

# Financial wellness at-retirement

## ✔ Jonathan Watts-Lay explains how creating financial wellness at-retirement is an essential element in the workplace

The concept of financial wellbeing in the workplace is firmly on the agenda, with one of the most fundamental elements being retirement preparation. Helping employees to achieve financial security in retirement is no longer just a 'nice-to-have' offering but is an essential element in the workplace.

This is because we are seeing increasing evidence that leaving employees to their own devices at-retirement can lead to them making costly mistakes.

A big part of this is inefficient tax planning. Our poll revealed that 91 per cent of employers believed that employees do not understand the tax rules when withdrawing pension funds, and research by an insurance provider found that over a quarter (27 per cent) of individuals over the age of 55 didn't realise that they have to pay tax on at least some of their pension income. This lack of awareness perhaps suggests why the Office for Budget Responsibility reported that the revenues raised from the pension freedoms last year will be 50 per cent more than forecast and indicates that individuals are often paying tax when it could have been avoided.

Another major risk employees face is the devastating effects of being scammed out of their retirement savings, with the FCA revealing last year that victims of pension fraud lost £91,000 on average each.

An important part of supporting employees with their financial wellbeing

at-retirement is making sure that they understand their options, as well as any associated risks. Many employers are now realising that providing support around this is vital but aren't quite sure where to start. We have therefore listed five tips on what can be done to help.

### Tips to help employers support their employees at-retirement

**1) Educate employees on their retirement income options** – Employees who have a defined contribution (DC) pension will need to decide how to access their income, whether that is through income drawdown, buying an annuity or taking it as a cash lump sum, or indeed a combination of these. Yet our survey found that only 22 per cent of employers believe their employees understand all of the retirement income options available at-retirement. Financial education can help employees understand these options.

**2) Help employees to understand the tax rules** – Our latest poll results show that 91 per cent of employers believe that employees do not understand the tax rules when withdrawing money from their pension. This means that employees could find themselves paying more tax than they need to if they don't plan carefully. Providing support around this is crucial.

**3) Encourage employees to shop around** – The FCA found that those who go into income drawdown could increase their annual income by 13 per cent by switching from a higher cost provider to a lower cost provider. It is of paramount importance that employees shop around and do as much research as possible to ensure they select a retirement option that best suits their needs. This means

finding a solution that enables them to access the right amount of cash as and when they want it, and for as long as they need it.



### 4) Switch employees on to the dangers of pension scams

– The Pensions Administration Standards Association estimated last year that pension savers have lost more than £1 billion to scams. So, whatever employees are planning to do with their retirement savings, it's really important that they understand the risk of scams and how to protect themselves. They're best checking whether any company that they're planning to use is registered with the Financial Conduct Authority (FCA) [<https://register.fca.org.uk/>] first and also that they don't appear on the FCA's ScamSmart website, which includes a warning list of companies operating without authorisation or running scams [[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)]. Regulated financial advice can also provide additional protection measures.

### 5) Empower employees to take action

– Many workplaces now offer support to their employees in terms of financial education, guidance and regulated financial advice, so that employees are informed and empowered at-retirement. This can help ensure that they are able to make better choices, which will lead to better outcomes for all.



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