

“Employers see value in at-retirement financial advice for older workers”

The Pensions Policy Institute (PPI) is today publishing “**At-retirement financial advice in the workplace**”, a report sponsored by LV=. The report draws heavily on new qualitative research conducted by Bdifferent exploring employer’ reactions to two new initiatives that Her Majesty’s Treasury is considering:

- 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.

While employers indicated that their employees are not overly interested in pensions, they noted that employees become more engaged as they approach retirement. This suggests that employees would value employer-provided financial advice at this stage.

Employers are very supportive of the Pensions Advice Allowance which would allow DC savers to withdraw up to £500 from their pension funds to pay for advice and indicated that they would promote this to their employees.

The £500 tax exemption for employer-provided advice was of most interest to those employers who already provided access to advice to their employees.

However, it may be challenging to involve smaller employers, where there is no named person responsible for pensions, in the provision of financial advice in the workplace.

Teresa Roux, Founding Director, Bdifferent said:

“While employers are generally supportive of the Pensions Advice Allowance, the research highlights the different attitudes of employers based on culture and size of scheme and some of the challenges for implementation.”

Melissa Echaliier, PPI Senior Policy Researcher said:

“While it has been argued that employees are not interested in pensions, this research supports the view that they become increasingly interested as they approach retirement. The provision of at-retirement financial advice in the workplace could be one of the routes to increasing take-up of financial advice.”

Philip Brown, Head of Policy, LV= said:

“It is encouraging that employers are open to helping their employees get access to financial advice at retirement. We called for an increase to the advice tax allowance for employers in our response to the Financial Advice Market Review as this change, alongside the introduction of the Pension Advice Allowance, will make it far easier for consumers to get affordable professional advice. This is a real opportunity to increase access to regulated financial advice through the workplace and help many more people get the best outcome in retirement.”

ENDS

For further information please contact -

Melissa Echalié, Senior Policy Researcher, PPI:

020 7848 4245 or email: melissa@pensionspolicyinstitute.org.uk

Teresa Roux, Founding Director, Bdifferent:

07720 399315 or email: teresaroux@bdifferent.co.uk

Robyn Margetts, LV=:

0207 634 4418 / 07342 056 747 or email: robyn.margetts@lv.com

Danielle Baker, Head of External Engagement, PPI:

07714 250910 or email: danielle@pensionspolicyinstitute.org.uk or

Martin Campbell, Beacon Strategic Communications:

07802 634695 or email: martin@beaconstrategic.com

Notes for editors

1. The Pensions Policy Institute (PPI) is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website: www.pensionspolicyinstitute.org.uk.
2. Bdifferent is a financial services market research company, working for some of the biggest global financial services brands, the company works across pensions, investments, protection, banking and retirement income and has carried out studies amongst employers and employees for many years, building a knowledge base which adds weight and context to commissioned research studies.
3. The report is sponsored by LV=. Sponsorship has been given to help fund research, and does not necessarily imply agreement with, or support for, the analysis or findings from the project.
4. This research provides an overview of some of the options with the aim of stimulating discussion around these, rather than providing any quantitative analysis of the likely outcomes of each option. Further investigation would be required to evaluate each option in order to assess the potential outcomes from these.



different



PRESS RELEASE**EMBARGOED UNTIL 11.00AM TUESDAY 20 SEPTEMBER 2016****About LV=:**

LV= employs over 6,000 people and serves over 5.7 million customers with a range of financial products. We are the UK's largest friendly society and a leading financial mutual.

When we started in 1843 our goal was to give financial security to more than just a privileged few and for many decades we were most commonly associated with providing a method of saving to people of modest means. Today we follow a similar purpose, helping people to protect and provide for the things they love, although on a much larger scale and through a wide range of financial services including insurance, investment and retirement products.

We offer our services direct to consumers, as well as through IFAs and brokers, and through strategic partnerships with organisations including ASDA and Nationwide Building Society.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. LVFS is a member of the ABI, the AFM and ILAG. Registered address: County Gates, Bournemouth BH1 2NF.

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

PRESS RELEASE

EMBARGOED UNTIL 11.00AM TUESDAY 20 SEPTEMBER 2016



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 for work.² While

¹ Hymans Robertson (2016)

² CIPD (2012)

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.