

BRIDGING THE 'ADVICE GAP': HOW TO HELP EMPLOYEES PREPARE FOR RETIREMENT

There is a longstanding tension felt by employers who want to ensure workers make good pension decisions but are wary of straying into giving financial advice.

Only firms or individuals regulated by the Financial Conduct Authority (FCA) are allowed to advise on investments. And information provided to employees is subject to FCA financial promotion rules.

The upshot is that employers can be quite persuasive when listing the benefits of a recruit joining the pension scheme. However, they must not offer any detailed advice on, for example, how joining the scheme might interact with other pensions, an employee's wider tax situation or their partner's retirement provision. At that point, they can only recommend the recruit seeks advice.

It's one small facet of a much bigger financial services picture where there is evidence that millions of people may be falling into the 'advice gap' of not being able to access the professional support needed to help them make good choices.

This matters because while the pension 'freedom and choice' reforms of 2015 gave people easier access to pension cash, the rule changes also increased the responsibilities on savers to understand the risks and options.

As access to defined contribution workplace pension money now starts at age 55, this is clearly not just an 'at retirement' issue focused on the last few months or weeks of a working life. The FCA has called early access to pensions – in many cases years before stopping work – the 'new norm'.

Employers already understand the importance of offering good pensions to workers as part of their reward and retention policies. Taking into account the wider value of financial wellness, it is a natural step for employers to also play a part to help their colleagues make plans for their life after work, making sure it's a smooth process that works for both employee and employer.

Bridging the 'advice gap'

Workers often have high levels of trust in the information given by their own employers and included in this will be any introductions to third parties such as professional financial advisers. Employees recognise the alternative is doing their own research, which is hard work and often an area in which they'll have limited or no expertise, or relying on word of mouth, which can be perilous.



Employer support for retirement needs to be focused on two distinct stages.

- The first is typically from people's mid-40s to mid-50s when pension funds are growing and they start to think about how and when they might transition to life after work. Answers need to cover issues such as when will they have the funds to retire and what sort of retirement can they afford, but they should also consider what happens if ill-health or redundancy forces their hand.
- The second stage is from the mid-50s onward where people can start to access pension cash but may well still intend to keep working, perhaps right up until State Pension Age still more than a decade away.
- Financial information and guidance can deliver huge benefits in the first stage, while professional regulated advice is particularly useful in the second stage.

The challenge for employers is how to bring in cost-effective, trusted services that will deliver high quality services for large numbers of colleagues.

By **Stephen Lowe**,
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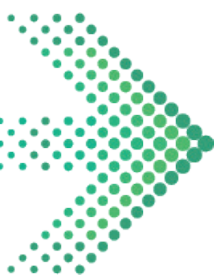


There's an app for that

The good news for employers is that retirement information and advice is one of the major technology battlegrounds in financial services. There is competition to offer online digital solutions that can deliver high quality guidance and regulated advice, at scale, to a range of organisations and colleagues at all levels regardless of the value of their pension savings. Some provide hybrid services offering the best of both worlds – digital solutions combined with human support provided by webchat and access to expert help on the telephone.

One of the consequences of the pandemic is the high number of experienced workers who left the UK labour market. Many have chosen not to return, leaving employers struggling to find the qualified, experienced and motivated staff they need.

It's not in any of our interests for valued workers to sleepwalk into retirement, unclear on how they can put their hard earned savings to work. Instead let's remove the uncertainty – and in some cases fear – by using information and advice to paint a picture of how their life after work is shaping up and what they can do to achieve their aspirations.



FOR MORE INFORMATION

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