

# Lifting the lid

## Jonathan Lima Matthews highlights the self-employed pensions crisis

Right now, there is a growing and under-reported crisis in the UK: self-employed pensions. There are almost five million self-employed people in the UK, yet a staggering 69 per cent of them do not have a pension. This is a serious problem as 44 per cent of this sector are aged between 50-65 – the age many Brits choose to retire.

As the self-employed centre continues to grow, the government and industry need to step in and tackle the savings crisis. The industry in particular needs to do more to raise awareness, especially among younger self-employed people. The number of self-employed 16-24 year olds has risen from 104,000 to 181,000 since 2001. But, as IPSE's report *How to solve the self-employed savings crisis* showed, this group is by far the least likely to be planning for later life.

The real problem is the lack of pension solutions tailored to the self-employed. The pensions industry must up its game and start considering the unique needs of self-employed people.

So, what can the pensions industry do to engage self-employed people?

### 1. Tailor schemes to the self-employed

This starts with a sidecar – a simple, accessible pension scheme that comes with a rainy-day fund to draw upon in harder financial times. This is something that Nest Insight is currently trialling, and IPSE hopes they will extend this trial to the self-employed.

### 2. Fix the PR problem

There is also the PR problem that pension companies have. When searching for a pension, freelancers are bombarded with

terms and conditions that are off-putting for anyone who is not comfortable with legal jargon. Many freelancers who IPSE has contacted have reported being put off saving altogether as they find the process too complicated. The banking industry suffered from similar problems but has since overcome them by using apps to improve engagement.

### 3. Simplify the information for potential customers

The pensions industry should take its lead from some insurance firms, who are now providing potential customers with the bare essential information to make an informed decision, leaving the terms and conditions as an appendix should the customer want to read further. As a minimum, pension providers should use language that is accessible to all.

### 4. Give the self-employed tailored guidance on how to save

Fifty-one per cent of the self-employed trust government websites for advice but many find its guidance too heavily focused on employees. In future, the Money and Pensions Service should offer tailored advice for the self-employed.

### 5. Work with universities and schools to provide financial education for younger people

This could be supported by pensions providers engaging with students on courses that typically lead to self-employment, such as the creative arts.

### 6. Automatic enrolment doesn't work



### for the self-employed

The government and the pensions industry have generally been too focused on trying to treat the self-employed like employees. In particular, there has been extensive research into how to extend automatic enrolment to the self-employed. As the government review last year found, however, there is no clear way to do this. Our research at IPSE shows that if automatic enrolment was extended to the self-employed, the majority are either unsure or would actually opt out of it.

Instead, the government and the pensions industry should redouble their efforts to engage with the self-employed and provide them with the flexible options they need.

Right now, a savings crisis is growing among the self-employed. And, given the opposition of freelancers to broad-brush measures like auto-enrolment, the pensions industry is best placed to tackle this crisis. Not only would it be protecting and supporting one of the UK's most productive and dynamic sectors: there is also a major commercial opportunity for providers who can come up with the flexible solutions the self-employed need.

Written by IPSE's public affairs manager, and author of *How to solve the self-employed savings crisis*, Jonathan Lima Matthews