

# Retiring members need your help

Members need support with at-retirement decisions more than ever. Do not fail them, says Ben Roe of Aon



**A**S EMPLOYEES BECOME more dependent on defined contribution (DC) savings to fund their retirement, schemes and employers will come under increased pressure to help members decide how to use their pension pot.

That means focusing on the three 'As' of:

- **Analytics:** schemes and employers need to be able to analyse employees' retirement plans and aspirations. This helps employers with issues such as talent management and ensures that what DC schemes offer is suitable for their memberships.

- **Access:** members need access to appropriate retirement solutions

- **Advice:** members also need help to make decisions about what to do with their retirement savings.

But Aon's 2021 DC member survey, *Keeping on Track in Challenging Times*, paints a bleak picture of current at-retirement provision. Members are uncertain about when and how they will retire. They are equally unsure about which products they will use to

manage their money after they leave work. They also feel that they do not have enough support to make suitable decisions.

Covid-19 has deepened members' worries about retirement readiness. One in four of the 2,000 employees who responded to our survey expect never to be able to retire. When we ran our last DC member survey in 2018, that figure was one in seven.

## ANALYTICS

Even before the pandemic struck, the traditional scenario of stopping work forever at the age of 65 was fast receding. Now, just a third of respondents expect to be retired by then. Most expect to continue with some paid work after they reach their expected retirement age.

This has important implications for employers in terms of talent management, succession planning and job design. It should also be a call-to-action for DC schemes that still target 65 as a default retirement age. Understanding the data behind members' retirement plans, using tools such as Aon's DC Analytics, is vital to help

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employers and schemes plan effectively for the future.

## ACCESS

*Keeping on Track in Challenging Times* found that three in 10 members do not know how they will use their savings, and even by the age of 55, one in five were still not sure. However, many schemes' default strategies will already have started switching members' savings into at-retirement pathways before that point.

Of those that had made a plan, 27% said that they would opt for the certainty of an annuity. Around six in 10 expect to use drawdown, and 11% say that they would take their savings in cash.

The choices members make at this stage will shape their entire financial future, but many struggle to make sense of what to do, instead relying on the support employers and trustees put in place. Some schemes have historically provided members with access to an annuity broking service, but our research shows over two-thirds of members plan not to buy an annuity but to use drawdown in retirement. FCA statistics

show there is little evidence of shopping around in this market and most members remain with their existing provider after retirement.

We believe trustees and companies need to do more here to make sure that members access suitable solutions at retirement, whether that is taking an annuity or entering into drawdown.

## ADVICE

Finally, all DC schemes should be considering a retirement support framework that can help members with their decision-making. Seven in 10 respondents said that they want support from their employer about the options available to them, how to manage their retirement income, and the tax implications of their decisions.

Retirement advice will increasingly be delivered digitally in the future, and such services must be scalable, cost-effective, easy to access – and personal. At-retirement choices are different for each person, so simply following rules-of-thumb is not sufficient.

Our survey shows the at-retirement space has been overlooked for too long. Staff will be increasingly dependent on DC savings to fund retirement. Even so, our survey exposes just how much work still needs to be done to understand members' needs, as well as to give them access to the best possible solutions and to ensure they have the right support to make informed choices at retirement.

*Ben Roe, senior partner and head of DC consulting at Aon*

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