

Shrinking the gap

✔ **Jonathan Watts-Lay explains how low levels of workplace support are leaving employees at risk of shortfalls in retirement income**



The introduction of freedom and choice in pensions has redefined how individuals take income in retirement. But are employees and members equipped with the knowledge to create a sufficient retirement income and what support is available to help with this?

With this in mind, WEALTH at work conducted a survey to investigate what workplace support is available to help employees understand how to make the most of their finances throughout their career in order to optimise income at-retirement.

WEALTH at work director Jonathan Watts-Lay explains the key findings.

Time to wake up to the importance of saving for retirement

Our results show that despite the vast majority (80 per cent) of employers believing that employees are not saving enough for retirement, over half (51 per cent) are still failing to provide any form

of financial education in the workplace during pension accumulation.

Whilst auto-enrolment has come some way in helping employees save for retirement, it's generally accepted that current contribution levels are not enough to create a sufficient retirement income.

Financial education is key in raising the importance of putting something aside for later life in order for employees to have adequate savings to maintain a reasonable standard of living in their retirement.

Gliding in the wrong direction

It's encouraging that the majority of employers (69 per cent) now offer employees a choice in glidepath in the years leading up to retirement. However, a third (33 per cent) of employers will still default employees to an annuity-tracked glide path if no active investment choice is made.

When we consider that there has

been a significant fall in annuity purchase since the pension freedoms took effect, defaulting employees on an annuity glide path appears to be an ill-considered strategy.

Lack of support at-retirement leaving employees at immense risk

With less than a quarter (22 per cent) of employers believing that employees are aware of their income options at-retirement and the majority (61 per cent) believing that employees are unaware of the risks surrounding accessing their retirement income, it's hard to see how employees can secure a good outcome.

The survey also found that 71 per cent of employers do not provide a full retirement income service for employees at-retirement. Without the right support many could be at immense risk of making costly mistakes such as paying too much tax, buying inappropriate products or even falling for a scam.

However, this doesn't have to be the way as employers are perfectly placed to tackle this problem. Much can be learnt from forward-thinking employers and trustees who are now bringing in specialist retirement providers to deliver the support employees require to achieve financial security in retirement. This includes the provision of financial education, guidance and advice to ensure employees are fully informed when facing life changing decisions about their pensions and lifetime savings.

I cannot stress enough the importance of employers and trustees doing everything in their power to ensure that the right level of support is provided.



Written by Jonathan Watts-Lay, director, WEALTH at work

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KNOWLEDGE | EXPERIENCE | OPPORTUNITY

All statistics quoted are from WEALTH at work's 'Focus on Retirement Income Matters survey results 2018'.

About the survey

The Focus on Retirement Income Matters survey was carried out by WEALTH at work, a leading provider of financial education, guidance and advice in the workplace. The survey targeted key HR, Rewards & Benefits and Pension professionals. In total, the research received 85 responses which were completed online and via paper over 6 months from June to December 2017. All figures have been rounded to the nearest whole number.