Close Brothers

Driving financial wellbeing

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

The Lifetime Savings Challenge 2017

About Close Brothers

Close Brothers has been helping the employees of some of the UK's best known organisations to understand and make the most of their benefits and lifetime savings for over 45 years.

We are passionate about helping people improve their finances and recognise that they can benefit from financial education throughout their career. Whether you want to add support for those planning to take their pension, improve financial wellbeing as part of your wider strategy or engage new joiners with the importance of saving for the future, our financial education inspires people to take control of their finances immediately and for the future.

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Foreword

Jeanette Makings,
Head of Financial Education at Close Brothers

Employee wellbeing not only affects individuals, it also impacts business performance. It is therefore hugely welcome that the importance of financial wellbeing is beginning to get the recognition that it deserves from employers. Research we carried out earlier this year in conjunction with the CIPD revealed that money worries have affected the ability of one in four workers to do their job. One in ten said they have found it hard to concentrate or make decisions at work due to money worries, and 19% have lost sleep worrying about money. All of these impact workplace productivity.

Central to financial wellbeing is the ability to save for life-events such as buying a house or preparing for a new baby, while also saving for retirement. This challenge isn't just about the amount needed to be saved, it is also about where that money should be saved and how to review and manage changing priorities over time. The industry is geared up to promoting and communicating savings products but not to helping people to make qualitative decisions between different types of product.

Outside of financial advice, there are only a few financial educators who will explain how to evaluate where to put that extra £50 per month between paying off debt, saving into a pension, share plans, ISAs, cash deposits and other investments. This is the challenge that individuals now face. This report aims to not only assess the current state of savings amongst UK employees, but to then be able to identify the means by which this can be improved from both the employee and employer perspective.

People have a range of money worries; short, medium, and long-term. And while we broadly see that savings habits are being formed, the concern is that they may not be effective or flexible enough to meet individual needs. It's all well and good to put money aside, but different financial goals demand different savings vehicles, and these goals and priorities vary from individual to individual, depending on their life stage and attitude to risk. It is evident that there is much work to be done to build up employee confidence in making savings decisions and help inform the savings choices available to them.

There is certainly a discussion to be had about the role of the employer in this. The Financial Advice Market Review and the introduction of the pension advice allowance and relief indicates the government's intention that the workplace is a preferred route to deliver education, guidance, and advice. There is much talk about robo-advice and the significant development of online solutions, but engagement is key and as this report highlights, people are a lot more receptive to face-to-face interaction. Employers are perfectly placed to reach and influence large numbers of people across the UK. The fact that via salary and benefits they also offer the means for people to save and that they are a trusted source, makes them uniquely placed to help employees to face and master the savings challenge.

And it isn't just employees that will benefit. Employers that offer support to their staff will find their workforce happier, suffering fewer money worries, and being significantly more productive. It's a win-win.

Close Brothers

Driving financial wellbeing

PLSA foreword

Nigel Peaple
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Low levels of saving amongst a large proportion of the workforce are preventing many people from accumulating the assets they need over their lifetime. Financial education is one of the ways in which employers can help people to make positive savings decisions. It is encouraging to see that almost two thirds of employers believe that it is their responsibility to help employees to make the most of the benefits packages they offer.

Education alone though, is insufficient to improve employees' financial wellbeing. Although it can be a powerful agent of positive change, education needs to be delivered at the right time and in the right way, if it is to have the maximum impact.

The research presented in this report offers a valuable insight into these issues and raises important questions about the role employers can play in helping employees to be financially prepared for working life and retirement.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

Executive summary

Chapter 1. Articulating the lifetime savings problem

There's a clear savings crisis amongst employees. A third (33%) are saving less than £50 a month, which includes one in five (20%) who admit to not saving anything at all.

29% of employers who believe their employees don't have sufficient long-term savings think that one of the main reasons is that they **simply can't afford to save.**

However, employees also lack the knowledge and confidence to save appropriately. **Only two fifths (40%) of employees are confident in their ability to choose the right financial product** to help them achieve their savings ambitions, so 60% may be making mistakes in their savings choices, which could have a significant impact in helping them achieve their short, medium and long-term goals.

Those aged 18-34 save more on average per month than their older counterparts, putting £287 aside compared to £256 (35-54) and £258 (55+). Although the younger demographic may be less likely to have hit their peak income, savings goals such as a house deposit provide motivation for monthly saving discipline.

Gender is a huge issue when it comes to saving, both into pensions and more widely. **Women are saving nearly a quarter less than men in non-pension saving (£221 vs £305 per month), a difference of over a thousand pounds a year.** Additionally, the average amount in a female worker's workplace pension scheme is less than half that of their male colleagues (£53,000 vs £120,000).

Chapter 2. Roles and responsibility in tackling the problem

Financial education is becoming more widespread. Around half of UK employers (48%) say they already offer financial education, with 20% planning to introduce it in the next twelve months. A further 7% say that they will do so in the next 3 years.

But when it comes to the issue around long-term saving, **only around a third of employers (32%) think that it is their responsibility to help their employees access advice on how to achieve their savings goals.** This is in spite of the government's new £500 employer-arranged pensions advice tax exemption.

Worryingly, we find that **three quarters (75%) of employees say that their employer has not provided any financial education to help them understand what savings choices exist** and what's best for them.

However, **of those employees that have received financial education, over a third (35%) said that it had been useful in guiding their savings decisions** and that they had supplemented it with other sources of advice. The same number (35%) said that it had been useful in guiding their immediate, medium, and long-term saving decisions.

It is encouraging that **around one in six (17%) said that the education that they received through their current employer has been instrumental in guiding their long-term savings decisions.** But this does also mean that there is a long way to go and it would be interesting to understand the proportion of the education that looked across savings products rather than solely focussed on a single method such as a pension.

Chapter 3. The engagement challenge

While employers are seventh on the list of most trusted sources of financial guidance or advice, **59% of employees trust what their employer says about their workplace pension, share plans, and other savings tools.**

And when guidance or advice is offered, it is essential that it's delivered via a channel that has impact. **Nearly two thirds (63%) of employers cite face-to-face guidance** as the best way of boosting understanding of personal saving and engagement amongst employees, and 57% of employees prefer to receive financial education face-to-face. **While employers may find online provisions easier to implement, its lack of effectiveness means that both the company and employees are being short-changed.**

Employers think that it is those approaching retirement (33%) and those in a DC pension (29%) that would feel the greatest benefit from financial education in the workplace. But only one in five (20%) think that graduates would benefit most and 15% think that it's those working part time. **Each demographic has its own challenges, and so a successful financial education strategy needs to not only identify those at risk, but sufficiently tailor the programme to ensure it reaches all employees effectively.**

Overview: Why should employers worry about cracking the lifetime saving conundrum?

It is understandable that many savers feel overwhelmed and ill-informed about how to successfully plan for their financial future. A decade of low interest rates, the shifting nature of the job market, rocketing housing costs outstripping stagnant wage growth, austerity impacting workplace benefits, and seismic changes to pensions have all combined to create an environment where many savers see savings goals such as a house deposit or funding retirement as unachievable.

Financial stress is carried into the workplace, and so an employee's financial welfare is not simply a personal issue - it is a critical issue for employers. Poor financial wellbeing affects behaviour and performance, whether through absenteeism or reduced concentration, which in turn can lower productivity and hit the bottom line. Barclays revealed that for every £1 million an organisation spends on payroll, there is an estimated four per cent loss in productivity due to poor employee financial wellbeing.[1]

Poor financial wellbeing affects behaviour and performance, whether through absenteeism or reduced concentration, which in turn lower productivity and hit the bottom line.

Saving and planning is fundamental to addressing financial wellbeing. Over the course of recent years, a number of policies have been introduced to encourage long-term saving. Auto-enrolment is perhaps the flagship government policy, triggering more than 8 million employees to save.[2]

However, policy change has also brought complexity. The introduction of the pension freedoms has added new layers of decision-making throughout the savings journey as well as choice at retirement. The creation of the Help to Buy ISA, followed by the Lifetime ISA (LISA), the Innovative Finance ISA, and not to mention changes to the personal savings allowance, have provided a bewildering array of additional saving methods for consumers.

It is often suggested that younger people aren't saving, but this research shows that in fact they are putting more aside in non-pension savings than their older counterparts. But the key is where they are saving; as the range of savings options increases, so does the likelihood of confusion among employees of all ages. Should they prioritise reducing debt, short-term savings, or funding retirement – and which financial product is the best fit?

This is where the role of employers is vital - helping to educate their workforce to improve awareness of their options and enable informed, confident decision-making. Doing so will not only benefit their employees but reduce the impact of poor financial wellbeing on their own business' performance, boosting retention, productivity and morale.

The report seeks to establish what action employers are currently taking, and where this can improve. We examine just how financially prepared employees actually feel about their savings, comparing the experience of employees with employers' perceptions and actions to see how the provision of financial education and wellbeing strategies can improve.

[1] Barclays, 'Financial Well-being: The last taboo of the workplace?', 2014
[2] The Pensions Regulator, 'Automatic enrolment passes the eight million milestone' 11th July 2017

Articulating the lifetime savings problem

1

Against a backdrop of radical change in the pensions and savings industry, rock bottom interest rates, and product innovation, employees are not confident they are saving enough or that they are saving effectively into products that best suit their circumstances, and this is harming their financial wellbeing.

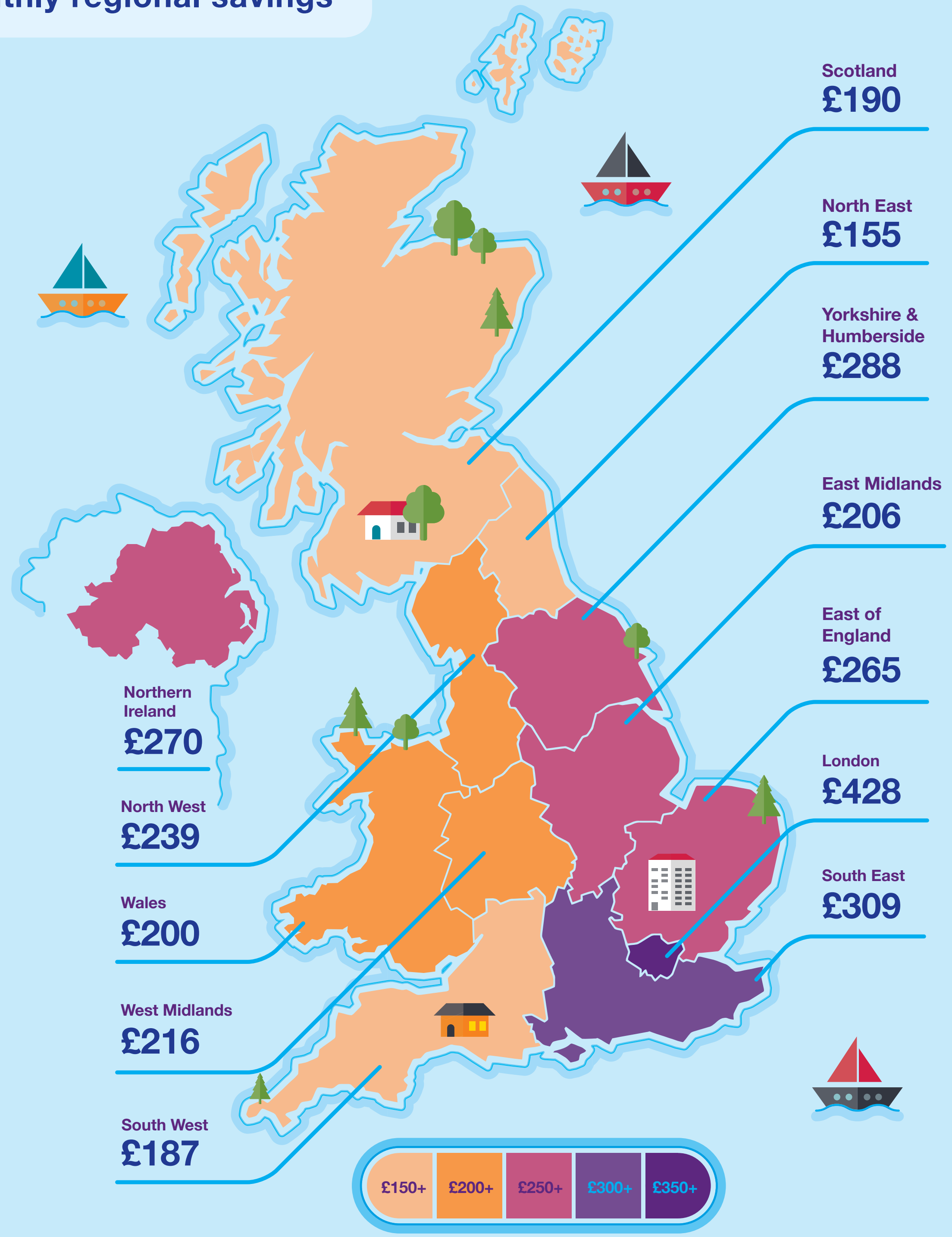
The savings state of play

On the surface, the savings behaviour of UK adults does not seem to be in dire straits. The average employee sets aside £263 per month in savings (excluding workplace or personal pensions). On closer examination, this figure obscures the huge number that are not saving adequately. Nearly a third of employees (33%) are saving less than £50 a month, which includes one in five (20%) who admit to not saving anything at all.

There is also a worrying gender divide in non-pension saving, with women saving nearly a quarter less than men (£221 vs £305) per month, a difference of over a thousand pounds a year. Those that are working part-time find this a big struggle, with this group only managing to save on average £165 per month.

Savings also vary by age group. Those aged 18-34 save more on average per month than their older counterparts, putting £287 aside compared to £256 (35-54) and £258 (55+).

Monthly regional savings



Annual saving of male and female employees

Although the younger demographic may be less likely to have hit their peak income, savings goals such as a house deposit provide motivation for monthly saving discipline.

On a regional level, unsurprisingly, given the salary variation across the UK, London employees put the most aside, with an average monthly saving of £428, dwarfing that of employees in the North East at £155, the South West at £187, and Scotland at £190.

Savings priorities

Savings priorities clearly change as employees progress through different life stages. For instance, saving to secure a desired lifestyle in retirement tops the list of savings priorities amongst those aged 35-54 (34%) and those aged 55 and over (50%), but it falls to just 20% amongst those aged 18-34. Given that younger savers are topping the savings league, this is an indication as to how they are distributing those savings and that they are perhaps not sufficiently balancing their short, medium, and longer term priorities. Those in the youngest age bracket are prioritising saving for short-term events such as holidays (34%) or big ticket purchases (13%), paying down debt (25%), and house purchase (33%).

The reasons for these priorities are understandable. But failing to begin long-term saving early risks the millennial generation being woefully underprepared for their later life, missing out on the distinct advantage they have which is time and the benefits that it can make via the miracles of compound interest, and long-term investment returns.

It is important that these changing priorities in the savings life-cycle are understood and that people recognise the trigger points for reviewing and then changing their savings behaviour.

This goes hand in hand with ensuring that employees are choosing the right savings vehicles to support their short, medium and long-term goals. At the moment, this appears to be an area that requires significant work. Only two fifths (40%) of employees are confident in their ability to choose the right financial product to help them achieve their savings ambitions. Women are significantly less confident than men in making this decision – 36% vs 45%.

This is worryingly consistent across most groups, suggesting a widespread need for financial education or for those employers that already provide this, a need to review the nature and scope of what that education is addressing.

Top 5 saving priorities

- **35%** To have enough money to ensure I have the lifestyle I want in retirement
- **30%** A holiday
- **22%** To pay off a mortgage
- **18%** To pay off debt (e.g. credit card, student loan)
- **15%** To take early retirement

Failing to begin long-term saving early risks the millennial generation being woefully underprepared for later life

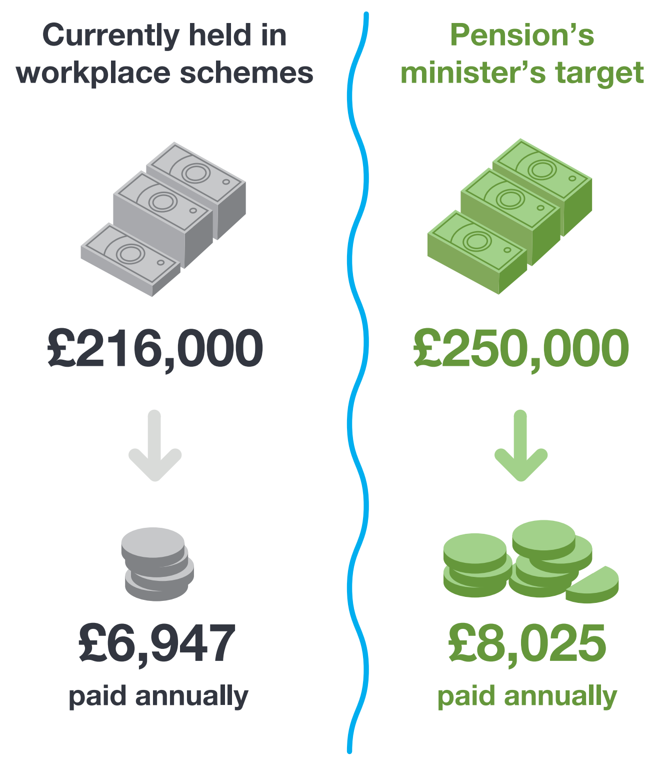
Pension contributions

Despite its popularity as a priority, the current level of pension saving suggests many may be left with a funding shortfall in retirement. On average, employers confirm that just two in five (44%) of employees contribute more than the minimum required by auto-enrolment to their workplace pension. Amongst those employees that know how much they pay in, the average contribution is 6.7%.

Those approaching retirement have on average £216,000 held in workplace schemes which is far short of the Pension Minister's target of £250,000 for those retiring. While this seems like a substantial figure, if it were used to fully fund an annuity it is likely to produce a retirement income of approximately £6,947 per year.[3]

The gender divide is also clear in pension saving. For those with savings, the average amount saved in a workplace pension is £89,000 across all age groups, the figure for female employees is less than half that of their male co-workers (£53,000 vs £120,000). The part-time struggle is also clearly evident, with those that work part-time on average having £72,000 in their workplace savings, significantly below the national average.

Savings held in workplace schemes by those approaching retirement

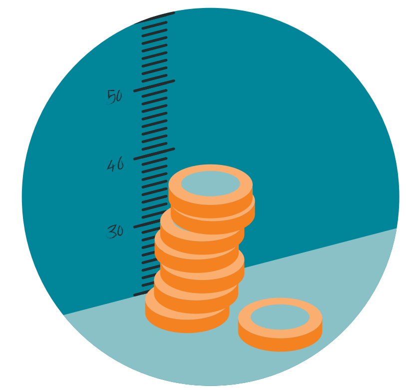


[3] Money Advice Service Annuity Calculator as at October 2017 (annuity based on; 65 years old, 5 year guaranteed, 3% per annum increases, normal heath, 50% spouses)

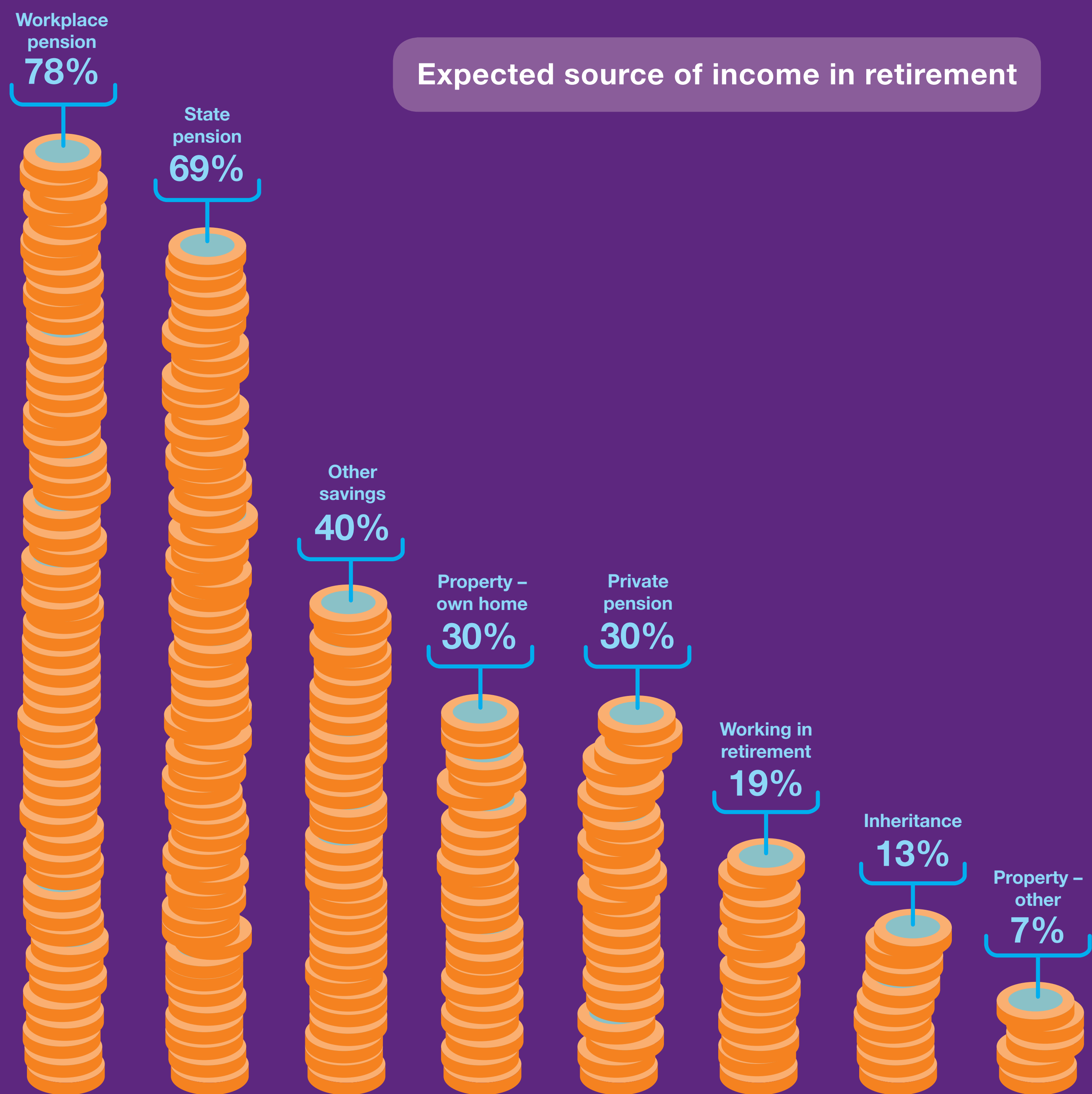
Employee preparedness

Overall, there is a very real sense that employees are worryingly ill-prepared when it comes to retirement. Employers recognise the issue, with 60% agreeing that some of their employees don't have sufficient long-term savings, including pensions. On the ground, we find that around a third of employees (34%) admit to not being confident when it comes to their ability to save for lifetime goals and they appear to be pessimistic about their financial security in retirement.

One in five employees (19%) expect to still work in retirement, and somewhat worryingly, this rises to more than a quarter (27%) amongst those aged 55 and over. The figures reveal that 13% are pinning their hopes on inheritance to give them a financial boost, while 26% of employees say that they simply haven't started saving for retirement. This can cause issues for employers too, as the inability of staff to retire in turn can cause a bottleneck in their workforce.



34% of employees appear to be pessimistic about their financial security in retirement



Failure to save – the cause

As we try to understand some of the reasons behind this lack of preparedness, 29% of employers that say their employees don't have sufficient long-term savings think this is because they simply can't afford to save. Just under a quarter (24%) think that their employees are just not interested in saving and 23% think that they don't understand the consequences of not having long-term savings.

However, in contrast, lacking a clear plan and goals is a clear issue for employees. Of those that feel unprepared for retirement, more than half (55%) say that it's because they simply don't see how they can amass enough wealth to enable them to have the lifestyle they want in retirement. Around a third (36%) said that it was because they didn't know how much they needed to save to be financially prepared, while less than a third (31%) are confident that they would know where to go to find the most suitable plan for their needs.

What employers think about why employees don't have enough long-term savings...

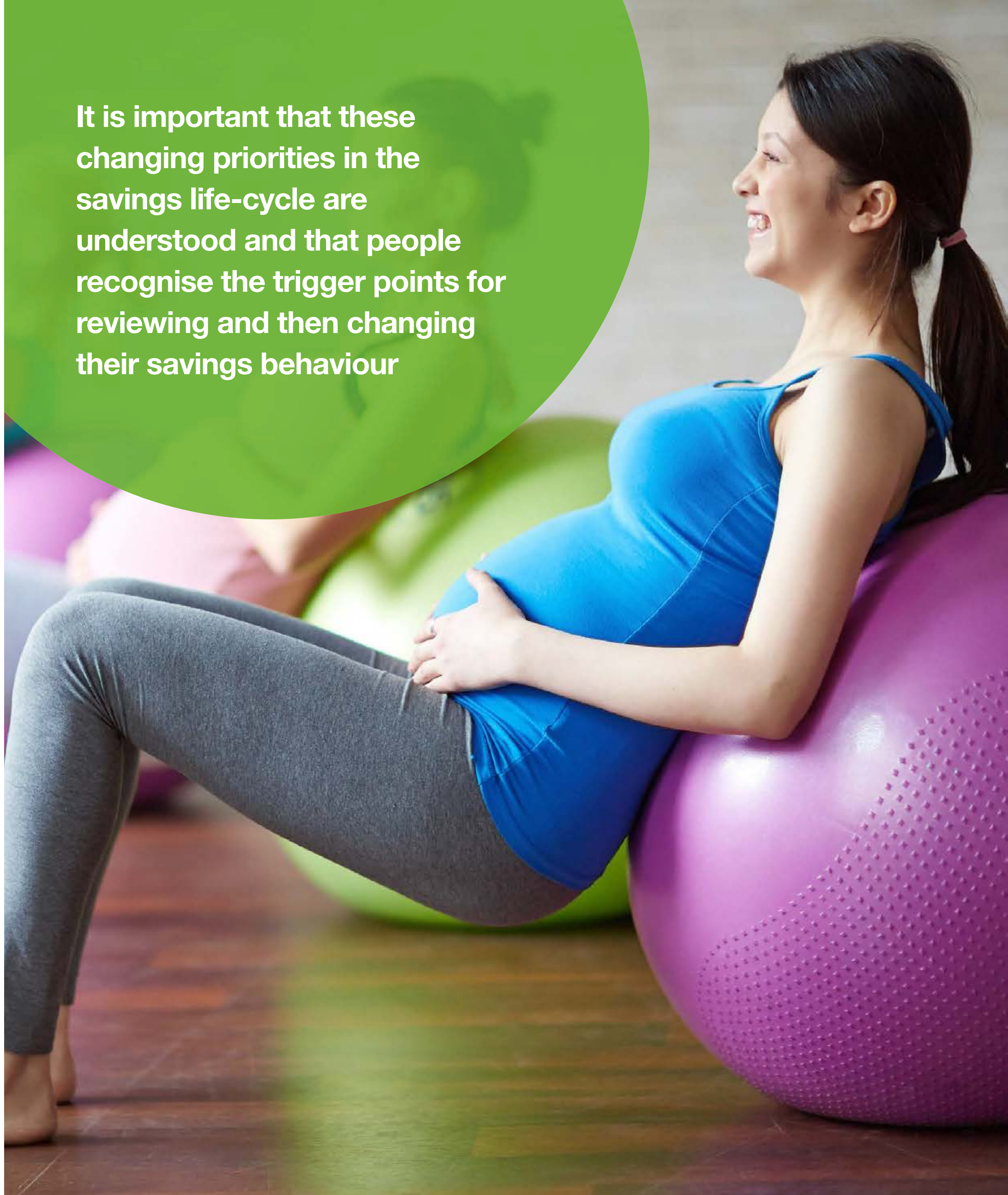
Failure to save – the impact

Employees are aware of the impact that not saving can have. They identify inadequate income in retirement (55%), needing to work longer (52%), and lower quality of life (51%) as the biggest dangers of failing to make long-term savings. Around a third (31%) cited having to rely on the State in later life and one in five identified a lack of choice if long term care is required. Unsurprisingly, inadequate income in retirement was significantly more of a worry amongst those approaching retirement (65%).

29% of employers believe failing to have enough savings for later life will increase stress levels

And this failure to save doesn't just impact people's long-term financial health, but also their present day emotional, physical, and mental health too. Failing to have enough savings for later life will increase stress levels according to 29% of employers, and one in five (20%) think that it will lead to an increase in health issues due to money worries. Additionally, around two-thirds (65%) of employees agree they perform better at their job without money worries, with only 6% disagreeing.

It also impacts the bottom line, with 17% of employers saying that money worries leads to higher absenteeism among their staff, 16% that it will lead to lower productivity, and 13% worry that it contributes to worse decision making at work.



It is important that these changing priorities in the savings life-cycle are understood and that people recognise the trigger points for reviewing and then changing their savings behaviour

Picking the right product at the right time

Picking the right strategy, at the right time, to support financial and lifestyle goals is vital. We have looked at three potential scenarios to outline appropriate approaches for different situations, and illustrate the importance of financial education.

These hypothetical case studies are provided for illustrative purposes only and should not be considered investment advice.

NAME/AGE: Jane, 22

LIFE STAGE: Recent graduate

INCOME: £25,000 starter salary

GOAL: To save for a house deposit

The detail: Jane's net income will likely stand at £1,690 per month, after tax and national insurance. If we assume that Jane will be looking at saving over at least a five year period, and receives no familial assistance, there are two good options. Saving £4,000 of her annual salary into a Lifetime ISA would mean she would utilise the full allowance, and secure £1,000 government contribution each year. Secondly, she should consider her company share scheme. Not all companies provide this option, but for those that do, these provide a medium-term method of saving to build capital that is not available outside of the workplace and may suit her needs, as long as she is aware of the terms involved with this type of savings vehicle.

NAME/AGE: Parit and Priya, 30's

LIFE STAGE: Newlyweds

INCOME: £65,000 joint income

GOAL: As they start a family, Priya would like to leave her employment to look after their children full-time

The detail: Reducing their net income will impact financial flexibility, and is likely to reduce the ability to save for a period of time as the couple also absorb the cost of children. Stopping work will also mean Priya's pension will be frozen. During this period, they should consider fixing their mortgage to provide stability, and despite pressure on Parit's net income, maintain pension savings to a level to ensure the maximum contribution from his employer. Despite making no contributions to Priya's pension, they should continue to review and monitor the performance of her pension. Finally, income protection and/or additional life cover may be appropriate, given the household's reliance on a single income.

NAME/AGE: Colin, 62

LIFE STAGE: Approaching retirement

INCOME: £70,000 with children in university

GOAL: Colin has paid off his mortgage, but wants to ensure he can continue to support his children in university, and fund an enjoyable retirement

The detail: Colin's approach should focus heavily on controlling his lifestyle, allowing for a greater level of medium and long-term saving. He boasts a reasonable disposable income, which can easily be eaten up by tuition fees, entertainment, holidays and big ticket purchases. As he approaches retirement, increasing pension contributions are likely to offer the most effective form of savings. As a higher rate tax payer, Colin is eligible for additional pension tax relief, bolstering his contributions further. His saving into the company share scheme could also be maximised, as he would be treated as a good leaver at the point of retirement, meaning his shares may be available tax free.

Roles and responsibility in tackling the problem

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So while there is clearly a gap in employees' knowledge and a real dearth of confidence when it comes to navigating the lifetime savings landscape, there is no consensus as to where the responsibility lies to improve the situation.

The earlier people receive financial education the better. Research from the Money Advice Service has found that money habits are formed by the age of seven, while the All-Parliamentary Group on Financial Education for Young People called for primary school children to receive age-appropriate lessons in financial education. This is a popular view. Two thirds of employees (63%) believe school is the most important place to start receiving financial education and 70% of employers think that the government should do more to increase financial education in schools.

But once people reach the workplace we find that employers are best placed to take a leading role. Around two thirds of employers (65%) think that the responsibility for improving employee's financial wellbeing should be shared between employers and employees themselves, and a similar proportion (63%) think that it's their responsibility as an organisation to offer the most suitable benefits and to help employees to understand and make the most of them.

However, it's clear that employers do not feel they should bear the burden of responsibility alone. Nearly two thirds (64%) think that the government should provide more assistance for employers through tax relief or funding for workplace support or via dedicated advice organisations such as Pension Wise.

But when we look at saving more specifically, only around a third of employers (32%) think they have the most responsibility to help their employees access advice on how to achieve their savings goals. Around half (48%) think that this lies with the employees themselves and one in five (20%) put this at the feet of the government.

In contrast, the vast majority (91%) of employees think that the responsibility for helping them access advice on how they achieve their savings goals lies with themselves, with only 5% saying that it was the responsibility of government. Just 3% said that they felt responsibility lay with their employer.

64% of employers think that the government should provide more assistance for employers

However, the provider marketplace is not geared up to helping employees to assess the savings landscape; providers are there to promote their own products and even the better comparison websites only compare similar savings products – they don't compare across the breadth of different savings methods.

Part of the challenge therefore, is to encourage the provision of independent financial education and guidance in the workplace that looks at savings as a whole, rather than by product type.

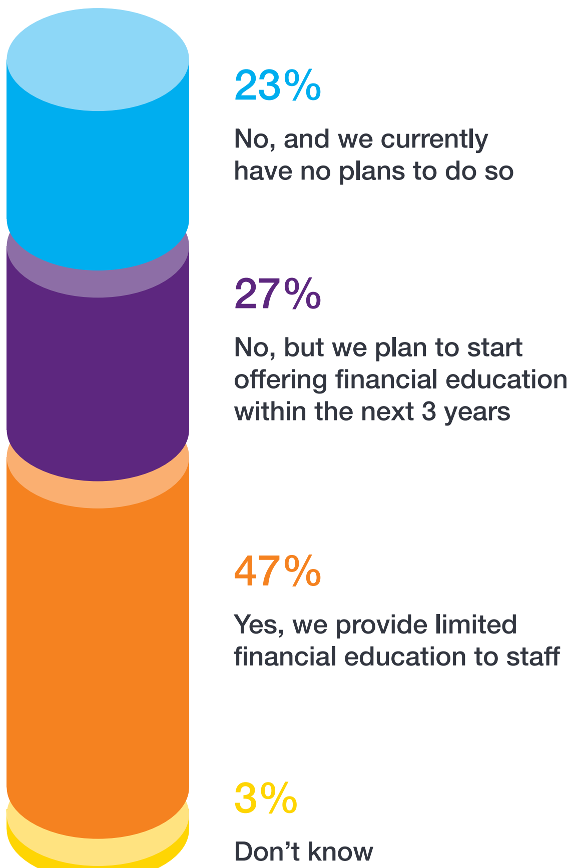
How widespread is financial education?

As firms increasingly recognise the positive impact of a financially educated workforce, financial education programmes are becoming more widespread. Around half of UK employers (48%) already offer financial education, with 20% planning to introduce it in the next twelve months. A further 7% say that they will do so in the next 3 years. However around a quarter of them (23%) have no plans to introduce it for their staff. The take-

Two thirds of employees (63%) believe school is the most important place to start receiving financial education and 70% of employers think that the government should do more to increase financial education in schools

up of financial education is mixed, but employers estimate that 53% of their employees access and use their organisation's financial education programme each year.

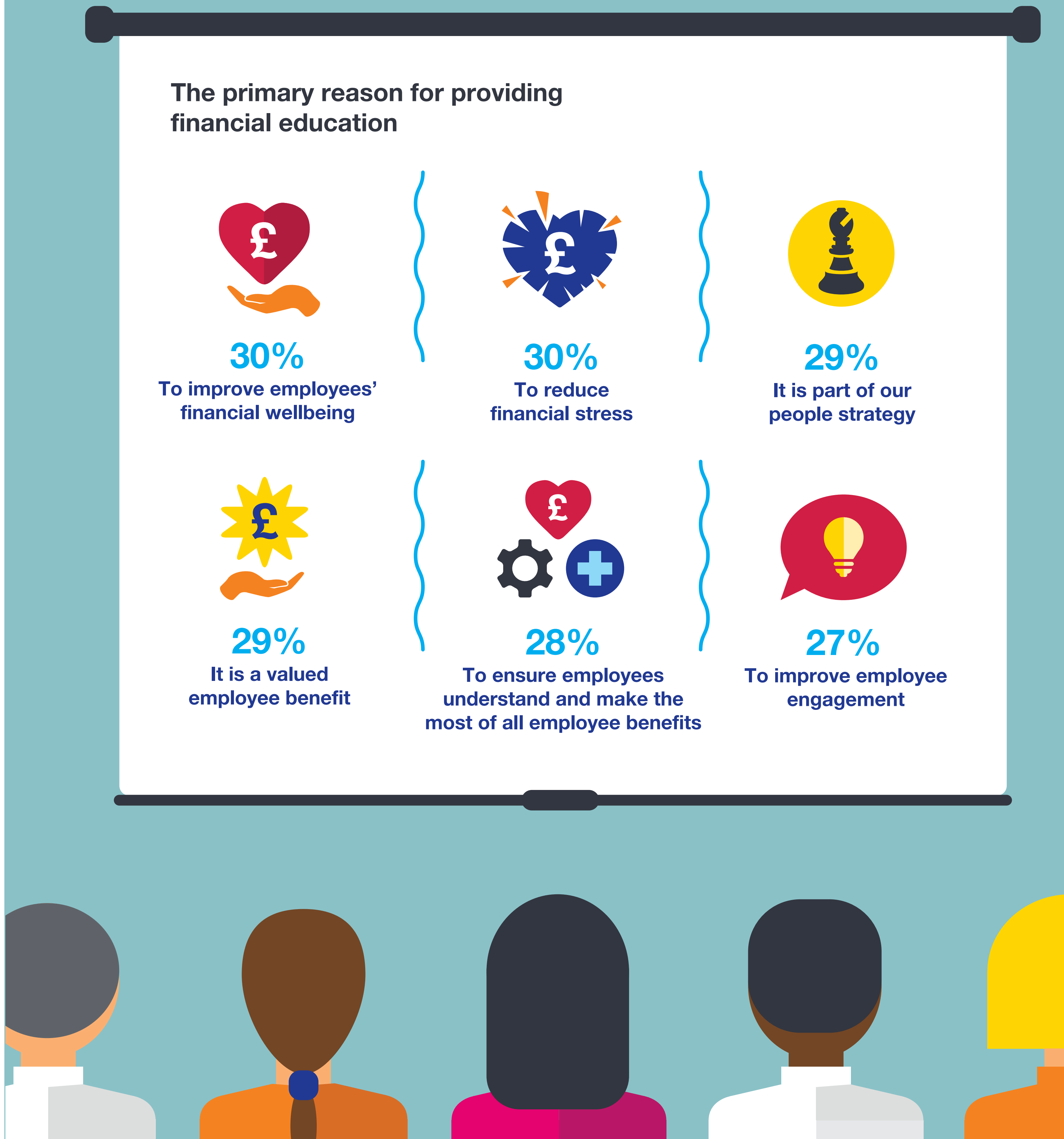
Does your organisation currently provide financial education to staff?



The view of employers contrasts with that of their employees. Only around one in five employees say they have received financial education from their employer (19%), with 9% receiving it in the last twelve months. This suggests that the use of these programmes is less widespread and publicised to all staff than employers believe.

Further gaps emerge when we look at specifically addressing the savings challenge. Three quarters (75%) of employees say that their employer has not provided any financial education to help them understand what savings choices exist and what's best for them. As such, while they may be aware of the benefits on offer within the workplace, an opportunity has been missed to enhance their savings capability.

It is also true that the product provider marketplace is often too narrowly focused when it comes to employee education. Typically, a pension provider won't talk to employees about workplace share schemes, ISAs, or other savings products. This leaves a significant knowledge gap and means that when it comes to being able to identify the right product for their own particular savings goals, employees are left wanting. If employers really want to help develop their employees' broader financial awareness, it is imperative that they actively address these shortfalls in the education that they may already have set up.

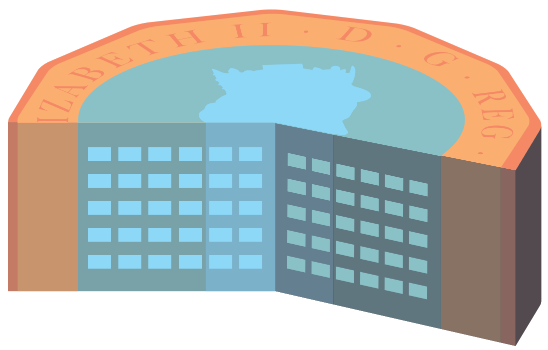


But it is evident that when it is applied, financial education in the workplace works. Of those employees that have received financial education, only 13% said that it was either too complicated to follow or was just not useful. Just over a third (35%) said that it had been useful in guiding their savings decisions but that they had supplemented it with other sources of advice and 35% said that it had been useful in guiding their immediate, medium, and long-term saving decisions.

While it is encouraging that around one in six (17%) said that the education that they received through their current employer has been instrumental in guiding their long term savings decisions, this also means that there is a long way to go and may indicate that much of the education currently provided in the workplace focusses solely on pensions as opposed to the wider savings landscape.

Financial education by sector

It is public sector employers that are most resistant to offering financial education to their workforce with 41% having no plans to introduce it



It is the financial services sector that is most engaged with employee finances, with 62% offering financial education to their workforce

Communication

While the vast majority of employers (97%) offer financial benefits to employees beyond a salary, there remains plenty of room for improvement around the more holistic endeavour of financial education; only 5% are provided with information on savings and investment products through an ongoing financial education programme in their workplace.

There is clearly a thirst for information amongst employees. Only 7% of employers have had no proactive enquiries on personal finance issues from employees over the past twelve months. Around a third of them (31%) have had proactive enquiries from employees about the company pension scheme in the past year. They have also received enquiries about employee contribution levels to the company pension scheme (20%) and whether to save into an ISA or a pension (18%).

But there also appears to be a disconnect between employer-led initiatives and their own perception of those employees that are in most need of help. While employers feel that it is those starting a family who are the group that struggle most with saving, only 2% have been contacted proactively by employees about the topic. Similarly, only 4% have been contacted about saving for a house deposit.

Even when looking specifically at those employees that are approaching retirement, only 7% said that their employer had proactively been in touch about the increase in State pension age. Only 4% of those aged 18-34 have had their employer proactively get in touch about the introduction of the Lifetime ISA (LISA).

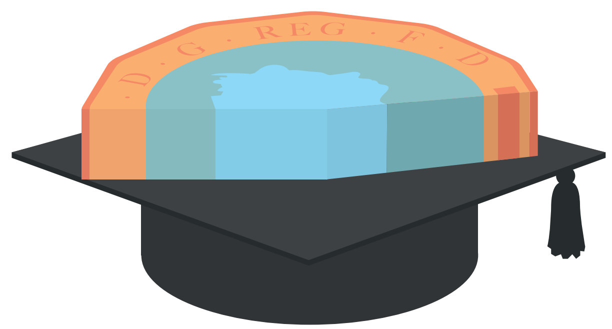
Only 7% of employers have had no proactive enquiries on personal finance issues from employees over the past year

If we want employers to be adding value, it is important that they look to engage with employees on the topics that matter most to them throughout their lifetime savings journey.

It appears that employers are even falling short when it comes to those topics that one might perceive as 'easy wins' such as legislative and regulatory changes. Only around one in ten (12%) employees have been contacted about auto enrolment and 7% about the issue of transferring defined benefit final salary pensions to defined contribution pension schemes where appropriate. With minimum auto-enrolment contributions set to rise in April 2018, it is important that employers raise awareness as early as possible so such changes don't take employees by surprise.

If we want employers to be adding value, it is important that they look to engage with employees on the topics that matter most to them throughout their lifetime savings journey. This means not just developing suitable initiatives, but ensuring that a comprehensive communication strategy is put in place so that employees are fully aware of the programmes available to them and the availability of support and guidance on specific lifetime savings issues.

Financial education paradox



Around half of UK employers (48%) say they already offer financial education

But we find that three quarters (75%) of employees say that their employer has not provided any financial education

The engagement challenge

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A key aspect of understanding the savings message relies on knowing where people are getting their information. Personal finance websites such as Money Saving Expert have emerged as the most trusted (39%), with IFAs (37%) and government organisations (30%) not too far behind.

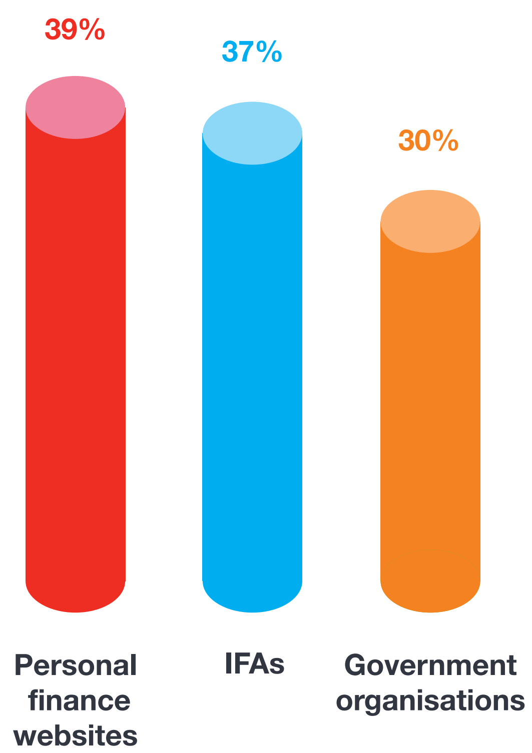
While sites such as Money Saving Expert are a great tool for current deals, tips and comparison of similar products, they do not help compare different product types and which is best for each investor. They rely on the individual to have a certain level of knowledge and understanding about the type of product that best suits their specific need, before seeking more detail. As we've seen earlier in the report, there's a significant lack of confidence for individuals in being able to make this initial step.

And in spite of employers being seventh on the list of most trusted sources of financial advice or guidance, 59% of employees trust communications from their employer about their workplace pension, share plans, and other savings.

Yet only 23% of employees feel that they could approach their employer if they were worried about their finances or have already done so, and 17% worry that if they did so, their employer would judge them.

So having established that there is clearly a role for the employer in the process, we need to identify the best means of engaging with employees about their financial wellbeing, and the further steps that can be taken to boost their financial immune system. This means developing tailored initiatives for those at different life stages, multi-channel communications to ensure all employees are reached effectively, anticipating the challenges facing them, and working with employers to make sure that these initiatives are in a format that is both accessible and digestible.

Most trusted sources of financial information

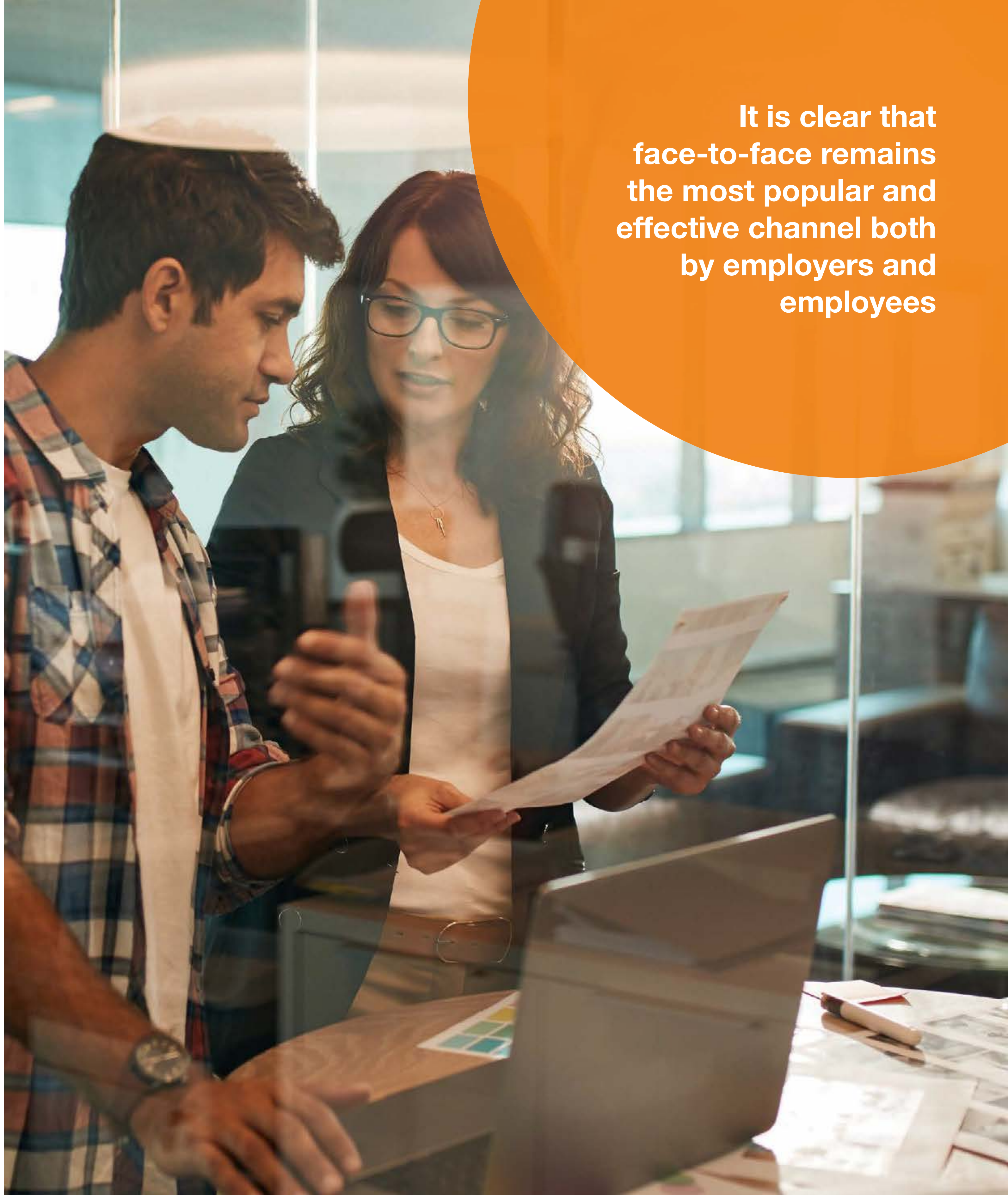


Delivering the message

For those employers that are looking to help employees get a better financial understanding, it is important to choose the delivery method that will be most impactful.

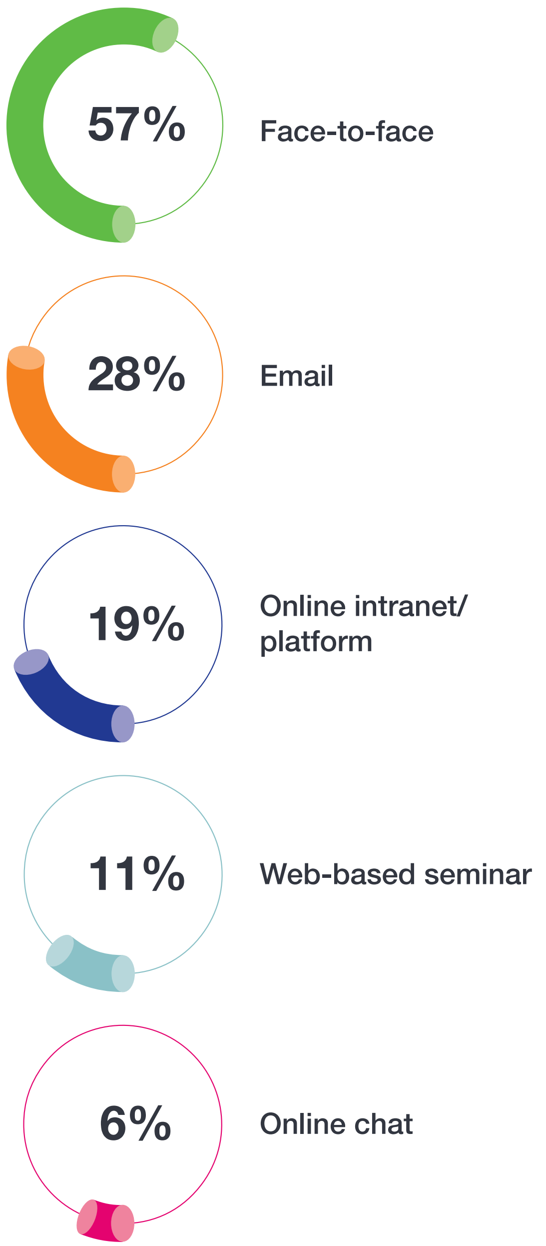
Currently more than half of employers that offer a financial education programme deliver it via group face-to-face sessions (55%), with around half offering individual face-to-face meetings (49%). Around a third (36%) offer web-based seminars and 30% via online/intranet. One in five (21%) offer it over the phone.

There has been a push towards digital transformation in the market in recent years, with robo-advice and online education platforms both claiming to reduce costs and make information more accessible. However, these are not the preferred engagement styles for employees and so they are unlikely to produce high levels of engagement or widespread improvements in financial wellbeing and as a result, these solutions may be a false economy. In a comprehensive, multi-channel financial education strategy, there is a place for online and web-based services but these



It is clear that face-to-face remains the most popular and effective channel both by employers and employees

Preferred form of financial education in the workplace

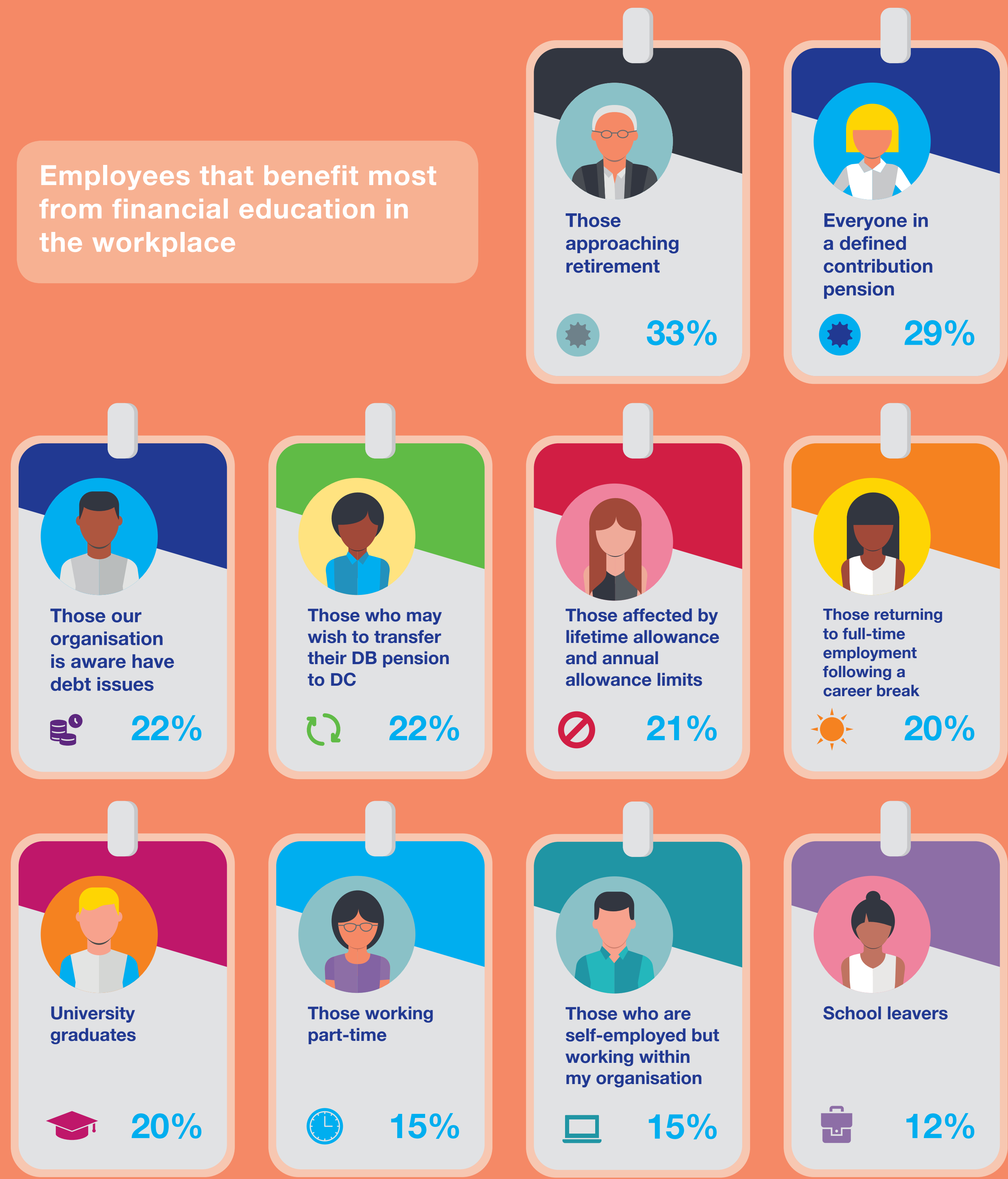


need to be alongside face-to-face. It is clear that face-to-face remains the most popular and effective channel both by employers and employees. Nearly two thirds (63%) of employers cite face-to-face engagement as the most effective way of boosting understanding of personal saving and engagement amongst employees, while 57% of employees prefer to receive financial education face-to-face.

Just over a quarter (28%) of employees state a preference for email and 25% would prefer the information to be delivered by an external third party. The preference for face-to-face delivery is consistent across all age groups.

Targeting education

When examining those people that employers feel would get the greatest benefit from financial education in the workplace, those approaching retirement are at the top of the list (33%), with those in a DC pension next (29%). Only one in five (20%) think that graduates would benefit most and 15% think that it's those working part time.



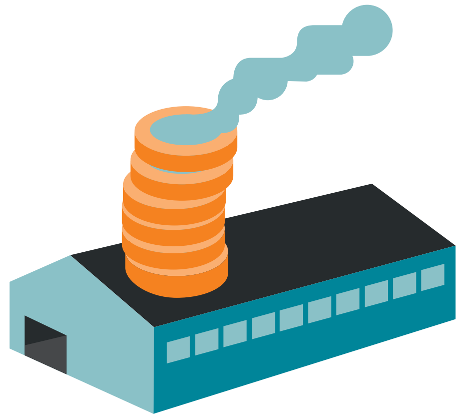
Of those employees looking to save, employers believe it is those starting a family that struggle the most to save (19%). Next are those that have recently graduated from university (16%) and those working part-time (13%). Only one in ten (11%) thought that those starting to think about retirement found saving the most challenging.

But recognising those most vulnerable and in need of help is not enough. What we really need to ensure is that employers tailor and target their financial education and wellbeing to their people; helping employees recognise their savings needs, assess savings priorities and select the right products and plans at the right time.

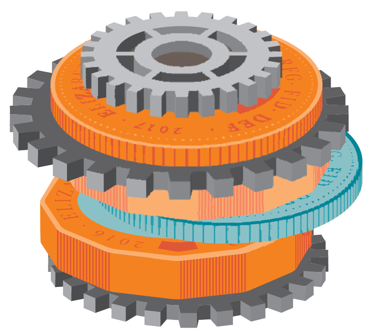
Of those employers that do offer a financial education programme, around half proactively target new joiners (49%), with 41% targeting retirees. Only around a third (34%) target graduates.

Around half (46%) of those employers that offer financial education tailor the programmes by career stage or age, with 44% tailoring it by salary level. Just over a quarter (27%) allow employees to individually tailor the programme to their needs and one in ten do not offer a tailored financial education programme at all.

Financial education in the manufacturing sector



Manufacturing is the most confident sector when it comes to employees' ability to save for their lifetime goals



Manufacturing is also the sector in which employees are most confident in choosing the right financial product to reach their savings goals

Conclusion and outlook

There are two clear messages from this study, underlining the scale of the lifetime savings challenge.

Firstly, too many employees are not saving enough to support themselves in the long term. One in five employees saves nothing at all each month, and a third are saving less than £50. The situation is even more severe for women, who are saving almost a quarter less per month than men.

Secondly, when employees do save they are not confident that they are doing so in the best way, or putting their money in the right places. We must heed the warning that only 40% of employees feel confident in their ability to choose the right financial product to help them achieve their savings ambitions.

Addressing these two issues by improving overall savings levels and increasing employees' confidence in their own decision-making must now sit at the heart of financial wellbeing design. Who will take responsibility for acting on these challenges? Schools, governments and individuals all play a part, but we need action now and the workplace is an obvious place to start.

Making sure that this help is not just confined to retirement planning is a crucial next step. While employer support might be increasing, 75% of employees still think that their employer offers no financial education.

The challenges of insufficient saving and poor understanding need a holistic approach. Programmes that only focus on a single savings product, such as pensions or share schemes, are now outdated. Employees need to have the opportunity to understand and evaluate what is best for them, as their priorities change over time.

Helping people to raise their overall standard of financial awareness doesn't have to be expensive for employers and can be done in a variety of time and cost-effective ways.

Financial wellbeing benefits everyone, with employees likely to better engage with an employer that is supporting them, and individuals equipped to meet their personal savings goals. But time is running out. If we are to avoid the lifetime savings challenge turning into a future wealth crisis, we need to take action now.

About the research

Unless otherwise stated, the data referred to within the report is based on surveys conducted amongst 1,000 employers with 200 or more employees and 2,009 employees from companies with 200 or more employees. The research was carried out on behalf of Close Brothers Asset Management by Opinium between the dates of 16 and 22 August 2017.