

Employees vulnerable to making poor decisions

✔ **Jonathan Watts-Lay explains why employees are left vulnerable to making poor decisions, which could lead to a reduced income at-retirement**

Since the pension changes came into force, both employers and employees have had to adapt to the many new options and decisions that they now face.

WEALTH at work, a leading provider of financial education in the workplace, supported by guidance and advice, conducted a survey that set out to investigate what employers are doing to support their employees through this process and how far they have come with adapting to the changes.

Almost two years on, it seems there is a major lack of support available for employees at-retirement, leaving them at risk of making costly mistakes.

Jonathan Watts-Lay, director, WEALTH at work, discussed some of the key findings and what employers can do to help employees at this important stage of their life.

Employees set to fail from the start

The survey results show that only 10 per cent of employers believe their employees are saving enough for their retirement.

I fear that employees are set to fail from the start when it comes to generating sufficient pension savings. With contribution rates for auto-enrolment set so low, I believe that there is still a long way to go until we are at a stage where the majority of employees are producing sufficient pension savings for financial security in retirement.

Survey results also reveal that 39 per cent of employers will still default employees to an annuity-tracked



glidepath if no active choice is made. This is despite a significant fall in annuity purchases since the pension freedoms took effect.

In this new world of freedom and choice in pensions an annuity-tracked glide path might not be the most suitable option, leaving many on an investment route that doesn't match their retirement plans.

This is putting employees at a major disadvantage and could potentially result in a reduced income in retirement with severe consequences for some. It is crucial that employers provide financial education about the different glidepath options available so that employees are armed with the facts to make suitable decisions.

Employees abandoned at-retirement

The survey results reveal that almost half (48 per cent) of employers believe that their employees are not aware of the various retirement income options available to them at-retirement.

Without even a basic level of understanding of their options it is hard to see how employees can secure a good retirement income outcome.

In addition, the survey results show that more than half (55 per cent) of employers either provide no support, or information only for employees at-retirement; with only 20 per cent of employers providing a full retirement income service for employees at-retirement.

It's clear that many employees are simply abandoned at-retirement and are left incredibly vulnerable to making poor decisions due to the lack of support available, or worse still being scammed by 'an offer too good to ignore'. Financial support at this point must be made a priority given the enormity of the decisions that employees face at this stage of their life.

This doesn't have to be the case as there are providers who can deliver a full service, from financial education and guidance, supported by regulated advice and then ensuring the appropriate service provision is available to implement all options at-retirement – whether that is an annuity, drawdown, a cash withdrawal, or indeed a combination of options over time.

About the survey

All statistics quoted are from the WEALTH at work: Pension Changes Survey - Our Survey Results 2017. This is available at www.wealthatwork.co.uk/corporate. In total, the research received 108 responses, which were completed online and via paper over four months from August to November 2016. The survey targeted key HR, rewards & benefits and pension professionals. Eleven per cent of respondents were from the FTSE 350, 36 per cent were from large companies with 500 employees and more, 6 per cent were from SMEs and 47 per cent of respondents chose to remain anonymous.



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