

# WORKPLACE PENSIONS REPORT 2016

**SCOTTISH WIDOWS**



## FOREWORD

### RONNIE TAYLOR

PENSIONS DIRECTOR  
SCOTTISH WIDOWS



In recent years, Scottish Widows' research has shown that people are making better and better provisions for retirement. Workplace pensions are at the heart of that trend, as automatic enrolment has been a real success in bringing more people into long-term saving.

This year, following three successive years of increases, the proportion of people saving adequately for retirement has remained at 56%. However as this report shows, the number of people saving nothing at all has fallen, as smaller businesses start to enrol workers too. We're encouraged by a lot of what we see here – particularly signs that people are highly likely to stay enrolled when minimum contributions go up. That will make a huge difference to the amount of people who are saving and will make for better retirement outcomes.

There are still challenges in educating and engaging employees with long-term saving, but our insights here can help us recognise and meet the needs of different groups. It's particularly encouraging to see opportunities to better support younger workers, who have higher expectations of support in the workplace than we might assume.

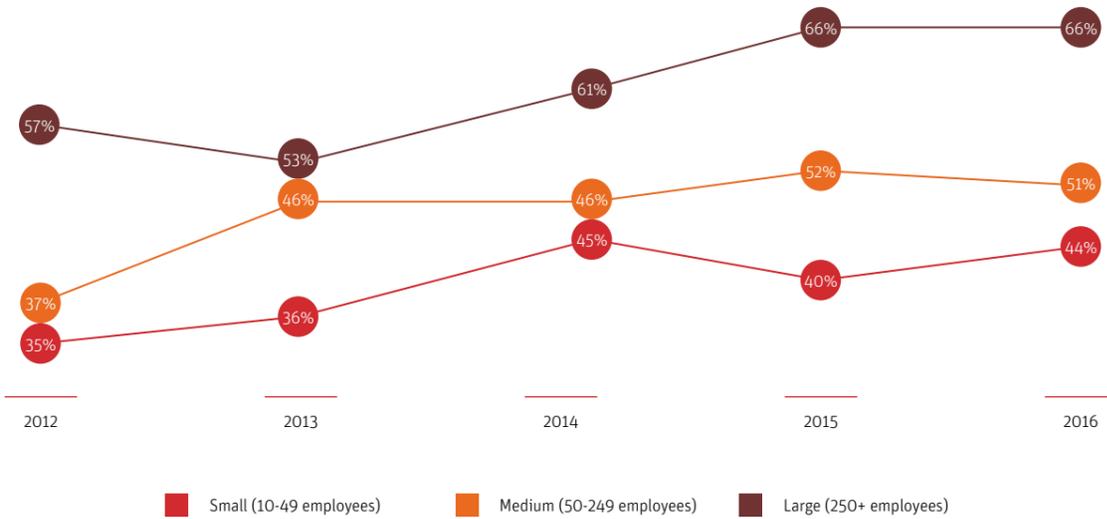
I'm confident that we're well equipped to help address these challenges and we're further developing our business to provide the support that people need. Our Change Your Life in an Hour website ([changeyourlifeinanhour.co.uk](http://changeyourlifeinanhour.co.uk)) has now seen nearly half a million visitors – people taking the right steps in their retirement journey. And this year, we have made a significant investment in our digital capabilities to support our vision of helping Britain save for retirement.

## HOW WELL ARE UK WORKERS SAVING?

The proportion of people in the UK saving adequately for retirement has steadied at 56% overall, the same as in 2015, following three years of increases. People working in smaller businesses are catching up, but still fall behind those in larger organisations.

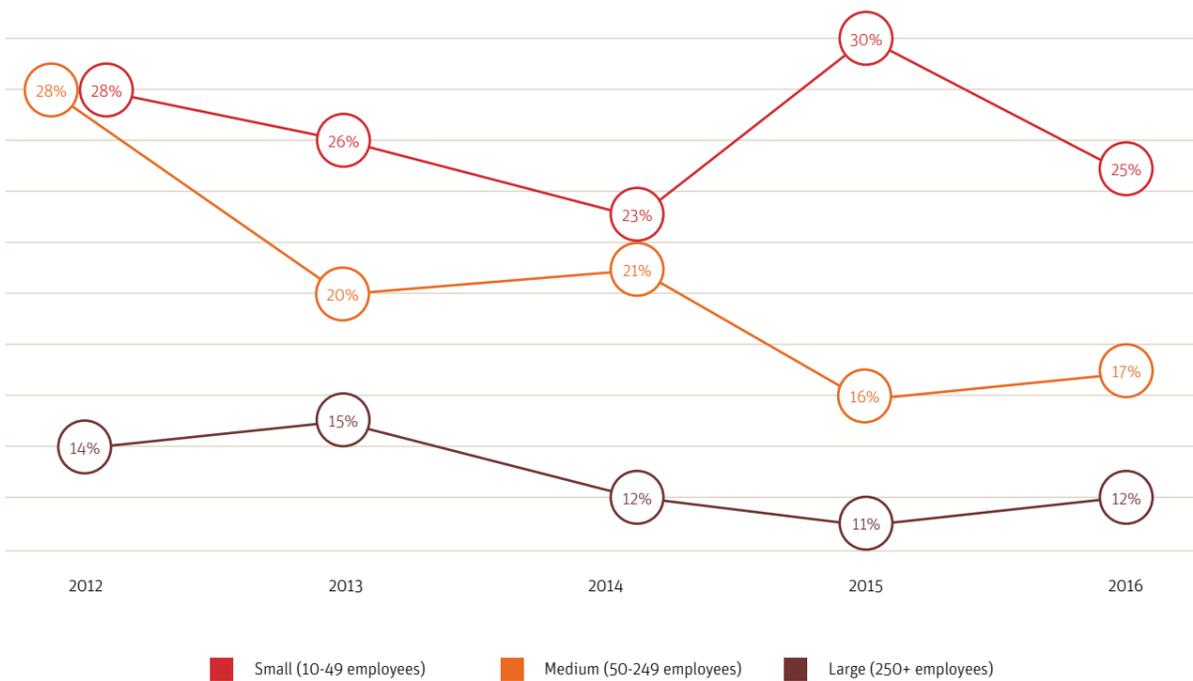
However, the proportion of people saving nothing at all has reduced from 19% in 2015 to 18%, further highlighting the impact of automatic enrolment (AE). Part-time workers are also much more likely to be saving into a pension than last year.

### THE NUMBER OF PEOPLE SAVING ADEQUATELY HAS GONE UP FOR SMALL BUSINESSES



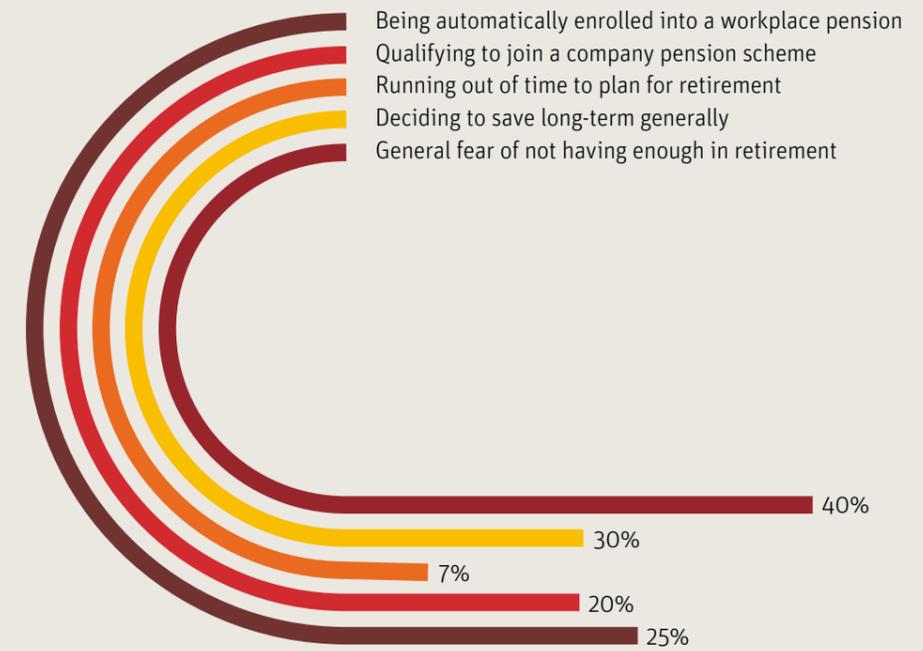
### THE NUMBER OF PEOPLE NOT SAVING ANYTHING AT ALL HAS GONE DOWN SINCE LAST YEAR FOR SMALL BUSINESSES

(Those not saving at all, by employer size and year)



### PEOPLE ARE SAVING INTO A PENSION BECAUSE THEY AUTOMATICALLY ENROLLED INTO A WORKPLACE PENSION

(Why people start paying into a pension)



### WHY DIFFERENT AGE GROUPS START PAYING INTO A PENSION





# THE FUTURE OF WORKPLACE SAVING

While three quarters of people are aware of automatic enrolment, it's not clear that it's well understood yet, as most people aren't aware that minimum contributions will go up from 2018.

For smaller businesses that are still to go through automatic enrolment, there is also a note of caution. A number of employees opting out of AE said their employer encouraged them to do so, and this appears more prevalent in smaller workforces. While it's unclear whether this is intended by employers, it's important that they understand their responsibilities under the regulation and are mindful of how their actions can be perceived.

However, there are some really positive signs for the future as, in spite of many people saying they cannot afford to save more for retirement, only 3% say they will opt out after being told that the minimum contributions will increase.

## LACK OF MONEY AND FINANCIAL COMMITMENTS ARE THE MAIN REASONS FOR OPTING OUT OF AN EMPLOYER PENSION SCHEME



Lack of money for contributions



I don't trust schemes such as these

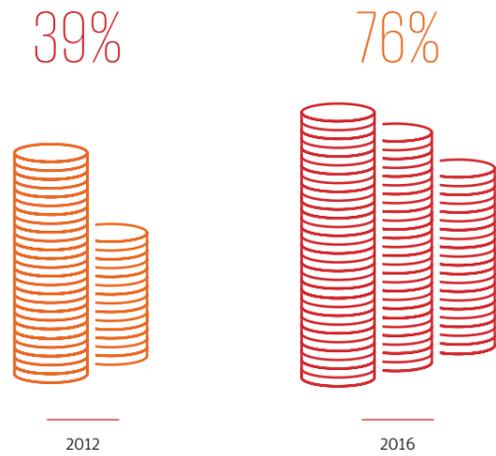


I have other financial commitments

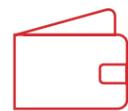
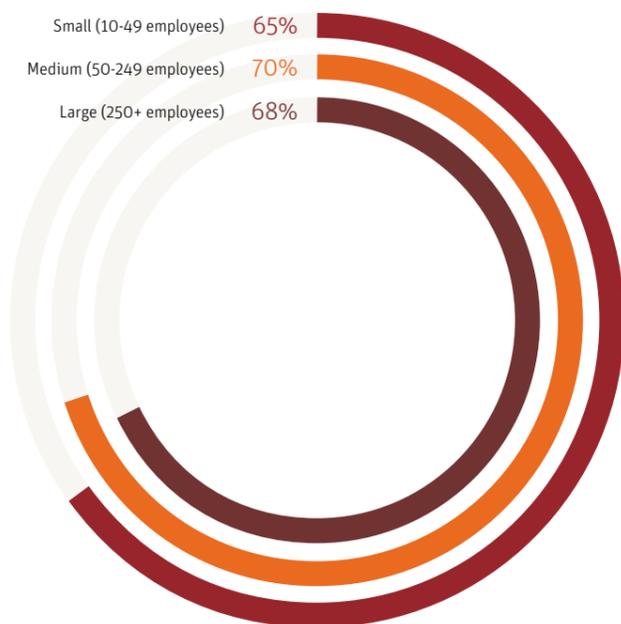


My employer encouraged me to opt out

THE NUMBER OF PEOPLE WHO ARE AWARE OF AUTO ENROLMENT HAS ROCKETED SINCE THE SCHEME WAS ANNOUNCED IN 2012



PEOPLE IN THE UK ARE UNAWARE THAT THERE WILL BE A CHANGE TO THE MINIMUM CONTRIBUTIONS THAT EMPLOYERS AND EMPLOYEES HAVE TO MAKE TO THEIR AUTO-ENROLLED PENSIONS IN 2018



3%

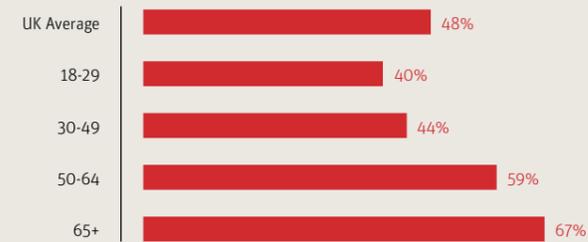
Despite people saying they can't afford to save more for retirement, only 3% say they will opt out as a result of the increase to minimum contributions

While workplace pensions form an important part of the savings picture, people expect to call on a range of sources for an income in retirement. Older generations tend to have more confidence that the state pension will help ensure they have a reasonable standard of income, and younger people are more likely to expect to rely on a number of things including workplace and private pensions, property and cash savings.

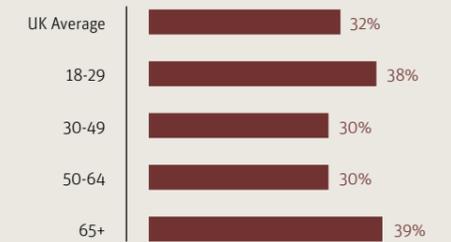
The popularity of cash savings is interesting. ISAs may offer a source that can be accessed at any time in life, but they lack the employer contributions and tax treatment that could make workplace pensions a better method of long-term saving.

WHAT WILL SUPPORT YOU TO ENSURE YOU HAVE A REASONABLE STANDARD OF LIVING IN RETIREMENT?

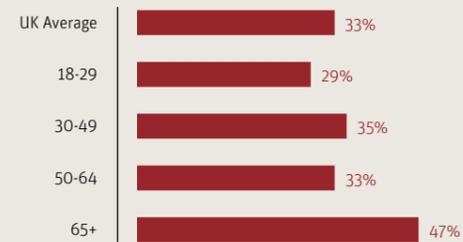
STATE PENSION - BASED ON MY OWN NATIONAL INSURANCE CONTRIBUTIONS



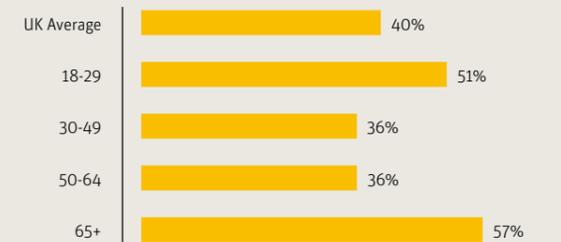
PERSONAL PENSION(S)



MY OWN COMPANY PENSION



CASH SAVINGS, INCLUDING CASH ISAS





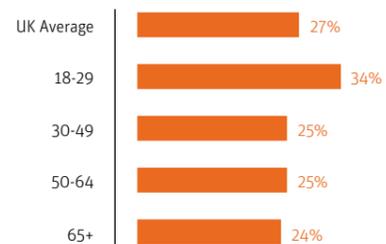
# SUPPORTING RETIREMENT PLANNING IN THE WORKPLACE

Understanding the needs of different groups of workers will help employers and the industry better support them with retirement planning. Perhaps surprisingly, the younger generation generally have higher expectations of their employers, even though they're just starting out and are less likely to have significant assets to manage.

Young people even showed nearly the same appetite for more information about the state pension as older workers. They're more likely however, to expect web based tools or calculators, and help with general budgeting.

## WHAT WILL SUPPORT YOU TO ENSURE YOU HAVE A REASONABLE STANDARD OF LIVING IN RETIREMENT? (CONTINUED)

### INCOME FROM PROPERTY 'DOWNSIZING'/ SALE/ RENTAL



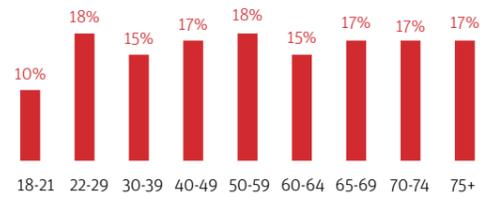
67%

of those over the age of 65 believe a state pension will help ensure that they will have a reasonable standard of living in retirement

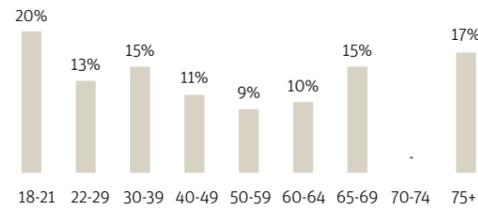
## EXPECTATIONS OF WHAT EMPLOYERS SHOULD OFFER VARIES DEPENDING ON AGE

(Where employers provide access to a pension scheme, which of the following services, if any, should they also provide?)

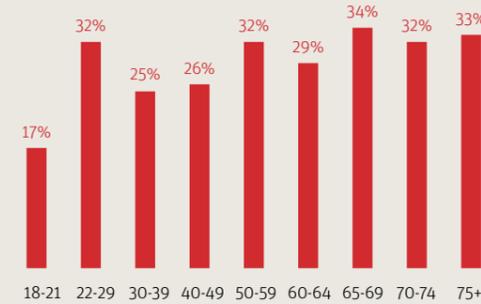
PAID-FOR INDIVIDUAL FULL FINANCIAL ADVICE



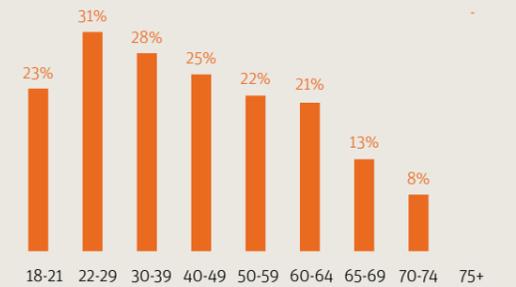
INFORMATION ON HOW TO MANAGE MY EVERYDAY BUDGETS



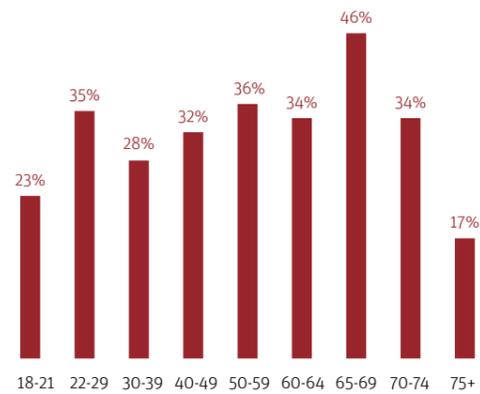
LISTS OF WHERE TO GET MORE INFORMATION ABOUT RETIREMENT PLANNING



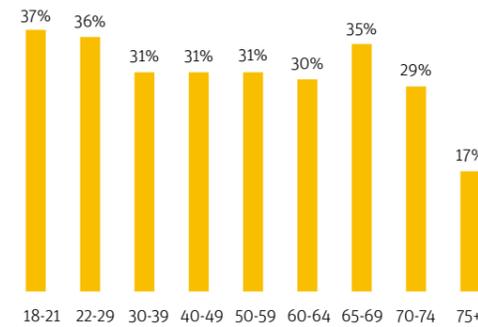
WEB BASED TOOLS OR CALCULATORS



INFORMATION ABOUT THE STATE PENSION



HOW TO BUDGET FOR RETIREMENT



46%

of those aged 65-69 feel their employers should provide information about the state pension



37%

of those aged 18-21 feel their employers should provide information about how to budget for retirement, more than any other age group



31%

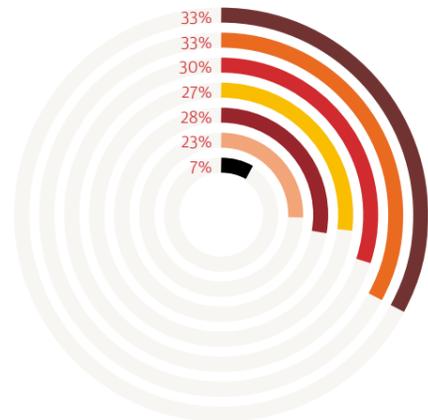
of 22-29 year olds think their employers should provide web based tools or calculators

Employees tend to value financial guidance through the workplace more when it's in a form that can be tailored to their circumstances. This doesn't have to be costly, tools and calculators, which are likely to be free to access, are particularly popular amongst those aged 22-29.

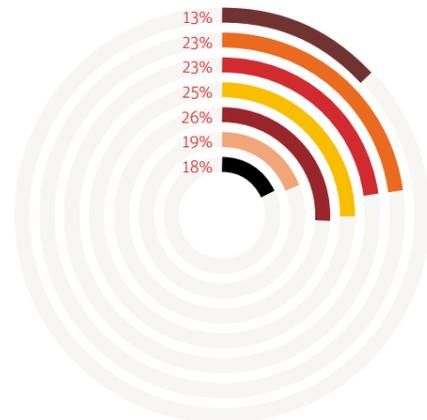
Face-to-face advice also ranked highly. This is good news at a time when the Government is seeking to make it more cost effective for employers to provide access to financial advice in the workplace.

### TYPES OF GUIDANCE YOU WOULD LIKE ACCESS TO THROUGH AN EMPLOYER

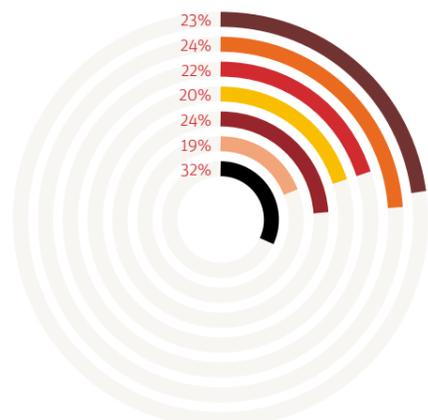
FINANCIAL CALCULATORS AND TOOLS



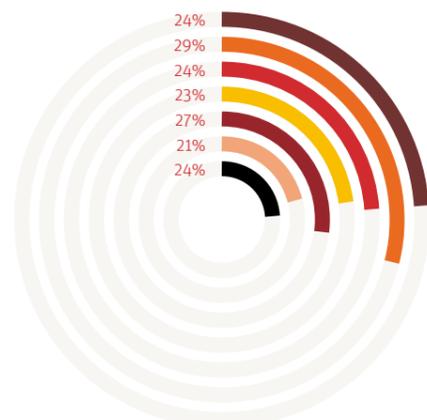
PERSONAL FINANCIAL HEALTH CHECK



INFORMATION GUIDES



ACCESS TO FACE-TO-FACE ADVICE

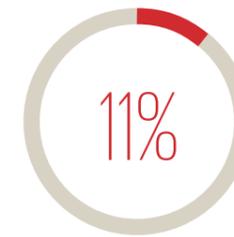


18-21 (age) 22-29 30-39 40-49 50-59 60-64 65-69

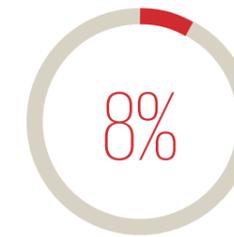
It's no surprise that people say further tax breaks or top-ups from the Government would encourage them to save more. These tend to resonate most strongly with men, more than women. But more information from employers also ranked highly, especially among younger people and particularly younger women.

Younger groups are also more likely to save more if they can see all their pensions alongside other financial products online. This is promising as developments in the industry, including the Pensions Dashboard, which aims to let savers see all their pension pots in one place, reflect a direction of travel towards being able to provide this.

### WHAT WOULD ENCOURAGE PEOPLE TO SAVE MORE?



If it was easier to move money between savings accounts, ISAs and pensions



If I could access my savings before retirement



If it was recommended by a financial adviser





## RECOMMENDATIONS

- 

Employers looking to improve understanding and engagement with retirement planning should consider the diverse needs of their workforce. A one-size-fits-all approach may not be appropriate. In particular, the needs of younger workers should not be overlooked – our research shows they can be just as engaged as older generations.
- 

Employers can make a real difference by helping their workers access retirement planning support and this doesn't have to be costly. Educational content, online tools and calculators can be deployed with a few simple links to a provider's website.
- 

Employees are right to expect to call on a range of sources for a retirement income, but they should understand the significant benefits of workplace pensions – employer contributions and tax relief – which other sources do not offer.
- 

While the industry and the Government are working to introduce the Pensions Dashboard, which will allow people to view all their pensions in one place, our research shows a customer appetite to go even further. The financial services industry could look to offer customers a single view of all their savings.



If I had more information on pensions or retirement planning from my employer or elsewhere



If I could see the value of my pension alongside my bank account(s) and savings account(s), either online or through an app



If further tax incentives were introduced to encourage long-term saving



of 22-29 year olds want to see the value of their pension alongside their bank account and savings account



of 18-21 year olds want more information on pensions and retirement planning from their employer or elsewhere

## **METHODOLOGY:**

The research is based on a survey carried out online by YouGov who interviewed a total of 5,151 adults. Fieldwork was undertaken between 13/04/2016 - 26/04/2016. The figures have been weighted and are representative of all UK adults (aged 18+).

For further information please contact:

### **Kevin Brown**

Lloyds Banking Group

Tel: 0131 655 5369 / 07500 910904 or

Email: [kevin.brown@lloydsbanking.com](mailto:kevin.brown@lloydsbanking.com)

### **Lizzie Jones**

Cohn & Wolfe

Tel: 020 7331 5319 or

Email: [lizzie.jones@cohnwolfe.com](mailto:lizzie.jones@cohnwolfe.com)

