

Getting ready for pensions

✔ **NSAFS' CEO Peter Pledger talks to Laura Blows about the charity's work to improve peoples' understanding of pensions, and how its free online tool for employers to provide to employees can help achieve this aim**

▶ **Please can you tell me about the National Skills Academy for Financial Services (NSAFS) and what it does?**

The NSAFS started in 2007. It was part of a wider government initiative to try and bridge the gap between individual sectors and the skill needs of those working in the sectors. They were set up as not-for-profit companies and they were funded by government for three years, so therefore our funding stopped in 2010. In 2009 the board, which is entirely made up of senior people from the financial services sector, created a charity, so we are a not-for-profit company and a charity registered with the Charity Commission.

The purpose of the charity was threefold, to focus on our main work, which is trying to drive up skills in the financial services sector, the provision of financial information to the wider community and to try and help people procure work within financial services.

▶ **Could you tell me more about how you provide financial education to the wider community, particularly relating to pensions?**

We have been running a whole range of different programmes, funded by charitable foundations and a couple of the large banks, to provide financial education and support to young adults and also to advice givers, to aid people to

manage their money more effectively.

We do this by going into a whole range of charitable employers, such as housing associations and not-for-profit organisations, to train their staff for them to give financial advice to their clients.

We do not go into schools, but we have done a lot of work with further education colleges. Last year we ran quite a large scheme for around a couple of hundred further education colleges, where small teams of young people put together, with our resources, financial education packages for other young people. We worked on the assumption that young people are more likely to listen to other young people. It worked well last year and we have just launched a new competition this year.

On pensions, one thing in our research that quite surprised us is how many young people are concerned by pensions. It was an opinion research report from August 2015, which found that 86 per cent of 18-24 year olds are thinking about retirement plans before they are 30. Maybe it is because they listen to the press, or maybe because they have started work and have been caught by auto-enrolment.

Did the decision to create your Get Ready tool, which provides online pensions information to employees, derive from this research?

Our research did help to create the Get Ready tool. From last year we have started doing some work with AXA, when we realised and they realised that there wasn't enough impartial information about pensions, which is particularly needed with the roll out of auto-enrolment and the questions employers are being asked about this. By working together we have produced an online tool that will explain to any employee of any business what a pension is all about, where the money goes, how to invest it, the difference between DB and DC, when the state pension actually kicks in and what that means. This is in order to try and move away from the myths and misunderstandings, to try and give people genuine impartial facts about how pensions actually work. These things may be very straightforward for people in the financial services industry, but for most people, it is not straightforward.

The reason for the timing of it was auto-enrolment, where hundreds of thousands of people suddenly found themselves placed in a company pension scheme and fearful about losing a part of their salary and not knowing where it is going. Now there are also the pension freedoms, where you had all sort of prophetic stories of people going out to buy Lamborghinis with their pension pots. So it was quite clear to us that if all people do is get headlines from the press it is not surprising that people were confused and unsure.

Could you tell me more about how the Get Ready tool works?

The Get Ready tool is for the employee to access, but we are promoting it to any employer in the UK. There is no penny charged at any stage, and there is no advertising in it. It is for any employer, but particularly SMEs. However, any employer can receive this tool, completely for free, by just sending us an email. And if they want their logo on the tool we can enable that for no charge whatsoever. The important thing about the company branding is that people

are inundated with other organisations purporting to give unbiased information, so if they see their employer's logo they are more likely to consider it more robust than a logo they do not recognise. Other employers prefer to see our charity logo on it; it is their choice.

Once an employer is signed up, all their employees can access the Get Ready tool to receive, not advice, but information. The important thing is we want to make sure that everybody can grasp it. It is very interactive and you do not need a financial qualification to understand it.

The very beginning of the tool is interactive cartoons and videos, simply explaining what a pension is and how it works. The second part of the tool answers the question 'why should I have a pension?' and third looks at what risks there are, what might take them off course from having a reasonable retirement. So those are the generalised elements within this, and then we also have some specific elements, where people can self-select whether they are far from retirement, near or at-retirement.

The Get Ready tool runs straight across the heart of our charitable service because we are very keen to show people that the financial service sector is there to help people. By providing that free impartial information people understand that saving for a pension is important and it is not actually over-complicated.

What has been the response to the Get Ready tool?

The Get Ready tool launched in October, so it is extremely early days. Since then we have had the spectre of potential changes, such as the Chancellor talking about changing the taxation system of pensions into something more akin to ISAs, so we were a bit cautious about telling people this explains all about pensions, when actually at that time no one was sure if it was going to change. Now that we have had the Budget, our plan is to update the tool based on the Budget announcements and we will



NSAFS CEO Peter Pledger

do this each year to ensure that it stays current. So the updated tool will go out at the end of April and anyone already using the tool will find it automatically updated for them.

Following your research, work with the Get Ready tool and providing financial information to young people and outreach workers, do you think we are turning a corner in terms of peoples' understanding of pensions improving?

I would like to say that we are turning a corner but I cannot do so hand on heart, and the reason for that is the current debate on pensions ISAs. It creates a degree of uncertainty and the thing about long-term saving products is that you need a degree of certainty to them. I fear that politicians will come up with new variations of what is essentially a simple, long-term product. While I hope that things will get easier, history has told us that it hasn't been the case.

So what do you think would help improve awareness? Would more stability help?

Stability makes my life easier but it is not always the right thing to do, as some of the recent reforms have brought about benefits to people. So it's not necessarily stability, but it is proper consultation and proper understanding of the implications of changes. However, there is no point worrying people unnecessarily, especially as they approach retirement age, for instance the upheaval that some women are going through with their state pension currently is disappointing to say the least. So all policymakers need to be aware that if changes are to be made there needs to be proper consultation of the implication of those changes and time to bed them in.

Written by Laura Blows