

The case for better communications

Aon senior consultant Karina Klimaszewski says employees need better access to financial information to make the most of their savings

Why should schemes spend time on defined contribution (DC) communications? After all, most members invest in the default fund, at a contribution rate set by their employer. They already receive an annual benefits statement to show them the value of their savings and are responsible for taking care of their own decision-making at retirement. So, why go beyond the basics?

Few schemes will take quite such a stark view of member communications, but Aon's *DC Pension and Financial Wellbeing Survey 2018* shows two-thirds of staff want more information and support when it comes to their financial situation.

The research explored the financial wellbeing and pensions savings habits of 1,000 UK employees with access to DC schemes. It found 59% of workers believe they are not saving enough for the future, with those in their mid-career particularly concerned. Improving communications could really help members save more effectively by raising their contributions and developing a better understanding of the relationship between their pension savings and standard of living in retirement.



Higher contributions vs other financial priorities

The good news is that over a quarter of respondents (28%) said nothing was preventing them from saving more into a pension. However, other employees will be less able to increase their contributions. For example, 39% feel that outstanding debts are preventing them from putting aside more for retirement each month. And throughout individuals' working lives, other priorities such as getting on the housing ladder or supporting a young family might limit the amount they can spare for their retirement.

Staff at different life stages may need different prompts to encourage considering a contribution increase. Aon found workers in the early stages of their career are more likely to feel optimistic about their finances

than older staff. However, they do not see pension savings as important. By mid-career, retirement is their second-most important savings goal, although still only 36% of respondents say it is a priority for them.

Predictably, when staff get closer to the end of their career, retirement becomes their most significant savings goal. However even in this age group, only 52% of respondents are saving specifically for retirement – and 37% of those approaching retirement still do not have a plan for their savings.

Schemes can use some of these insights to ensure communications really resonate with members. Harnessing the financial optimism of early-career staff can encourage them to build retirement savings habits that last a lifetime. The mid-life MOT can give a much-needed boost

to workers at a point in their lives when they are feeling less confident about their finances. Ensuring staff reach the end of their career fully informed about their choices and know where to go to get further advice is essential if they are to make the very most of their savings.

But schemes also need to be realistic – members have many other financial priorities and concerns at different points in their lives. Communications that encourage members to feel in control of their finances and explain how they can improve them for the future will bring greater benefits than simply making people feel fearful about under-saving.

Pension savings and retirement income

Aon's research found that six out of ten employees want to know more about their potential income in retirement, based on their pension savings to date. Half also wanted to know the total value of their fund, and 40% were keen to understand how the State pension will contribute to their finances.

Although much of this information is already included on annual benefits statements, these findings show members may be struggling to find it or cannot easily understand it. There are many ways to bring this to life for members, from creating more accessible benefits statements, to using other channels such as apps to help members get to grips with what the figures mean for their retirement.

Communications that help members understand how pension savings support their financial wellbeing throughout their working life will encourage everyone to build the best possible pot for the future. ■

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