

Education, communication, education

➤ **Julie Yates explains why financial education – both at work and further afield – is vital if members are to get the most out of their pension**

One are the days when employees simply had to pay regular contributions into a defined benefit pension to have a reasonable idea of how much they would live on in retirement. Now in a DC-dominated world, with no default retirement age and few guarantees on the amount of money an employee can expect at the end of their working life, greater financial awareness and education are more important than ever.

There are two sides to financial education, both of which are essential if employees are to understand their pensions and, equally importantly, manage their own money more broadly. The first aspect is better general public awareness of personal finance planning – the second is the role that the pensions industry specifically can play.

General awareness needs to start early. We are starting to see moves to introduce education around personal finances into school and this must begin at an early age. However, although improving education in schools is a good starting point, there is still a vacuum of understanding about savings and debt management that needs to be bridged once individuals enter the workplace.

Auto-enrolment has gone some way towards closing that vacuum and helping people to manage their funds and finances. It has also provided opportunities for the savings industry – whether pensions providers or third party educators – to offer additional support in the workplace. For this, the impending introduction of the pensions dashboard is a good starting point.

In a trust-based DC environment, trustees also have a key role to play in helping members better understand their pensions. However, they may have less involvement in broader financial education.

With the introduction of pension freedom, financial awareness is now particularly important as people approach retirement. Personal contact is by far the best way to help members understand their options and ensure that they get what they want and need from retirement products. Anecdotal evidence has shown that as many as 50 per cent of employees actually now want something different from the traditional approach.

The role of technology

While nothing can truly replace face-to-face interaction, particularly around significant decisions like retirement planning, technology can play a big part in supporting financial education.

Supermarket giant Morrisons is a good example of this, with its 'Save your Dough' campaign making extensive use of online tools to help its workers. Videos, financial planning tips and 'payday podcasts' are just some of the tools that

the retailer has used to get messages across around general financial planning and pensions in particular.

However, while this approach has obviously worked well for Morrisons, each individual employer needs to consider the best way of delivering education and communications within its own workforce. Online tools are great – but unless an employer is prepared to ensure that all employees have access to the internet, they may not be appropriate. Mobile technology, particularly smart phones, are another increasingly popular channel, but with similar limitations.

Technology also provides employees with 'self-service' capabilities, enabling them to check and update their own personal information as well as finding out more about the performance and nature of the pension funds they are invested in. However, some companies and providers have been loathed to implement 'self service' to date, because of the poor quality of their underlying data. For trust-based schemes at least, The Pensions Regulator's focus on improving data quality has gone a long way to addressing that particular barrier.

Whatever the means of delivery, where does the boundary lie between communications and education? They are both part of the same thing. Communication is about delivering the right information to the right people in a form that they can use. Good communication can help to create self-educators, providing those communications are as clear and straightforward as possible and are sufficient to help people make educated judgements.



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