

Keeping on track

✓ Steven Leigh considers how to keep DC savings on track in challenging times

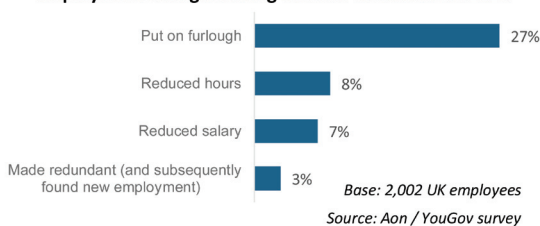
Almost every aspect of our lives has been hit by the events of 2020, but to what extent have people's longer-term pension savings been affected, as well as their current financial situation?

Aon's new research, *Keeping on Track in Challenging Times*, found that the long-term expectations are bleak, with nearly nine in 10 pension savers expecting a shortfall in their retirement income.

For this research we surveyed 2,000 UK employees in October 2020, asking them how their work and finances had been affected in 2020, and also about their future retirement aspirations.

We found that around 40 per cent of employees had been directly affected by Covid-19, with one in six experiencing reduced hours or pay; one in four being furloughed and one in 35 having to find new employment after being made redundant.

Employment changes during the first 10 months of 2020



Given the impact these challenges will have on individuals' finances, it is no surprise that the retirement savings gap is getting worse, with one in four respondents saying they believe they will never be able to retire. In 2018, when we asked the same question in our previous employee survey, *Living the Dream?*, the figure was one in seven.

One in four believe they will never be able to retire



For workers and employers alike, this is not sustainable. Factors such as ill health will mean that employees will not be able to continue working forever – and many will simply not want to do so. Wider workplace issues, such as succession planning, will also be affected if a quarter of employees are unable to retire.

Based on the key findings from *Keeping on Track in Challenging Times*, here are four areas where employers and schemes can provide more support:

1. Provide simple, well signposted help with financial wellbeing. We asked respondents to rate their employer's financial wellbeing support. Only 15 per cent rated this positively; one in three reported that they had no support at all – and one in six said that they did not know if any financial wellbeing support was available to them.

But when we surveyed employers for our 2019 *How do you Measure Up?* research report, over 80 per cent of employers said that they offer employees help of some form with financial wellbeing, such as retirement planning, budgeting and debt management. It is clear that either the type of help on offer, or the way in which it is being promoted to employees, is not hitting the mark.

2. DC schemes need to manage investments for members. Despite some of the fastest stock market falls in history, only 7 per cent of respondents said that they had looked at their pension investments last year to see if they had been affected. Just 8 per cent said that they planned to look at them over the next 12 months. We have argued for a long time that schemes need to look after

investments on members' behalf – and this is the proof.

3. Help pension members to set retirement savings goals... Employees' biggest ask was around understanding how much they need to save for an adequate income. But we found that 71 per cent of employees do not have a goal to aim for when it comes to retirement savings. Even among those over 55 – who should be thinking in more depth about their retirement needs – this figure is 63 per cent. Rather than complex tools, employees want simple rule-of-thumb figures that they can use as a guide.



4. ...and support them in achieving those goals. Almost nine in 10 employees (87 per cent) said that they anticipate a shortfall in their income at retirement. To address this, employees say that they may work for longer, increase their pension contributions in the future, or reduce their standard of living after retirement. More than one in 10 (11 per cent) said that they did not know what they can do to address this.

Keeping on Track in Challenging Times has a wealth of insights and ideas to help employers and those running pension schemes to plan pension strategies and long-term objectives, to improve financial wellbeing support, to invest for the right pension outcomes, to improve communications and engagement – and to get retirement right.

Register to receive the full report at <http://aon.io/3jiw7cq>.



Written by Aon principal consultant, Steven Leigh

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