

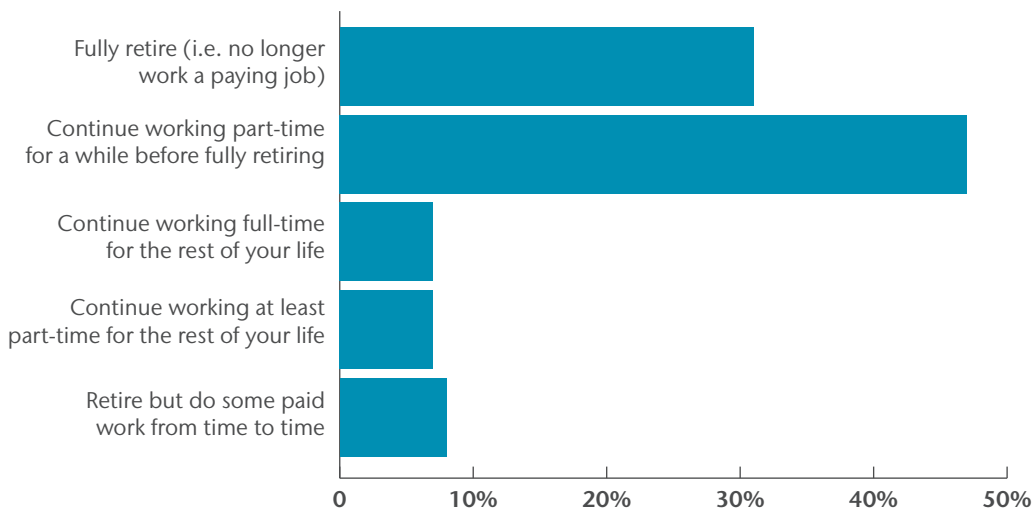
# Key wellbeing questions every employee should ask as they approach retirement

Over the last decade there has been a quiet revolution in the way that we retire. Changes in legislation and workplace practice have combined to turn retirement from a sudden, overnight leap into a slower, more gradual journey.

Getting the direction of that journey right requires careful planning from both employees and employers. From an employer's perspective, longer working lives mean there are opportunities to retain specialist knowledge and expertise in the workforce for longer. However, it can also mean reconsidering aspects of job design, from offering flexible working hours to redesigning skill sets and working environments.

Aon's recent financial wellbeing and DC pensions research *'Living the Dream?'* found that around half of workers now expect to work part-time before leaving the workforce. More employees than ever before are also now opting to remain in work beyond the age of 65. Office for National Statistics (ONS) figures released in August 2018 show that there were 1.23m over 65s in the workplace between April and June 2018 — an increase of 64,000 over the same time period last year.

## When you reach retirement age do you think you will...?



Source: *Living the Dream? Aon DC Pension and Financial Wellbeing Survey 2018*

Personal preference will be a major factor in individuals' decision to stay in employment, but three key pieces of legislation have also contributed to the change in working patterns. In 2011, the default retirement age was abolished, and since 2014 all staff have had the right to request flexible working. The introduction of at-retirement reforms in 2015 mean that anyone over 55 can now use their pension savings in a variety of different ways, including supplementing reduced working hours.

Employees might have more choice over when and how they retire than ever before, but the extent to which they can exercise that choice depends on their financial and broader wellbeing. For example, Aon's research also found that 38% of those traditionally thought of as approaching retirement have unpaid credit card debt at the end of each month, higher even than those who are earlier in their careers (32%).

Being able to answer the question 'how will I fund my retirement?' should be a priority for employees of any age. However, as staff get closer to retirement, a clear picture of what their wealth means in terms of income for the rest of their life is vital.

Supporting staff who are considering retirement means having answers to some very specific questions:

### 1. What are my employment options?

Personal choice will play an important part in deciding whether to work full-time, part-time — or to stop working altogether. But this will also be affected by an individual's financial needs and an employer's flexibility when it comes to working hours and job design. Start conversations with employees early so that there is plenty of scope to seriously consider flexible or part-time options, and to equip employees with the financial support they need to make decisions about their retirement.

### 2. Can I mix pension withdrawals with part-time earnings?

Employees can decide to take their pension as cash, invest in drawdown or buy an annuity at any point over the age of 55. Some of these decisions are irreversible and should not be taken without proper support. There can also be substantial tax implications to combining income from part-time working with pension withdrawals, which could affect the value of employees' overall savings. Once a worker has started to make withdrawals from their pension pot, they will also be limited to maximum further pension contributions of £4,000 (2018/19 tax year).

### 3. When can I retire fully?

Workers are likely to have a patchwork quilt of pension savings accumulated over the course of a working life which can make it difficult to understand exactly how much they will have to live on in retirement. Offer online tools, financial guidance or advice to help staff get a full picture of their finances and those of their partner, if appropriate, so they can build a realistic journey plan for the future.

### 4. How can I stay in work for longer?

Flexible working can help employees avoid physically demanding peak hour commutes and plan their working day for maximum productivity. There is also no reason why career progression, learning and development should cease for part-time or older workers. Moving to a part-time role can be an opportunity to re-train someone into a less physically demanding role and build new skills while retaining their expertise.

### 5. How will I cope with changes to my working life?

Retirement is a major change of circumstance, even if it happens gradually. For some employees, that's a cause for celebration — but it can also raise anxieties. Social relationships may change as employees spend less time in the workplace and more time at home. There's also the question of how to fill the time that was once occupied by work. Consider offering retirement support guidance that can help employees make sure they've thought through the mental wellbeing aspects of retirement, as well as the financial and physical ones.

To learn more about what employees are thinking when it comes to their financial wellbeing and pensions, visit [aon.com/dcpensionsuk](https://aon.com/dcpensionsuk) to access Aon's latest research report 'Living the Dream?'

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To find out more, contact [talktous@aon.com](mailto:talktous@aon.com) or visit: [aon.com/dcpensionsuk](https://aon.com/dcpensionsuk)



**Sophia Singleton**  
Partner and Head of DC Consulting, Aon

+44 (0) 1372 733674  
[sophia.singleton@aon.com](mailto:sophia.singleton@aon.com)

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