



### Summary

- The economic impacts of the Covid-19 pandemic have forced people to take stock of their finances and educate themselves on financial matters.
- Experts believe a holistic approach is a more effective way to educate people on financial matters, so they can understand how things are intrinsically linked.
- Employers appear to be stuck in their ways when it comes to financial education matters but are having to adapt in the face of the pandemic.
- As well as the efforts of individual employers, there have been some useful wider industry initiatives aimed at engaging and educating the public.

**S**ocial distancing. It's a term we've all become too familiar with in recent months. Whilst most of us are not fans of this unnatural physical distance, some have always distanced themselves from their finances. Unfortunately, the impact from Covid-19 means, for many, money concerns can no longer be kept at arm's length.

Financial expert and a former Pensions Minister, Baroness Ros Altmann, notes that the "rainy days have arrived" but most people "do not have the resources to protect themselves". But

# A holistic approach

✓ Covid-19 has pushed money into the limelight, with many affected financially by the pandemic. Natalie Tuck examines whether now is an opportune moment for the industry to financially educate members and why a holistic approach may be the most useful strategy

if there is ever an opportune moment for change, it's a crisis.

Standard Life head of proposition development, Donna Walsh, says: "Naturally people are taking stock of their financial situation and as a result, many of our scheme members have been looking to learn more about their pension – in particular to understand any financial impact on their savings, and to consider their options."

With many employees furloughed on a reduced wage, and the self-employed waiting for their government grants, Wealth at Work director, Jonathan Watts-Lay, says there is growing evidence that shows some members are seeing their pension as a way of supplementing their income to bridge their income shortfall. "The pensions industry has a duty of care to ensure that members have an understanding and awareness of the implications of early withdrawal and the potential risks involved," he says.

"Financial education and guidance can help members understand the tax implications of their decisions and explain the other options available to help manage money when household incomes are under severe strain, such as reducing costs through mortgage holidays and debt repayment deferrals. It can also help members look at alternative savings, which may be more appropriate to access than their pension."

### A holistic approach

'A holistic approach' has become a buzzphrase in recent years, as everyone wants to be seen offering a comprehensive

package. There is a rising trend among experts that financial education is better when it involves all aspects of a person's financial life.

"Financial wellbeing is about feeling secure and in control. It is knowing that you can pay the bills today, can deal with the unexpected, and are on track for a healthy financial future," Money and Pensions Service (Maps) head of pension policy, Carolyn Jones, explains.

"As pensions are entwined with other money issues, such as debt, mortgages and credit, we believe in a holistic approach to improving financial wellbeing. If people do not understand the trade-offs they make when it comes to spending and saving, then it will be difficult to engage people in retirement saving."

This is an approach that Standard Life takes, says Walsh. For example, its customer website includes blogs on all aspects of saving for the future, and has information on managing debt and other areas of financial planning too, such as wills and power of attorney.

"We focus on ensuring that we can provide expert guidance on saving for the long term, pensions and retirement, to help people understand what their options might be. At the same time we signpost where scheme members can access further information and support online, which includes our blogs and other sites," she says.

There is also a growing demand for financial education; Aon's *UK Benefits and Trends Survey 2020* found that 48 per cent of employers said employees

now expect access to financial education. In response to this, 52 per cent of employers surveyed offer financial education as part of their health and wellbeing programmes.

### A language barrier

While an all-encompassing approach looking at financial wellbeing is important, the pensions industry has a unique role in educating people on something that, traditionally, savers haven't had to get so involved with.

Altmann thinks it's "strange" that people are not expected to understand how pensions work. "The normal position is that they either rely on their employer and trustees to produce the pension when they reach later life, or rely on default funds and investment returns to top up state pensions. People need to learn about the power of long-term returns, investment risk, 'free money' from employers or tax relief and why pensions can offer such good value, relative to ISAs or cash saving," she says.

However, the pensions industry has created itself a challenge with its collection of complex jargon such as uncrystallised funds pension lump sum (UFPLS), annuity, default, commutation and net-pay arrangements – just some of the industry's most confusing terms.

"I believe the language used by the pensions industry and the complexity of the whole system is not in the customer's interest," Altmann says. "Educating savers and investors about the benefits of putting money away for their future, rather than spending it all today, is crucial, but is hampered by baffling jargon and complex rules."

### Education methods

Following its *UK Benefits and Trends Survey 2020*, Aon said it was 'surprised' that there had been no significant change in the methods used by employers to educate and engage their workers over the past couple of years. For example, 78 per cent of employers continue to focus

on email, despite a growing demand for more innovative content.

Online self-service portals came in as the second most common method (66 per cent) with face-to-face in third place (53 per cent) up from fourth in 2019. Printed communication came in at fourth place this year (47 per cent), dropping from joint second in 2019 at 63 per cent.

Looking at pensions education specifically, 49 per cent of employers offered pension seminars, and 35 per cent offered retirement planning seminars. Just 15 per cent of employers offered employees access to an independent financial adviser, and 33 per cent of employers offered no pensions education at all.

Watts-Lay believes face-to-face seminars are effective, as the presenter can make sure that attendees understand what is being discussed. This, he says, quite often comes from body language. "In a seminar if someone is sat there looking a little bit confused, it allows the presenter to adapt language style or go through the topic again. It also allows for group interaction and discussion, which helps understanding," he explains.

However, with social distancing currently in place, Watts-Lay says that other forms of communication such as live webinars or online seminars are proving to be an effective alternative.

"Virtual one-on-one guidance sessions, which could be a video call or on the telephone, is also particularly useful as it offers the support employees and members need to help them clarify elements of their financial situation and to gain a deeper level of knowledge around their options," he says.

In addition, Walsh says that technology enhancements continue to provide new opportunities to communicate and engage scheme members. "As members' needs will differ based on a multitude of factors, it is clear that a one-size-fits-all approach will not work. Personalised videos are just one

example of recent developments that are building better engagement and as a result, helping members learn more."

### Industry initiatives

Whilst individual employer initiatives play a key role in financial education, there are also several wider industry initiatives. For example, last November, the FCA's new pension wake-up packs were introduced; employers now have to send out more concise and frequent communication to members.

Walsh believes it is a "real positive" that the wake-up packs have been introduced across the industry. In addition, in light of Covid-19, Standard Life is now including additional information with the wake-up packs covering market volatility, guidance and support, as well as links to the Money Advice Service and The Pensions Advisory Service.

However, whilst Watts-Lay sees the wake-up packs as a "step in the right direction" he does not think they are enough to "help people maximise their income at retirement". Therefore, employers and scheme providers should not be solely relying on the wake-up packs to plan for retirement, he says.

Organisations such as Maps are also looking at ways to educate the wider public. Last year, it launched its 'Talk Money, Talk Pensions' week to encourage more people to talk about financial wellbeing.

In addition, Jones says Maps has brought together challenge groups tasked with making recommendations to address the financial wellbeing challenge. "One of these groups is specifically looking at how we can encourage and support employers to address the financial wellbeing needs of their employees. Employers can be a driver and a delivery channel for financial wellbeing throughout people's working lives."

➤ **Written by Natalie Tuck**