

Barnett
Waddingham
a true partnership approach

Generation why? survey 2016

Helping hands: twelve months on



WORKPLACE DC

About our survey

Our Generation why? survey, launched in 2014, was designed to help us gain a better understanding of generational attitudes and perspectives towards saving and money matters, and how an individual's affluence influences their thinking. The results identified where the 'dips' were on an individual's journey to retirement.

In 2015's survey we looked to see how these attitudes had changed. We continued to target different age and affluence groups; 18-29, 30-49 and 50+, each within various earnings brackets; below £20,000, between £20,000 to £39,999, between £40,000 and £74,999 and above £75,000. The same questions were asked, but with the important addition of 'Are you aware of the Budget changes (from April 2015)?' We also included 'saving for a wedding' as an option to choose from when looking at financial priorities.

Pension freedoms have given individuals more flexibility than ever before with regards to retirement. Although people still need to understand why they should stay in a plan, we have found that more focus now needs to be given to education around how to access their money and when they want to retire. Having new options is an encouraging step forward but it is essential that retirees have help in order to make informed decisions.

We still believe in our defined contribution (DC) formula which is based on time frame, how much is saved (along with investment performance) and how to shape and access pension savings in the best way. Our communications reinforce this philosophy, targeting the needs of different cohorts. Age remains a significant factor (along with affluence) as the needs of a 25 year old will be different from a 55 year old.

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Employers are realising the importance of financial education across all age groups as mid-lifers will soon become the retirees of the future. As the workforce ages and people work longer, 'cliff edge' retirement may disappear and we will see 'phasing' into retirement as the norm. Employers will have to recognise this and maybe update their workplace retirement policies. After all 60 is the new 40!

Julia Turney
Head of Platform and Engagement

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We received just over 500 responses to the survey. Headline figures are weighted average across various salary bands, whereas the individual tables look at the different salary bands in isolation, with results merged into replies shown.



49%

said face to face was their preferred method of communication (2014 2/3)

10%

said they were not currently in a pension arrangement

“

Give one suggestion to Government about money matters and retirement . . .

“ Make options easier to understand with less jargon! ”

“ Begin financial planning education in schools as early as possible. ”

“ More access to user friendly advice. ”

“ Don't have enough knowledge to suggest something. ”

”



39%

say they prefer online and email communication

78%

said they would not contribute a £500 windfall to their pension (2014 86%)

ONLY 1%

said that telephone was their preferred method of communication (2014 12%)

80%

said that they are aware of the pension freedoms



18-29



STAY IN

Staying in a pension plan continues to be essential for this age category. After that, how much should be paid in begins to be a priority. The more money that is put in at an early age, the bigger the benefit should be.

Have attitudes changed? It appears that they have with a 14% increase in those who would contribute more to their pension if they could afford to. This is a positive outcome as it means that individuals are taking notice of their pension savings. It does though lead to a bigger question of how employers can help them achieve this.

Saving for a house remains as the main financial priority for 44% of respondents. Those that are saving for a wedding believe that it is more important than building up a pension. However, our results reveal that there has been a 2% increase since last year in those who want to build up a pension which may indicate a better level of communication and hence understanding of saving for later life.

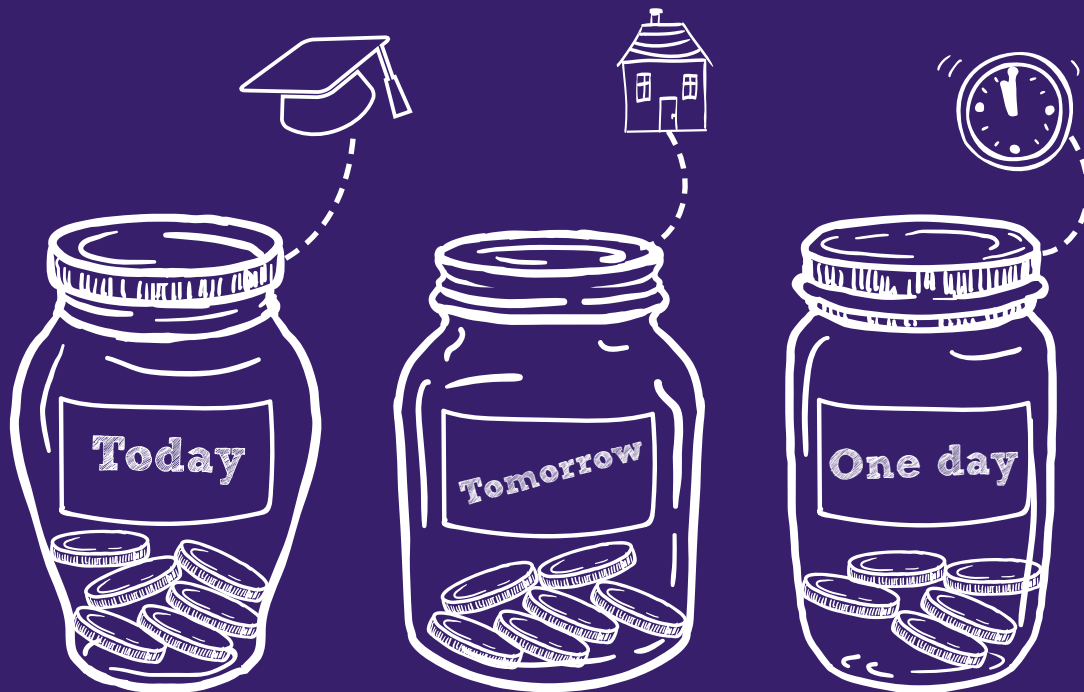


Last year, people's understanding of pension investment was very low with only 19% of respondents saying that they did understand. This year sees a 10% increase in this number however, there is still work to be done to educate the remaining 71% of 18-29s. They may feel that investment is not a major concern because they trust their employer (or trustees) to have taken advice and selected the right 'default' strategy or because retirement is not relevant to them as they are only just embarking on their careers.

A heavy focus remains around auto-enrolment with 94% of the age group reporting that they had heard of it (which may be due to their staging date occurring within the last year). Whatever the reason, the message now has to be that as they are in a workplace pension, they should concentrate on staying in.

Changes announced in the April 2015 Budget (surrounding the pension freedoms and choices at retirement) have been a hot topic with 77% of respondents saying that they are aware of them (but of course we cannot be sure that they understand them). It does show though that this age group is keeping an eye on the future, even if in the short-term other things are more important.

In summary, we have to provide communication that is clear, concise and carries a message that is relevant to this age group now. This in turn will hopefully boost engagement with pension savings and wider financial issues.



18-29 Summary 2015



44% ↓
(48% in 2014)
said saving for
a house was
important to them

.....



71% ↓
(81% in 2014)
don't understand
pensions or are
unsure

.....



9%
(New for 2015)
said saving for
a wedding was
important to them

.....



6% ↓
(40% in 2014)
have not heard of
auto-enrolment

.....



89% ↑
(75% in 2014)
would contribute more
to their pension if they
could afford to



11% ↓
(57% in 2014)
don't know how much
they are contributing to
their pension



The impact of affluence

Are you aware of how much you contribute?

Below 20k £20-£39k £40-£74k Above 75k

✓	80%	86%	96%	100%
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✗	20%	14%	4%	0%
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*Doesn't include those who don't have a pension

Have you heard of auto-enrolment?

Below 20k £20-£39k £40-£74k Above 75k

✓	89%	97%	87%	100%
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✗	11%	3%	13%	0%
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Would you contribute more to your pension if you could afford to?

Below 20k £20-£39k £40-£74k Above 75k

✓	64%	72%	86%	100%
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✗	36%	28%	14%	0%
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Are you aware of the Budget changes (from April 2015)?

Below 20k £20-£39k £40-£74k Above 75k

✓	64%	79%	83%	100%
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✗	36%	21%	17%	0%
---	-----	-----	-----	----

Do you feel you understand pensions?


Below 20k £20-£39k £40-£74k Above 75k


✓	4%	29%	44%	25%
---	----	-----	-----	-----


✗	96%	71%	56%	75%
---	-----	-----	-----	-----


Main financial priority


Below 20k £20-£39k £40-£74k Above 75k

Saving for a house 	32%	47%	48%	0%
---------------------------------------------------------------------------------------------------------	-----	-----	-----	----

Paying off debt 	47%	41%	22%	0%
------------------------------------------------------------------------------------------------------	-----	-----	-----	----

Saving for a car 	7%	4%	0%	0%
---------------------------------------------------------------------------------------------------------	----	----	----	----

Building a pension 	0%	4%	17%	50%
-----------------------------------------------------------------------------------------------------------	----	----	-----	-----

Saving for a Wedding 	14%	4%	13%	50%
-------------------------------------------------------------------------------------------------------------	-----	----	-----	-----

30-49



PAY IN



SHAPE

The main focus for this age category is to concentrate on how much money is paid into their pension savings account. The more money that is put in, the more the individual should get out at retirement. At the end of this category, shaping how an individual takes the money needs to be considered; for example will they be looking to take some cash out initially and then leave the balance, to take income as and when it is needed?

Climbing the property ladder and having a mortgage are the main financial pressures that keep this age group awake at night (for a second year running). These might be in the forefront due to ongoing media coverage on house prices, perhaps overshadowing the need to save for a pension.

There has been no change in respondents not wanting to pay for financial advice. Do they view financial advice as being quite expensive or is the value of it not fully appreciated?

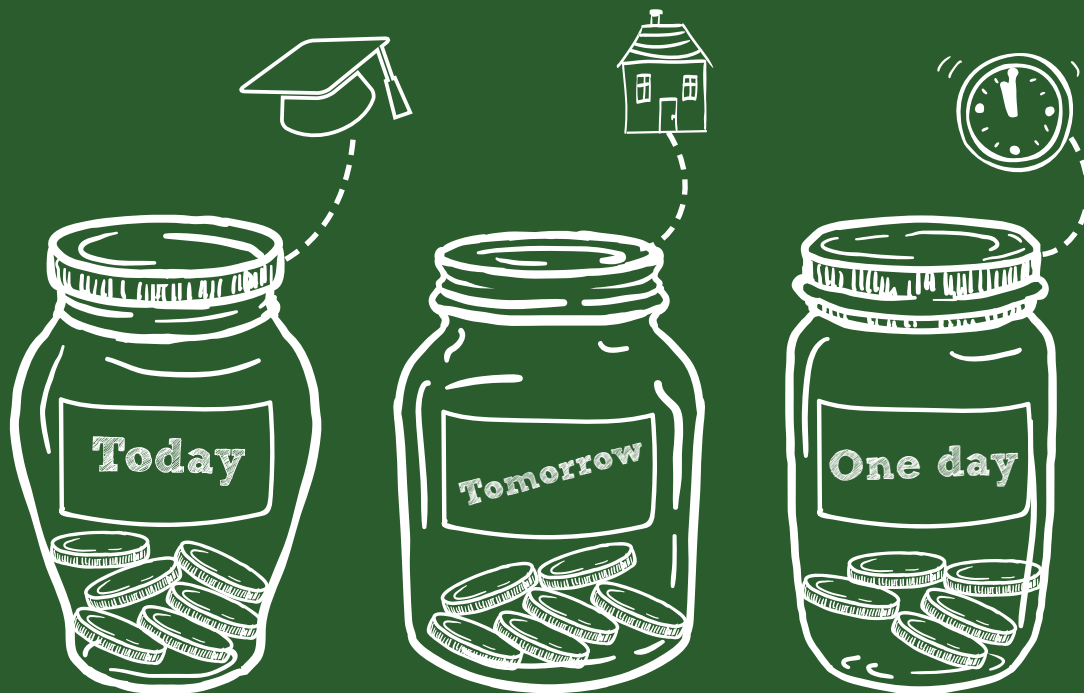


This age group seems to be quite self-sufficient, with so much information being readily available online and they feel able to take advantage of this. It does show though that the more an individual earns, the more likely they are to pay for financial advice. 10% of those earning more than £40,000 are 'very likely' to pay for such advice.

Whilst it is encouraging that this group are self-sufficient, they still seek guidance and prefer talking to someone face to face about their options. We need to recognise that different methods of communication are highly valued by this age group and it should not be assumed that online is the only way forward.

Results have not really changed with regards to people following in their peers' footsteps. 69% said they were unsure about contributing more to their pension 'just because' other people they knew were. Interestingly, this seems to contradict much of what is published about 'nudging' people to do things based upon what their peers are doing.

This is a crucial time, with individuals needing to concentrate on how much money they can afford to contribute to their pension account as well as understanding the impact of any 'cost of delay'.



30-49 Summary 2015



42%↓
(70% in 2014)
said paying off the mortgage keeps them awake at night



72%↓
(75% in 2014)
don't understand pensions or are unsure



25%↑
(23% in 2014)
would not be influenced by their peers



10%
(New for 2015)
are not aware that they have been/will be auto-enrolled into a pension scheme at work



4%
(Same as 2014)
are very likely to pay for advice



11%↓
(32% in 2014)
don't know how much they are contributing to their pension



The impact of affluence

Would you pay for financial advice?

	Below 20k	£20-£39k	£40-£74k	Above 75k
✓	0%	1%	8%	2%
Unsure	63%	63%	54%	56%
✗	37%	36%	38%	42%

*Doesn't include those who don't have a pension

Would you be influenced by your peers?

	Below 20k	£20-£39k	£40-£74k	Above 75k
✓	0%	7%	7%	6%
Unsure	85%	72%	66%	59%
✗	15%	21%	27%	35%

Are you aware of how much you contribute to your pension?

	Below 20k	£20-£39k	£40-£74k	Above 75k
✓	83%	88%	89%	95%
✗	17%	12%	11%	5%






Are you aware of the Budget changes (from April 2015)?

	Below 20k	£20-£39k	£40-£74k	Above 75k
✓	56%	73%	88%	83%
✗	44%	27%	12%	17%

Do you feel you understand pensions?

	Below 20k	£20-£39k	£40-£74k	Above 75k
✓	0%	18%	37%	44%
Unsure	88%	72%	57%	56%
✗	12%	10%	6%	0%

Main financial priority

	Below 20k	£20-£39k	£40-£74k	Above 75k
 Saving for a house	36%	36%	27%	29%
 Paying off debt	40%	41%	42%	38%
 Saving for a car	4%	2%	4%	0%
 Building a pension	16%	14%	19%	29%
 Saving for a Wedding	4%	7%	8%	4%

50+



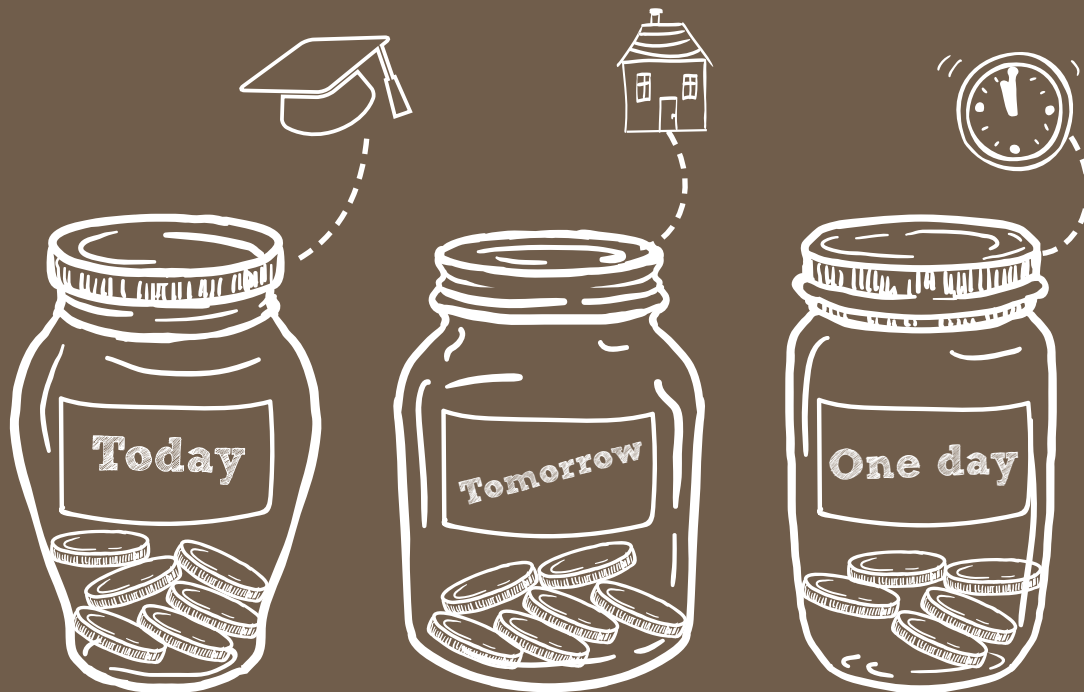
With more freedom, comes more complexity and more responsibility. As a result of the pension freedoms savings can be accessed from age 55, in a variety of ways, meaning more risk has been introduced; tax implications and the possibility of running out of money for example. It's important that individuals in this age category are aware of the issues.

Understanding of retirement choices has increased from last year by 22%, which is encouraging. This increase could be due to better communications and engagement or from individuals seeking independent financial advice. From these results, we have seen that phasing into retirement is becoming more popular with 57% saying they see themselves using this method. It may be that they're not ready to stop working entirely and therefore want to work part-time with their current employer or a new one or they cannot afford to stop working completely and need to carry on in some form of employment. In order to keep in tune with this, employers will have to revise their workplace retirement policies and perhaps even the raison d'être for having a pension scheme.

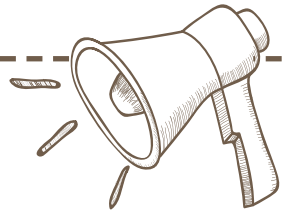


Those over 50 should make providing for retirement their main priority, and 52% of respondents said that this was most important to them. How to access their pension account for the best possible outcome should also be a priority. Therefore guidance, education and advice around retirement options should be considered. The costs and benefits of each income option, along with investment risk, can be weighed up to suit an individual's needs. It is important for them to understand and feel comfortable with the choices they make and to recognise any longer term impacts.

The over 50's can see that retirement is tangible, however, 43% of respondents said the financial pressure of saving keeps them awake at night. Since this group have had a working career and possibly a family, putting their children through further education could also contribute to those sleepless nights. Not only do they have the worry of making sure they have enough money to retire comfortably, they may also want to support their children and possibly elderly parents.



50+ Summary 2015



88% ↑

(66% in 2014)
understand
their retirement
options

.....



62% ↑

(61% in 2014)
see themselves
retiring
before 65

.....



86%

(New for 2015)
are aware of the
changes in the
Budget

.....

43%

(New for 2015)
say the financial pressure
of retirement keeps them
awake at night

.....

52%

(New for 2015)
say that retirement
is most financially
important to them

.....

57% ↑

(55% in 2014)
see themselves
phasing into
retirement



The impact of affluence

At what age do you plan to retire?

	Below 20k	£20-£39k	£40-£74k	Above 75k
55-59	17%	19%	23%	29%
60-64	25%	45%	50%	35%
65-74	50%	30%	23%	24%
75+	4%	3%	3%	6%
No idea	4%	3%	1%	6%

Have you given much thought to what you will do for an income after you retire?

	Below 20k	£20-£39k	£40-£74k	Above 75k
✓	54%	49%	57%	76%
Unsure	42%	46%	43%	24%
✗	4%	5%	0%	0%

Do you understand your retirement options?

	Below 20k	£20-£39k	£40-£74k	Above 75k
✓	75%	94%	91%	89%
✗	25%	6%	9%	11%





Are you aware of the Budget changes (from April 2015)?

	Below 20k	£20-£39k	£40-£74k	Above 75k
✓	95%	90%	92%	95%
✗	5%	10%	8%	5%

How do you see yourself retiring?

	Below 20k	£20-£39k	£40-£74k	Above 75k
Stopping work entirely	29%	43%	27%	24%
Go part-time with the same employer	33%	38%	47%	35%
Go part-time with a new employer	13%	8%	20%	41%
No idea	25%	11%	6%	0%

Main financial priority

	Below 20k	£20-£39k	£40-£74k	Above 75k
 Paying off a mortgage	35%	30%	26%	29%
 Paying off debt	4%	11%	6%	6%
 Retirement	42%	49%	65%	53%
Putting your children through university	4%	2%	0%	0%
 Other	15%	8%	3%	12%

Summary

We have learnt that people have very different ideas surrounding financial priorities and we still cannot ignore debt. The cost of debt is expensive and time consuming so individuals may need to focus on this as well as thinking about saving for later life. When cash is low and the bills are high, sometimes saving money seems nearly impossible.

That's why early education is so important – the earlier someone starts to save the easier it should be, with lower payments overall and the sense that saving is the norm. It is also important to note that all age groups still like to talk to someone about financial matters. Even if it is only as a 'sound board' and not for actual advice. Technology allows us to reach more people than ever in a cost effective way but we should not assume that this is the only or preferred way.

The way in which communications are designed should be considered by employers to ensure clarity and understanding for those that are reading and interacting with them. If there is too much technical jargon people are more likely to switch off and lose interest. If the information is relevant, engaging, colourful and imaginative it will draw people in. At a basic level it has to be personal to the member, to the point, address a need or issue that is topical to them and be delivered in a variety of formats to suit the individual's preference.

Age and affluence still play a significant role when it comes to saving for the future. Those who earn more might be able to afford to seek financial advice, but what about those that can't afford it? Will this group be left to find out things for themselves and maybe make mistakes along the way or will employers step in to provide more financial education and consider the importance of finances in overall employee wellbeing?

We believe this is the way it should be. There are encouraging signs now with interest in financial wellness in the press and with employers that we speak to. Addressing financial issues for employees and working to support them should result in happier and less stressed individuals, which can only be good for the employer.

Finally, it's not just about what you say, but how you say it, if you want to get the right impact. A successful engagement strategy helps employers and trustees to empower members – with the right message at the right time in the right way – allowing them to map their own savings future, based on true understanding and positive interactions, from an early stage.



“

The reality in the UK is we have lost the post-war mentality of saving. Today we start from a position of debt. This tide needs to be turned but solely concentrating on an event ‘retirement’ possibly 45 years away is not the way to do it. Simple messages resonate; my mum drilled into me the 3 saving jars for today, tomorrow and one day. We need to save appropriately to these needs and help deal with the scourge which is indebtedness.

Damian Stancombe
Head of Workplace Health and Wealth

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In the shoes of the member

We value the responses to this survey (from over 500 respondents) as it helps us to shape our engagement proposition, including our online member engagement tools.

Completely independent of any pension provider, Me2® is our innovative online pension education and engagement portal, designed and tailored specifically for employees. Me2® educates and informs members and enables them to engage effectively with their saving for retirement, allowing them to make better-informed decisions about making and accessing retirement savings. As it delivers a user experience based on the membership cohort the employee is in, and takes them through education pieces and interactive tools relevant to their life stage, it is as relevant to a 25 year old as it is to someone who is 60.



Meeting corporate and trustee needs at the same time

We use our analytical tool, GEM (Governance, Engagement, and Monitoring) to delve deep into their pension membership to flag any possible areas of risk and then work to find solutions. GEM allows us to ensure a scheme is well governed and aims to produce the best outcomes for members that it can.

One area of focus is around what messages need to be communicated and how best to do this. We identify the key cohorts of employees and assess the make-up of the workforce based on various factors, such as age, affluence, location, job type and membership status. We can then take a snapshot of the pension plan now or roll forward to say five years in the future. We can see which employees may be 'off target' around retirement funding and others that might be affected by the Lifetime Allowance for example. The result is that messaging is then targeted to these groups, with content that is personalised to them.



GEM

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