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At-retirement financial advice in the workplace

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A Research Report by Teresa Roux (Bdifferent), Melissa Echalier and Sarah Luheshi

The qualitative research contained in this report was conducted by Bdifferent, a company specialising in financial services research.

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Executive Summary

This report 'At retirement advice in the workplace' draws heavily on new qualitative research conducted by Bdifferent, a company specialising in financial services research. This research explores employers' attitudes around the provision of financial advice and, consequently, interviews were conducted with a relatively small number of employers. The findings are therefore indicative rather than representative.

With the removal of limits to how individuals can access their pension savings there has been an increased focus on the role of financial advice
Despite this, the provision of financial advice and education in the workplace has decreased.

The Financial Advice Market Review (FAMR) has identified the workplace as presenting an opportunity to help more people access financial advice
It has also indicated that the Financial Conduct Authority (FCA) will work with employers to increase uptake of advice.

Her Majesty's Treasury (HMT) is exploring two new initiatives in connection with these tax measures.
Employers can currently arrange financial advice without incurring tax or National Insurance contributions on up to £150 of the cost. Individuals are also able to withdraw money to pay for advice from their Defined Contribution (DC) pension funds, without incurring tax on this, but this advice must relate to the fund the money is paid from.

The two initiatives are:

- Increasing the tax exemption around employer-arranged pensions advice from £150 to £500.
- Introducing a Pensions Advice Allowance which allows DC savers to withdraw up to £500 from their DC pension funds without incurring a tax penalty, provided that this amount is used to purchase pre-retirement advice.

It may be possible for the tax exemption for employer-arranged advice to be used in conjunction with the Pensions Advice Allowance.

The view that employees become interested in pensions as they approach retirement suggests that employees would be interested in employer-provided financial advice from age 55
While employers indicated that employees are not broadly interested in pensions, they suggested that they become more interested as they approach retirement. This is supported by other research that found that 71% of employees think that employers should provide support around retirement

income decisions.[1] This suggests that employees would value employer-provided financial advice although research with employees would be required in order to assess their preferred structure for the advice.

It may be challenging to involve smaller employers, where there is no named person responsible for pensions, in providing financial advice in the workplace

Some employers, who were typically smaller and with blue-colour workers or high staff turnover, were averse to allowing their employees access to advice in work time. This contrasts with some of the successful financial education programmes described in Chapter 1 of this report, where some employers allow staff to take part during working hours. In the future, there may be scope for scheme providers themselves to play a larger role in helping employees to access their pension savings.

Employers were very supportive of the Pensions Advice Allowance

Broadly, employers preferred the option of employees paying for advice. They indicated that they would promote this to employees. Employers' questions relating to the logistics highlight issues around how an individual's use of the Pensions Advice Allowance would be monitored.

Those employers who were interested in the £500 tax exemption for employer-provided advice typically already provided access to advice

As this is the case, the £500 tax exemption may act, at least in part, as a reward rather than an incentive for these employers. However, in many cases, not all employees access this advice. Therefore, this may lead these employers to increase the amount of advice that they make available to employees and to publicise this advice further to their employees

In addition, as this and other policies, such as automatic enrolment, become embedded, greater numbers of employers may be interested in providing financial advice. FAMR has also made recommendations around the development of factsheets and guides for employers that aim to help them to support their employees' financial health. These may encourage greater employer involvement.

Employers had mixed reactions to the concept of automated financial advice

Employers expressed concerns around the extent to which some of their employees could deal with automated advice. However, there are examples of the effective provision of this type of advice. FirstGroup, an organisation with many staff who are not office-based, found that more than half of its workforce used its internet portal. In particular, it found that more than half were logging on using smartphones or tablets, suggesting that this type of approach could be effective for disparate employers, including those who do not use a computer

[1] Hymans Robertson (2016)

for work.[2] While some decisions around pensions are complex, employers' suggestions around telephone support for automated advice could be explored further.

Employers may be able to use existing resources to complement paid-for financial advice

Previous research found that some organisations used existing resources, such as Life Academy, as one element of their financial education programme. Where individuals are provided with guidance prior to seeking financial advice, this may enable them to access financial advice with some pre-existing knowledge around their pension arrangements. As a result, this may lead to them maximising the benefit that they obtain from financial advice.

[2] CIPD (2012)

Introduction

The removal of limits to how individuals can access their pension savings means that individuals are required to make complex decisions about their retirement savings, and has led to an increased focus on the role of financial education and advice.

The Financial Advice Market Review (FAMR) has identified the workplace as presenting an opportunity to help more people access financial advice. It has also indicated that the Financial Conduct Authority (FCA) will work with employers to increase uptake of advice.

Employers can currently arrange financial advice without incurring tax or National Insurance contributions on up to £150 of the cost. Individuals are also able to withdraw money to pay for advice from their Defined Contribution (DC) pension funds, without incurring tax on this, but this advice must relate to the fund the money is paid from. Her Majesty's Treasury (HMT) is exploring the following two initiatives in connection with these tax measures:

- Increasing the tax exemption around employer-arranged pensions advice from £150 to £500
- Introducing a Pensions Advice Allowance which allows DC savers to withdraw up to £500 from their DC pension funds without incurring a tax penalty, provided that this amount is used to purchase pre-retirement advice.

This report 'At retirement advice in the workplace' draws heavily on new qualitative research conducted by Bdifferent, a company specialising in financial services research.

This research gauges employers' attitudes to the provision of financial advice in the workplace. It considers how the provision of financial advice would sit in terms of employers' current pension provision and explores employers' expectations around levels and extent of take-up of financial advice by their employees. Specifically it investigates employers' reactions to the tax measures currently being explored by HMT.

The first chapter of this report provides an overview of levels of provision of financial advice by employers, and explores specific examples of employer-provided financial advice and education.

The second chapter shares the findings of new qualitative research with employers, which explores, in depth, their attitudes towards the provision of financial advice in the workplace.

The conclusions chapter briefly discusses the implications of these findings in terms of the provision of financial advice.

Chapter one: current provision of financial advice and education in the workplace

This chapter provides an overview of the current provision of financial advice and education. While the Government is specifically considering employer-arranged financial advice, research findings around financial education in the workplace are included here as they provide some insight into the overall provision of access to advice.

The chapter considers the extent to which employers are well-placed to provide access to financial advice, describes the possible changes outlined by the Financial Advice Market Review (FAMR)[3] and explores specific examples of employer-provided financial advice and education.

This chapter draws on qualitative interviews, conducted with employers by Bdifferent, around the current level of provision of financial advice in the workplace and employers' attitudes towards the Government's proposals for changes to the tax treatment of advice. A breakdown of the interviews is provided in the Annex.

This research explores employers' attitudes around the provision of financial advice and, consequently, interviews were conducted with a relatively small number of employers. The findings are therefore indicative rather than representative.

Employers interviewed for the research had a broad range of experiences of pension provision

Those who had run Defined Benefit (DB) pensions in the past typically had generous Defined Contribution (DC) schemes now. In contrast, others had more recently implemented automatic enrolment and seen pension membership increase from 50% to around 95% of employees.

All employers recognised that employees now expect a pension

In some organisations who took part in the research pensions were seen as an important tool for recruiting and retaining staff.

> 'I've been involved with pensions now for the last 10 years and I have seen a move from employees being more concerned now about their pension'
> *Smaller employer*

[3] FCA (2016)

Currently, employers can provide £150 of pension advice per year tax-free to employees

There is currently a cliff-edge, so that if an employer provides advice to the value of more than £150, the whole amount is considered to be a 'benefit-in-kind' and the tax-free element is lost.

This current amount is unlikely to cover the cost of advice at retirement. Assessments of the cost of financial advice vary, with the average hourly rate estimated at £150.[4] However, the full cost of financial advice will vary by transaction, e.g. the financial adviser website unbiased.co.uk estimated the cost of converting a £30,000 pension fund into a lump sum and annuity as £825.[5] The cost of new automated models of advice has been estimated as costing between £150 and £250. Her Majesty's Treasury (HMT) is considering increasing the tax-exempt amount to £500.

In addition to this provision, individuals are currently able to withdraw adviser fees tax-free from their pension product in order to obtain advice on the product. HMT is also considering setting this amount at £500 and allowing it to be used for holistic retirement advice rather than being limited to advice around the specific pension product from which the money is withdrawn. This would be known as the Pensions Advice Allowance.

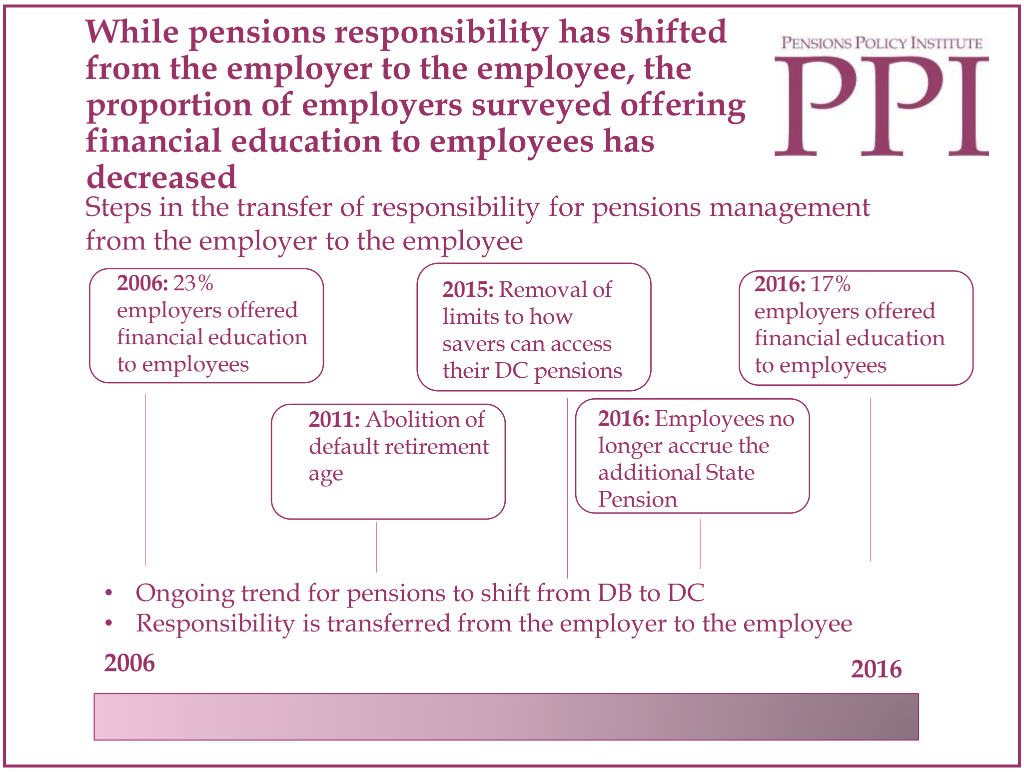
It may be possible for the tax exemption for employer-arranged advice to be used in conjunction with the Pensions Advice Allowance.

The introduction of the pension flexibilities has led to an increased focus on the need for financial advice

The introduction of the pension flexibilities has meant that individuals are required to make more decisions around their retirement incomes, leading to an increased focus on the need for financial advice. However, the impact of these flexibilities should be considered alongside impacts of other changes that have shifted responsibility for retirement income management from both the employer and the state to the employee. These include the phasing out of Defined Benefit (DB) pensions, abolition of the default retirement age and the ending of accrual of the additional State Pension that, in the past, enabled employees to build up an earning-related state pension in excess of the basic State Pension (Chart 1).

[4] www.moneyadviceservice.org.uk/en/articles/guide-to-financial-adviser-fees
[5] www.unbiased.co.uk/cost-of-financial-advice-guide

Chart 1



The provision of financial advice and education in the workplace has decreased at the same time as individuals have had to make more complex decisions

The proportion of employers surveyed who provided access to financial education and/or advice to their employees has fallen from 23% to 17% between 2006 and 2012.[6] The main method of delivery also changed during this time, from 1:1 sessions to group seminars. The reasons behind this change are not clear but this may reflect the desire to offer something to employees at lower cost.

Employers with the following attributes were more likely to provide financial education as follows:[7]

- Employers in the public sector and in manufacturing and production (Chart 2)
- Where the employer is a division of an internationally owned organisation

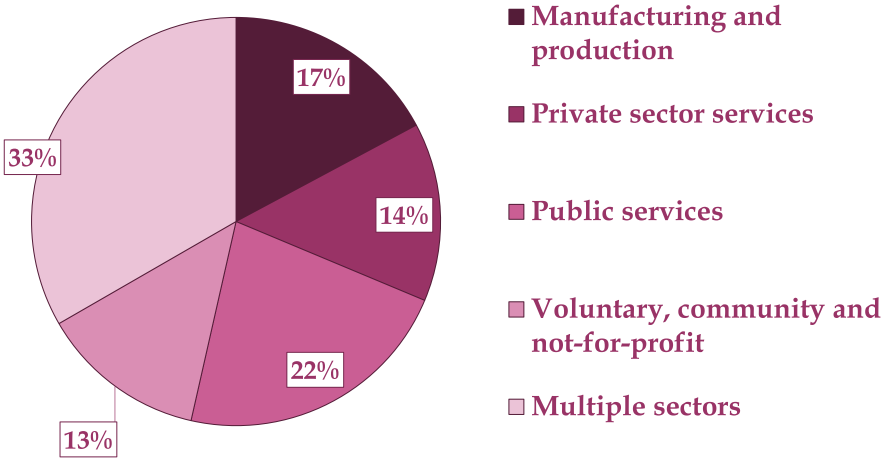
Aside from this, the majority of employers surveyed (53%) offered access to debt advice.

[6] CIPD (2012)
[7] CIPD (2012)

Chart 2[8]

Organisations in public services and manufacturing and production are more likely to provide financial education to workers

Provision of financial education by sector



Larger organisations are more likely to provide financial education or advice
25% of very large organisations (with 10,000 or more employees) and only 12% of SMEs (with fewer than 250 employees) surveyed provided financial education.[9]

Employers taking part in the qualitative research interviews reflected this, with larger employers being more likely to offer financial advice in the workplace. The findings suggest that this relates at least in part to the fact that larger employers typically have an individual who is responsible for pensions who can dedicate their time to ensuring that pensions meet employees' needs.

Overall, uptake of both guidance and advice remains relatively low
There are concerns, in particular, around those individuals who will rely on their Defined Contribution (DC) pension savings to supplement their state pension, who have low levels of financial education and are unlikely to take regulated financial advice.

[8] CIPD (2012)
[9] CIPD (2012)

Independent Financial Advisers (IFAs) have not historically tended to provide workplace financial advice, but there are examples of the use of intermediaries in the workplace

Research with intermediaries has found that IFAs gave little or no advice in the workplace.[10] Rather, at the time, larger pension providers had teams that worked with employers to maximise membership of employer-based pension schemes. While this research dates from 2005 and the financial advice market has changed since this period, the low levels of provision of financial education in the workplace suggest that this has not changed.

Despite this, two principle uses of intermediaries in the workplace emerged from this qualitative research with employers:

- the payment of a monthly fee to advisers for pension scheme administration and dealing with employees' queries around pensions
- the use of advisers for regular reviews of the pension schemes

> 'They do everything for us, we pay an admin fee and if people need advice I pass them to x and they deal with it all'
> *Large employer*

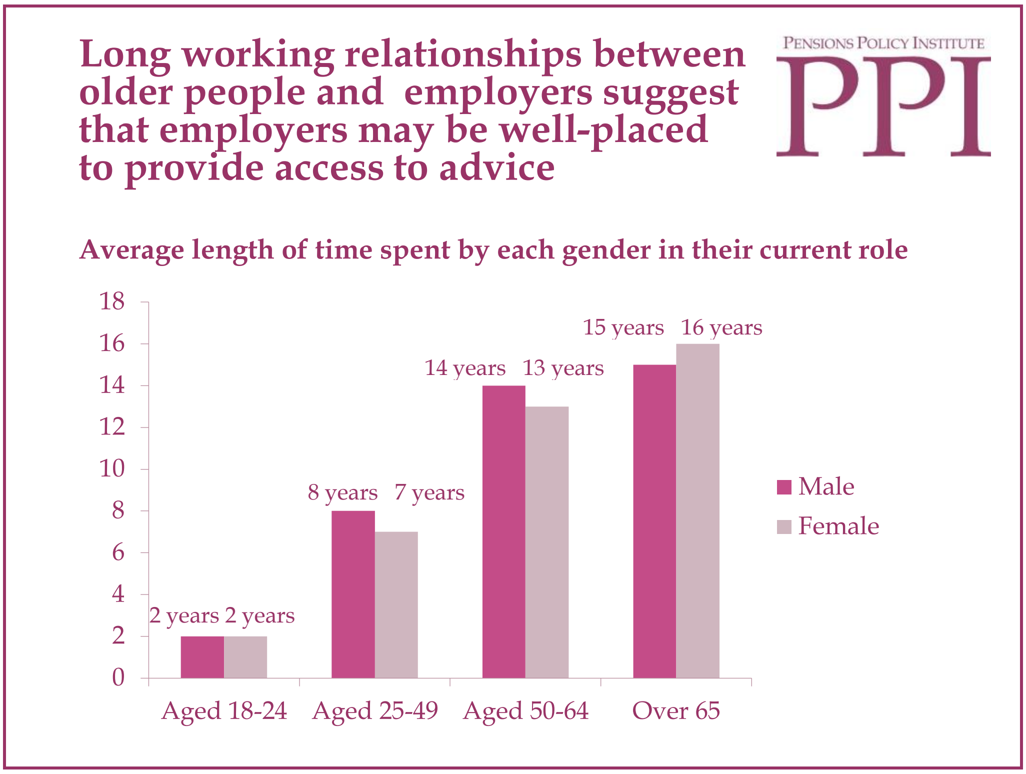
However, employers tended to use employee benefit consultants, who typically provide business-to-business services, or pension providers rather than IFAs. Similarly where consultants provided advice to employees this was as part of a packaged service rather than as a service designed purely to meet employees' advice needs.

Factors such as the length of time that older people have spent with their employer mean that employers may be well-placed to provide access to at-retirement financial advice

Older people of both genders have, on average, spent long periods of time with their current employer relative to younger people (Chart 3). While the type and quality of their relationships with their employer are likely to vary, the ongoing nature of these relationships suggests that employers may be well-placed to provide access to advice.

[10] DWP (2005)

Chart 3[11]



Other factors include the fact that, as automatic enrolment is introduced, employers will have greater experience of dealing with pensions. They may also be able to access guidance and advice via relatively cheap routes such as group seminars providing generic information, or more tailored on-line advice. Where an employer has contributed to their employees' DC pensions an additional incentive may be the wish to ensure that their employees obtain value for money from this benefit.

There is a demand among employees for workplace-provided financial advice

Research with both employees and employers suggests that employees would support and may expect the provision of financial advice in the workplace; overall 57% of employees want financial advice in the workplace.[12] 71% of employees think that employers should provide specific support around retirement income decisions, and 80% of employers believe that employees expect this.[13]

Employees may, in particular, require advice at retirement. Under automatic enrolment, decisions are effectively made for individuals during the

[11] DWP (2013)
[12] Scottish Widows (2013)
[13] Hymans Robertson (2016)

accumulation phase. This contrasts with the decumulation phase during which individuals are required to make their own decisions. This was recognised by some employers.

'It is very difficult for members who have been 'defaulted' into pensions throughout their careers to suddenly expect them to have all the answers at the end'
Large employer

Regulation has shaped the provision of financial advice in the UK
Regulations affects the provision of financial advice in terms of determining who is permitted to provide financial advice, how individuals and organisations charge for financial advice and the type of information that they provide to their customers. The FCA has found that questions around what constitutes financial advice (Box 1) have also influenced employers' behaviour in terms of what they can offer to their employees without being regulated.[14]

Box 1: Definition of regulated financial advice

Financial advice involves offering a recommendation on a specific transaction or product to an individual, and is regulated by the Financial Conduct Authority (FCA). Guidance and information provision differ from advice, in that there is no recommendation on product choices, and guidance providers are not required to be authorised by the FCA.

The FCA has recommended that HMT consult on amending the definition of regulated advice so that it is based on a personal recommendation.

There is confusion around what constitutes advice, and recognition that this may hinder the development of approaches that help individuals to implement the pension flexibilities.

FAMR has identified the provision of workplace advice and guidance as an opportunity to address the advice gap, so that more people access financial advice. Employers have historically had concerns around the extent to which they can promote their pension schemes or provide support around pensions in the workplace.[15] The Financial Services and Markets Act 2000 (FSMA) provided that organisations and individuals are required to be authorised by the Financial Services Authority (FSA) in order to advise employees around a pension scheme. However, employers were able to promote their pension scheme to their employees, without being authorised, provided that they met particular

[14] FCA (2016)
[15] FCA (2016)

conditions, including making an employer contribution and not receiving direct financial benefit from the scheme.

Employers are clear that they should not give advice and show some reluctance to provide information

Despite attempts to clarify the regulations, FAMR reported a misconception among employers that they risk exposure to regulatory liability if they provide pensions support for their employees. There is concern that, on this basis, some employers are choosing not to make support available to their employees.

This was reflected by employers who took part in the qualitative research. They were broadly clear that they could not provide financial advice and were also, in some cases, reluctant to provide information. This extended to concerns around the independence of advisers and whether employers would be liable if this advice were not independent.

'We looked at (advice provider) as a cost efficient option, it is still being considered as it is simple and has the telephone back up, but our trustees are concerned that it isn't independent'
Large employer

'The external company that employees may use would need to be impartial when advising'
Large employer

In order to address this issue, FAMR made the following recommendations around workplace access to advice (Box 2):

Box 2: FAMR recommendations

- The Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) should work together to develop and promote a factsheet that sets out what employers and trustees can provide on financial matters without being subject to regulation.
- A Financial Advice Working Group should publish a shortlist of potential new terms to describe "guidance" and "advice".
- A Financial Advice Working Group should design and test a set of rules of thumb and nudges. HMT will then encourage the use of them by employers.
- A Financial Advice Working Group should work with employers to develop and promote a guide to the top ten ways to support employees' financial health.
- HMT should explore ways to improve the existing £150 income tax and National Insurance exemption for employer-arranged advice on pensions.
- HMT should explore options to allow consumers to access a small part of their pension pot before the normal minimum pension age, to redeem against the cost of pre-retirement advice.

The remainder of this chapter considers provision of information and advice by employers who took part in the qualitative research. It goes on to explore other examples of the provision of financial advice and education in the workplace, in order to draw out relevant findings for consideration by employers and the regulators when designing the provision of the financial advice in the future.

As the pension flexibilities were introduced relatively recently there are limited findings around at-retirement advice, and the findings considered here relate for the most part to the accumulation phase of pension provision and to the provision of general financial education/advice.

Despite the decline in the provision of financial education and advice in the workplace, employers typically provide access to information around their pension scheme

Employers who took part in this research provided varying levels of access to financial advice (Box 3). In some cases, it was the pension provider or adviser who provided the advice. Less commonly, employers provided more holistic financial education programmes or access to advisers to answer specific queries.

Box 3: Employers' provision of access to advice

General information around pension scheme
- Provision of presentation about the pension scheme, typically provided by the pension company or advisers
- Intranet sites for employees to look at their pension scheme
- Emails to staff around pension scheme changes

More specific or holistic provision
- Financial education programme (an example was a 5-year education programme that works towards building up knowledge on a structured basis)
- Access to an adviser who answers employees' questions about the pension scheme

Accounts of levels of take-up of financial education varied and, in some cases, employers were unaware of the level of take-up, e.g. employers with intranet sites were typically unaware of the proportion of employees who used this.

The provision of financial education and advice in the workplace can provide significant benefits

Overall, benefits from the provision of financial information and advice considered to accrue to the employer, including:[16]
- a better financially educated workforce has more control over their lives, including working lives
- better understanding of businesses pressures
- reduction in stress and absenteeism related to financial pressures
- greater appreciation of benefits

Chart 4 provides an overview of some important elements of financial education/advice programmes described in the CIPD paper 'Workplace financial education'.[17] This research provides an overview of financial education and advice programmes adopted by selected organisations. Factors identified as important by a review of these programmes are:
- The extent to which the programmes are adapted to individuals' life stages
- The communication channel (1:1, seminars, web-based)
- The extent to which the programmes used existing resources

This chart is based on the offer described by each company at the time of the research.

[16] CIPD (2012)
[17] CIPD (2012)

Chart 4[18]

Financial education programmes offer different combinations of elements

	Seminars	1:1 provision	Web-based	Provides modelling for individual to explore different scenarios	Package grouped by individuals' life stage	Uses external resources/ expert providers
Severn Trent	●		●		●	●
Marks and Spencer	●	●	●		●	●
Bioquell	●	●		●		●
First Group plc			●	●		
GlaxoSmithKline	●	●	●		●	●
Henderson Group	●	●				●

There are similarities between the organisations; many used a seminar to provide the more generic information. The exception was FirstGroup that has a workforce spread over different locations and, therefore, used other approaches to reach its employees, specifically enabling employees to access their site through portable devices. It found that more than half of its workforce used its internet portal and, in particular, more than half were logging on using smartphones or tablets. Their experiences highlight the importance of taking into account logistics and ways in which employees are likely to access information.

Some organisations provided access to regulated financial advice, via IFAs whereas other restricted the provision to guidance. Typically, employers paid for a short appointment with a financial adviser on behalf of the employer, with the employee paying any additional costs. This may be linked to the fact that only £150 is allowed as a tax-exempt benefit.

There was an appreciation of the need to tailor advice to individuals' life stage and, where employers did not do this, they offered programmes that enables employees to adapt projections to their own circumstances. This is echoed by current moves towards the provision of robo-advice that uses algorithms to

[18] CIPD (2012)

interpret data in order to create recommendations in line with individuals' circumstances.
Other factors highlighted as important by the companies included communications to their workforce and allowing individuals to access financial advice and education during working hours. Companies were also keen to ensure that employees understood the value of benefits that they were providing. As this is the case, organisation with relatively generous benefits may be more interested in providing financial education or access to advice.

Employers tended to use existing external resources such as the Money Advice Service (Marks and Spencer) and Life Academy (Severn Trent). Finally, all of these are large employers, smaller employers may experience additional barriers to providing access to financial advice or guidance. However, they may also benefit from additional opportunities; e.g. it may be easier to communicate effectively with their workforce.

Employers' provision can address some barriers to seeking advice, and any provision should take into account other barriers

Some factors that prevent individuals from accessing advice or guidance include:

- Lack of awareness that advice exists[19]
- Inability to afford advice or unwillingness to pay for advice at its current cost, including a perception of the cost of advice as a loss[20]
- Lack of trust in financial services[21]
- Feelings of powerlessness or helplessness around issues related to finances[22]
- Absence of an event that might trigger individuals to seek financial advice[23]
- 'Egotistic discounting', overconfidence in one's own decisions[24]

Provision of information by employers may be able to address some barriers relating to awareness and, to some extent, affordability. Similarly, where employees are equipped with greater understanding of financial issues, this may engender greater trust in financial services and address feelings of trust around issues related to financial issues. Provision of financial advice by an employer may also act as a trigger to seeking financial advice. Despite this, barriers such as 'egotistic discounting' are likely to remain, and it is unrealistic to expect that all employees will take up financial advice when this is offered.

Chapter 2 summarises findings from qualitative research with employers that explores their attitudes to financial advice, and to the HMT proposals around

[19] Citizens Advice (2015)
[20] Citizens Advice (2015)
[21] Lord Hutton (2015)
[22] Legal Services Research Centre (2004)
[23] Clark et al, (2015)
[24] Institute for Government, (2012)

increasing the tax-exemption around financial advice and the Pensions Advice Allowance to £500.

Chapter two: employers' attitudes towards the provision of financial advice in the workplace

This chapter summarises employers' views around demand for financial advice in the workplace. It goes on to explore employers' attitudes towards the provision of workplace financial advice and, specifically, automated advice. Finally, it considers employers' reactions to the Government proposals outlined in chapter one.

Employers felt that their employees were not engaged with pensions and that it is only the presence of specific triggers, including approaching retirement, that lead to employee interest

Employers felt that it is only when specific events happen that employees show an interest in their pension arrangements. These include:

- starting a job
- leaving a job
- approaching retirement

Exceptions to this included senior employees who have accrued two or three large pensions and who employers perceive to be more interested in their pensions.

This raises a question around how employers gauge their employees' level of interest. It may be that employees do not show interest because little information is available to them, and that the provision of more information may increase levels of interest.

Some employers were driven to provide access to pensions advice, others discouraged employee engagement with their pension arrangements

Employers were mixed in terms of their attitudes to the provision of financial advice, with some employers wishing to ensure that their employees had access to this in the workplace.

> 'What we do is called a 'lunch and learn' and encourage people to find out more about the pensions and other benefits they have – these are run by the providers'
> *Small-medium employer*

Typically it was those employers who restricted their compliance to the minimum legal requirements who discouraged employee engagement with pensions. This was linked to employers wishing to ensure that employees focused on their work and did not consider their pensions during working hours. In these cases, employers directed employees' pensions questions to the pension provider.

Employers typically referred employees to the pension provider for guidance or advice

Employers typically felt that they would not be able to answer some employees' questions about their pension and saw the pension provider as better-placed to provide this.

'Yes, we try to help or we say you could contact (pension provider), they may be able to help you with that'
Smaller employer

'We just refer them to the helpline of (pension provider). We don't get involved – really, we are just the middle man.'
Small-medium employer

Employers have mixed reactions to the concept of automated advice

Some employers appreciated the potential role for automated advice as a cost-effective way to provide this service to employees. However, other expressed concerns around employees' capacity to use automated advice, in particular there was a concern that they would understand not the questions or decisions that they had to make. This was particularly the case for blue collar workforces who were not office-based.

'That sounds like a good idea if it's basic, would it be like an IFA but online and it would give you advice on what to do? That could be helpful for employees.'
Small-medium employers

'I think for my workforce, online wouldn't work for them, because they are not really IT/computer based.'
Smaller employer

Despite this, there are examples of the effective provision of this type of advice. FirstGroup, an organisation with many staff who are not office-based, found that more than half of its workforce used its internet portal. In particular, it found that more than half were logging on using smartphones or tablets, suggesting that this type of approach could be effective for disparate employers, including those who do not use a computer for work.[25]

Those employers who supported the idea of automated advice felt that this could be provided in the workplace, although one employer expressed concerns around ensuring that this advice is impartial.

[25] CIPD (2012)

Where employers expressed concerns around their employees' capacity to cope with online automated advice they felt that the provision of telephone advice alongside this could help to build employees' confidence. However, it is not clear who would provide this telephone support.

Few employers were aware of the current tax exemption on advice up to £150 and had no idea of the cost of financial advice for employees

Even those employers who provided employees access to advice at work were typically unaware of the current tax exemption for advice up to £150 or the 'cliff edge' of £151 (where if an employer provides advice to the value of more than £150 the tax-free element is lost). Employers typically had no idea about the cost of advice but felt that the suggested level of the Pensions Advice Allowance, £500, was appropriate.

Increasing the exemption from £150 to £500 and removal of the cliff-edge were felt to be appropriate

Employers broadly saw the value of this for employees. Those employers already providing advice were interested in this increase and questioned whether they could apply this exemption to their corporate scheme.

'I think it could be beneficial for employees, as I think the pension market can be very confusing to understand'
Smaller employer

'Gives employees the comfort that they have appropriate advice and guidance to make a thought-through decision'
Medium employer

However, most employers felt that they would not pay £500 for their staff to receive financial advice as this would adversely affect their profits. As a result, employers felt that, if the Government introduced this scheme, it should not be compulsory for employers.

'My firm would never budget for such costs'
Larger employer

'I am personally not in favour of it; that is purely because as a small business we are already paying out for auto-enrolment, something we never had to pay before'
Smaller employer

Employers were more supportive of proposals for a Pensions Advice Allowance

The Government is considering the introduction of a Pensions Advice Allowance whereby individuals can withdraw £500 tax-free from a pension fund in order to obtain holistic retirement advice.

Employers were supportive of this and, overall, preferred the option it being the employees, rather than the employer, who takes on the commitment of paying for the advice.

Employers typically felt that advice should be targeted at those aged over 55 with some suggesting that this age limit should be lowered to age 50. However, others were concerned that ensuring that other younger employees also accessed the advice that they needed in order to ensure that they have a comfortable retirement. They also felt that it should be applied to holistic retirement advice rather than being limited to pensions advice.

'I guess you always need to be looking at the whole picture, so holistic for my employees'
Small-medium employer

'For an employee who is reliant on their property, pensions, share exchange scheme, state pension, it's all got to be considered at retirement – not just the pension.'
Large employer

Most employers indicated that they would promote the Pensions Advice Allowance to employees but were unclear how they would manage the logistics of the scheme

Employers were not sure how they would operate the Pensions Advice Allowance, they questioned who would speak to their employees about the allowance. They felt that IFAs would be responsible for monitoring how much of the allowance had been used.

'I would probably contact (pension provider) and say, look, I have 3 members of staff, this is what they want to do, is this something you can assist me with, could you get someone to come in and talk to us about it – may be set up a meeting.'
Smaller employer

'I would speak to our accountant and get a bit of advice from him about how to do it and to see how employees could benefit.'
Smaller employer

The next chapter discusses some of the policy implications of these findings.

Conclusions

This chapter draws some conclusions from the research and discusses some of the implications of the findings, including some of the tensions between the findings and the literature on this subject.

The view that employees become interested in pensions as they approach retirement suggests that employees would be interested in employer-provided financial advice from age 55

While employers indicated that employees are not broadly interested in pensions, they suggested that they become more interested as they approach retirement. This is supported by other research that found that 71% of employees think that employers should provide support around retirement income decisions.[26] This suggests that employees would value employer-provided financial advice although research with employees would be required in order to assess their preferred structure for the advice.

Employers remain concerned around whether they are able to put their employers in touch with financial advisers

There are concerns around the independence of financial advisers and the implications for employers if employees receive the wrong advice.

It may be challenging to involve smaller employers, where there is no named person responsible for pensions, in providing financial advice in the workplace

Some employers, who were typically smaller and with blue-colour workers or high staff turnover, were averse to allowing their employees access to advice in work time. This contrasts with some of the successful financial education programmes described in Chapter 1, where some employers allow staff to take part during working hours. In the future, there may be scope for scheme providers themselves to play a larger role in helping employees to access their pension savings.

Those employers who were interested in the £500 tax exemption for employer-provided advice typically already provided access to advice

As this is the case, the £500 tax exemption may act, at least in part, as a reward rather than an incentive for these employers. However, in many cases, not all employees access this advice. Therefore, this may lead these employers to increase the amount of advice that they make available to employees and to publicise this advice further to their employees.

In addition, as this and other policies, such as automatic enrolment, become embedded, greater numbers of employers may be interested in providing

[26] Hymans Robertson (2016)

financial advice. In addition, the Financial Advice Market Review has made recommendations around the development of factsheets and guides for employers that aim to help them to support their employees' financial health. These may encourage greater employer involvement.

Overall, employers felt that the provision of advice by employers should be voluntary.

Employers were very supportive of the Pensions Advice Allowance

Broadly, employers preferred the option of employees paying for advice. However, they indicated that they would promote this to employees. Employers' questions relating to the logistics highlight issues around how an individual's use of the Pensions Advice Allowance would be monitored.

Employers had mixed reactions to the concept of automated financial advice

Employers expressed concerns around the extent to which some of their employees could deal with automated advice. However, there are examples of the effective provision of this type of advice. FirstGroup, an organisation with many staff who are not office-based, found that more than half of its workforce used its internet portal. In particular, it found that more than half were logging on using smartphones or tablets, suggesting that this type of approach could be effective for disparate employers, including those who do not use a computer for work.[27] While some decisions around pensions are complex, employers' suggestions around telephone support for automated advice is an avenue for exploration.

Employers may be able to use existing resources to complement paid-for financial advice

Previous research found that some organisations used existing resources as one element of their financial education programme. Where individuals are provided with guidance prior to seeking financial advice, this may enable them to access financial advice with some pre-existing knowledge around their pension arrangements. As a result, this may lead to them maximising the benefit that they obtain from financial advice.

[27] CIPD (2012)

Annex

Chart A1 provides a breakdown of the interviews conducted by Bdifferent.

Chart A1

Depth interviews conducted by Bdifferent

Number of interviews	Type of employer
2 interviews	Smaller employers (under 50 employees)
2 interviews	Small to medium employers (50-250 employees)
2 interviews	Medium employers (50-250 employees)
2 interviews	Large employers (500+ employees)
1 interview	Employee Benefits Consultant
Included those with employees in lower socio-economic demographic groups across services, manufacturing, engineering, utilities, cleaning and building	

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Contact: Chris Curry, Director
Telephone: 020 7848 3744
Email: info@pensionspolicyinstitute.org.uk

Pensions Policy Institute
King's College London
Virginia Woolf Building
1st Floor, 22 Kingsway
London WC2B 6LE

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