HUB FINANCIAL SOLUTIONS

EMPLOYEE BENEFITS: THE FUTURE OF BENEFITS STRATEGY FROM 'GREEN' BENEFITS TO THE RISE OF FIN TECH

Do you suffer from 'CYBERpenia'? You may know it as 'dysAPPsia' or 'defITiency'.

OK, I admit I made all those up. But in an increasingly technological world it seems strange there is no word to describe that feeling when you go online to do what seems a routine task only to find – shock, horror – there ISN'T an app for that.

These days we use cyberspace for our banking, food shopping, to invest, do our taxes, buy and sell houses, to see our doctors, to communicate with family, to interact with our employers and employees.

The pace of development of financial technology has been so rapid in so many areas of our lives that digital solutions are less the icing on the cake and more the cake itself.

Never let a crisis go to waste

The pandemic has supercharged adoption of new technology among both employers and employees. Employee benefits needs to keep up through offering access to digital tools to help promote financial education and literacy, strengthen financial wellness and build financial resilience.

The health crisis followed immediately by a cost of living crisis, with soaring energy and grocery prices, risks extending people's current financial pain into a chronic long-term condition. For example, the impact of people cutting back on saving and investing or using up those resources to meet other expenses could create problems for many years and potentially right into retirement.

In recent days the All Party Parliamentary Group (APPG) focusing on Financial Resilience released its first set of recommendations. These include "the government should work with employers to improve the ways they communicate financial information to their employees" such as financial health checks at key times of life.

E for engagement

Almost a decade ago one of the arguably most successful government policies of recent years was implemented. Automatic enrolment into pensions has almost doubled the proportion saving into pensions from less than half (44%) to nearly nine in 10 (86%) of eligible private sector employees.

Using 'passive' methods to drive positive behaviours is clever, up to the point it starts to undermine some of the good work, for example, by discouraging people to think about whether they are saving enough or how and when to best access their pension benefits.

Driving up active engagement now runs through government pension policy like words through a stick of seaside rock. Most obvious are plans for the pension dashboard to give people sight of all their pensions in one place, the financial 'mid-life MOT', and the pension 'statement season'. More widely it is also discussing savings 'sidecars' to allow people to build up funds to see them through tough times without having to raid longer term savings or go into debt.

By Stephen Lowe, chief marketing officer, HUB Group

A convenient truth

Employer activity is crucial to helping drive higher levels of financial engagement. Why? That mainly comes down to a combination of convenience, trust and price.

Left to themselves, people may struggle to choose between financial providers and products in terms of conditions and pricing, especially for new fintech solutions with short track records.

Employees are much more likely to engage with solutions their employer has put into place where they know thorough due diligence has been carried out, there is no 'hard sell', and which may cost less than going directly.

Without the nudge of an employer who has done the heavy lifting this sort of planning stays on many people's 'to do' list until it's too late.

What's in it for me?

For employers, there are benefits in helping colleagues in this way – in terms of both the wider recruitment and retention policy. The positive effect extends all the way to the run-up and shift into retirement too, by helping employees feel more confident they are moving towards life after work in a controlled, informed way as opposed to having no plan and perhaps end up making rushed decisions.

Fintech services are adaptable and flexible meaning they are well placed to help guide colleagues through the complex choices to be made in the run-up to retirement and beyond. Engaging with their pension through a trusted source makes them less likely to fall prey to scams.

The end game starts early

Education needs to start a decade or more before retirement which is why we have built our Pension Buddy service. It offers colleagues a 'paddling pool' to dip their toes into retirement planning from their mid-40s onwards without having to commit to a deep dive into the detail.

The level of support people need starts to grow from this point, with a need to focus on closing their careers and moving to life beyond work. During this part of the journey, the financial decisions people need to make require much more than just numbers or valuations that pension schemes provide.

People need to think about what sort or retirement they might like, how close are they financially to meeting their retirement goals, how do they make their pension savings work hardest with their other financial assets and in the most tax-efficient way.

We've built our fintech retirement solution to address all these issues. Destination Retirement offers fully regulated advice and personal recommendations at the point of retirement while taking into account someone's wider financial and tax situation – and it offers ongoing advice throughout retirement to ensure the financial plan continues to deliver.

Destination Retirement is tech heavy but user friendly, built around different needs and levels of digital familiarity by making sure that if someone needs a little more explanation or reassurance they can always connect with a real human by telephone or webchat.

No excuses

It takes planning to retire well. Many people end up with regrets by falling into retirement unprepared. The pandemic and cost of living crisis have made that more difficult – less than 40% of households are on track to achieve an adequate retirement income*.

With technology making it both flexible and affordable to help colleagues actively engage with their finances, is there any excuse not to help?

*P4 of the APPG report, research by Oxford Economics

FOR MORE INFORMATION

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