised service the customer is responsible for the outcome, even if it is the wrong one or as the FCA found, they could have got a better deal elsewhere.

As recently as November 2013, and in recognition of the need to provide more support and guidance to employees in the lead up to retirement, The Pensions Regulator issued a new DC Code of Conduct and supporting guidance outlining a blueprint for Trustees to provide a retirement journey which would result in better retirement outcomes for employees. Providing education about retirement options and access to guidance and advice at the point of retirement were central to this.

However this guidance fell short of compulsion and it seemed something new was needed.

And so, the Budget conferred upon pension scheme providers

and trustees the duty to provide a Guidance Guarantee from April of next year.

In this Budget, the Chancellor has created a set of conditions in 'freedom and choice in pensions' that will help lead to better retirement outcomes for pension savers, driven by a compulsion to provide impartial guidance about retirement options.

We applaud this; it is fundamental to the service we provide and to the relationships we have with our corporate partners. Our years of experience of delivering financial education, guidance and advice to employees have given us the best possible insight into what employees value and why. And whilst many will wonder how they are going to deliver this new service, we are confident that we are ahead of the game in that regard.

**If you would like to learn more about how you can help your employees with the new Budget changes, please contact us today.** [ww](http://www.ww)



management services, please contact us on:



[www.wealthatwork.co.uk](http://www.wealthatwork.co.uk)

3



@WEALTHatwork

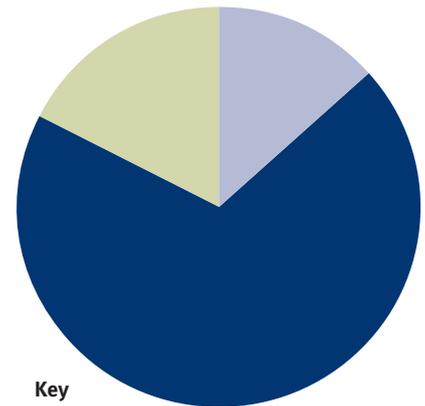
**In the current economic climate and with recent pension legislation changes, more and more employers now see professional retirement planning for their staff as critical to their business. But what are their options? And, are your employees aware of and understand the choices available to them? The 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. The results from this survey are based on responses from 104 employers.**

“only 13% of employers believe their employees are making sufficient retirement savings.”

Only 13% of employers asked believe that their employees are making sufficient retirement savings through 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.

**Key Considerations**

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



**Key**

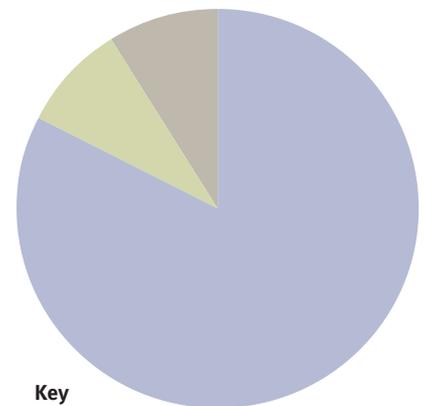
- 13% Yes
- 69% No
- 17% Don't Know

“83% consider professional retirement planning, including education, to be a critical need for their employees.”

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 even more in the interest of both the employer and employee to ensure retirement choices are understood.



**Key**

- 83% Yes
- 9% No
- 9% Don't Know

To learn more about financial education or employee wealth



**0800 234 6880**



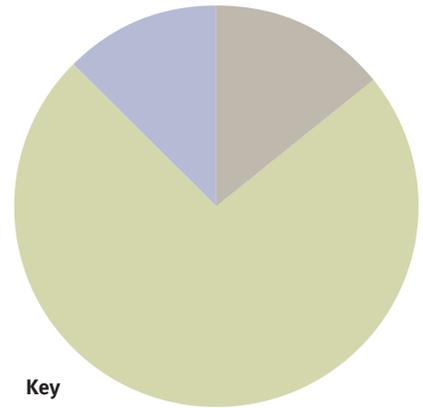
**info@wealthatwork.co.uk**

“only 14% believe their 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



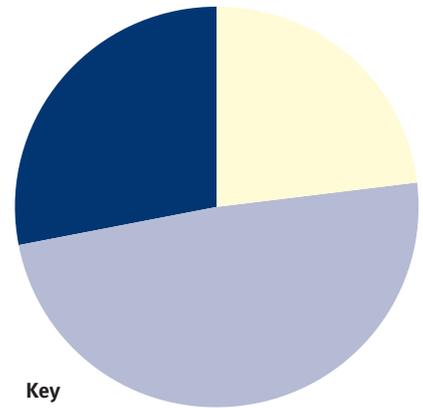
**Key**  
 ■ 14% Yes  
 ■ 73% No  
 ■ 13% Don't Know

“only 23% believe that their 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?



**Key**  
 ■ 23% Yes  
 ■ 49% No  
 ■ 28% Don't Know

**Choosing how to generate retirement 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 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.**



**latest survey results.**  
 To review all the results from the 2013 Retirement Income Options Survey please visit [www.wealthatwork.co.uk/corporate/yoursay/surveys](http://www.wealthatwork.co.uk/corporate/yoursay/surveys)

management services, please contact us on:



# making the right decisions at retirement.



**Jonathan Watts-Lay, Director, WEALTH at work, was interviewed earlier this year by The Pensions Management Institute about the importance of employees making the right decisions at retirement.**

**PRESENTER:** Jonathan, what do you mean by financial education?

**JONATHAN WATTS-LAY:** I think the key difference is that financial education should be a learning experience, so at the end of an intervention whether that's through a seminar, it could be online tools, it could be webcasts or live webinars, is that an individual or an employee understands something at the end of that process that they didn't understand at the beginning. And that's quite different from what I would call passive information. So if you just give somebody a brochure on pensions or you say, well, I've got information on the intranet site, go and have a look at that, you're really expecting people to go and actually read that stuff, but secondly you're expecting them to understand it, and thirdly to do something as a result of reading it, and that is a lot to ask of just information. So we find that education by the fact that it's far more proactive and tailored to individual needs that people actually go through a learning experience and therefore can make informed choices.

**PRESENTER:** You commissioned your own research into retirement income options earlier this year. What were the main findings?

**JONATHAN WATTS-LAY:** Yes, this was a study that was done with employers and we asked them a range of questions around pension saving and what employees do in their organisations at retirement in their view. I guess some of the real worrying pieces that came out of it were that only 13% of employers believed that their employees were saving enough for retirement. So whilst they might be making contributions they were not high enough. Also that only 14% believed that their employees understood the full options available to them at the point of retirement, so understanding that there's a choice, there's annuities, there's drawdown, there's perhaps

phased retirement, but interestingly about 83% of them actually recognised that professional retirement education and planning was crucial if they were going to overcome the issues that they believe their employees are facing.

**PRESENTER:** You've highlighted the need for employees to really understand their retirement income options and to think about taking advice. Does this tie in with the whole debate that's going on about annuity market at the moment?

**JONATHAN WATTS-LAY:** It is in part although we've been doing this for a number of years so really we've been aware that employees generally do not understand what their options are at retirement, and of course this is a growing problem as we have more and more employees coming out of defined contribution schemes. It's very clear to us, and we measure every intervention that we have with an employee, that employees actually have a real lack of understanding as to what those options are. And it's not only important to understand what the options are, it's important to understand what the pros and cons of all those options are, but it's also important to understand actually what's right for you as an individual, and so I think that a lot of the debate that's going on at the moment is good, healthy debate and it surely is needed because we know for a fact from doing tens of thousands of these interventions that people do not understand what those options are.

**PRESENTER:** And how significant is it that The Pensions Regulator is picking up on this at the moment?

**JONATHAN WATTS-LAY:** I think it's really significant. I think it's important both from an employer perspective and a trustee perspective that they're doing the utmost that they can for the employees. The best way that I can think about this is the fact that you may save for let's say 40 years into a pension and the trustees will do a diligent job in making sure that the fund selection is right and the cost structures are right, the employer is doing a great job often in terms of the contributions that they're making, but actually when it comes to that critical point of turning that pension saving into retirement income employees get abandoned, and so it's quite right that The Pensions Regulator is picking up on that now and saying actually there does need to be more of a process that you pass employees through to ensure that they can make those informed choices at retirement.

**PRESENTER:** If you could leave one message with pension trustees and pension managers, what would it be?

**JONATHAN WATTS-LAY:** It would be that for most people the decision that an individual makes at retirement is probably the biggest financial decision that they will make in their lifetime and it will impact literally the rest of their life to the point they die. So this is such an important decision, after 40 years of saving it's important that that decision, or the series of decisions in some cases, that they may make as they go into retirement are absolutely right. **ww**

To learn more about financial education or employee wealth



0800 234 6880

6



info@wealthatwork.co.uk

# supporting university education.

**WEALTH at work, in partnership with the University of Lincoln, recently announced an agreement through which the two organisations will share their interest and commitment to the development of educational needs.**

Included in this agreement was an exciting opportunity available to those students applying for a place on the University's undergraduate Business programmes for September 2013. We are delighted to announce that Kate Wills has been awarded the scholarship and will be supported by the company both financially and with work experience throughout her degree.

Jonathan Watts-Lay, Director, **WEALTH at work** comments: "We are extremely excited to support Kate in her studies and hope that this scholarship will give her vast experience and extensive knowledge that will benefit her throughout her degree and career. Both **WEALTH at work** and the University of Lincoln are passionate about combining university education and work experience. This scholarship will provide Kate with 5 weeks full-time paid work experience during the summer throughout each year of her degree; and I am confident that such initiatives will benefit and support the employability agenda for Kate and future scholarship students."

Steve Corbett, Business Development Manager at the University of Lincoln, said: "We are delighted that Kate has been awarded the scholarship with **WEALTH at work**. As a company, **WEALTH at work** share our vision of strong ties between the education and business sectors, and initiatives such as this provide our students with valuable opportunities to gain significant experience within real working environments.

"At Lincoln, we are committed to ensuring our graduates are industry-ready, and our partnerships with leading employers help to ensure that we can provide our students with important practical experience of business and industry." **ww**

## Introducing Kate Wills



(L-R: Steve Corbett, Business Development Manager, University of Lincoln; Kate Wills, University of Lincoln; Jane Griffiths, Head of Corporate Relationships **WEALTH at work**, Stephanie Schiaffonati, Employability Manager at the University of Lincoln's Business School).

“ I am delighted to be joining **WEALTH at work** on this exciting journey. I look forward to meeting the team, growing from sharing their experiences and making the most of this enriching opportunity. As I embark on my three years at the University of Lincoln I intend to use the knowledge I gain and be able to put it into practice. I feel that working alongside **WEALTH at work** during my degree will demonstrate to me how a successful and relevant business works. ” **ww**

## in the community.

We supported the University of Lincoln's 5-a-side charity football tournament, in aid of Blue September UK. The event was a great success, with a total of £811.65 raised and further sponsors still to donate.

We would like to congratulate tournament winners ACP Water Treatment Ltd and finalists Bluecube Telecommunications on their success.

### About Blue September UK

Blue September UK is a nationwide

cancer campaign to raise awareness about all male cancer. It is hoped that the campaign will raise awareness, improve symptom knowledge and help to improve prevention. The funds raised by the University of Lincoln's charity football tournament will go towards the Men's Health Forum, for their work to raise awareness and help them reduce the risks of developing cancer. **ww**



management services, please contact us on:



[www.wealthatwork.co.uk](http://www.wealthatwork.co.uk)

7



@WEALTHatwork

# our services.

## about us.

**We are a leading provider of financial education in the workplace with an excellent reputation of delivering real results for our clients.**

We provide a service which helps employees to understand how to maximise the value of their benefits by providing financial education tailored to the needs of individual companies and different employee groups within those companies. This is then supported by a flexible savings platform and wealth advice service which allows, for example, the linking of company share schemes to pensions and ISAs, retirement income planning for retirees and specialist support and guidance for senior executives.

Established in 2005, we have built up an enviable reputation of helping employees of many of the UK's leading companies such as Marks & Spencer, BT and Schroders.

**Neil Fraser, Pensions Manager, Schroder Investment Management Limited comments,**

"We introduced financial education in the workplace to support changes to our pension



scheme arrangements in 2011 and the seminars were very well received by our staff. As a result of the success, we have now moved to delivering financial education to all staff across all life stages of their career making sure that financial planning and support is embedded across the organisation.

**WEALTH at work** have made the process of delivering seminars in the workplace straight forward by using their industry experts and dedicated project management. We continue to deliver multiple seminars to differing age groups across Schroders and we very much look forward to continuing our partnership with **WEALTH at work.**"

**If you would like to learn more, or to see how WEALTH at work can create a financial education programme tailored to meet the needs of your company, please contact us. [ww](#)**

## how can we help?

Help your employees take control of their financial future with **WEALTH at work**

### 1. Financial Education

**WEALTH at work** tailors all financial education to the needs of each organisation and its employees – delivered via a range of mediums, from seminars to webcasts, with the objective of ensuring employees understand the value of their cash, share and pension benefits.

### 2. Flexible Savings Platform

The **WEALTH at work** Flexible Savings platform is one of our most important approaches. Designed specifically for the workplace, this brings together:

- Share scheme and pension modeler tools
- In specie transfers of company shares to pension and ISA
- Diversification of company stock to ensure employees don't have all of their eggs in one basket
- Retirement income options

### 3. Advisory Services

Employees have the option to meet with one of our Advisers to review their current investments and financial objectives. After an in-depth review, they can receive an Investment Planning Report, recommending a suitable investment strategy.

## meet the team.

Our Corporate Management team has increased to meet the needs and requirements of our corporate clients. In this issue, we introduce you to our new team members.

### Kathryn Sinclair

Kathryn joined **WEALTH at work** in Sept 2010 as a seminar presenter and moved to the role of Corporate Project Implementation Manager in August 2013.

Previous to **WEALTH at work** Kathryn worked as a financial services trainer and IFA. Kathryn comments: "I believe following the recent proposed changes in pension legislation offering more flexibility and freedom of choice, our services will be needed now more than ever both at employer and employee levels. We have exciting times ahead."

### Russell Peace

Russell joined **WEALTH at work** as a Corporate Project Implementation Manager after spending many years working in a variety of employee benefit account and project management roles.

Russell comments "I find observing the education programs we deliver particularly rewarding, especially when you hear employees now value their benefits more as a result of attending one of our seminars"



0800 234 6880



info@wealthatwork.co.uk



www.wealthatwork.co.uk



@WEALTHatwork