

PRESS COMMENT

6 April

Could auto-enrolment increases negatively impact people's current finances?

With auto-enrolment contributions set to increase, Paul Leandro, Partner at Barnett Waddingham, commented: "As of 5 April minimum contributions are essentially set to increase to 5%. Whilst increases are a good solution from a pensions perspective, our research suggests there is a real possibility the increases could negatively impact people's current finances and result in an increase in opt out rates.

"Our latest Gen Why study shows that the immediate financial concerns of today are stopping many planning for retirement. 51% of respondents state day-to-day living costs as their top financial priority and 58% of respondents don't have enough savings to last more than three months if they were to lose their income. Our concern is that, especially for the younger workforce, where retirement seems so far away, opting out may seem like the most sensible option, especially as they are struggling to deal with the costs of today.

"For many, the world of pensions is a mystery, over half (65%) the working population either do not know what auto-enrolment is or even that contribution levels are rising. And, worryingly, only a third of people see themselves as primarily responsible for ensuring they have enough money to provide at least the minimum standard of living in retirement. Employers need to get closer to their workforce to understand their financial pressures of today and not simply focusing on the one day through pension provision."

- Ends -

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