

# the future of pension saving and retirement

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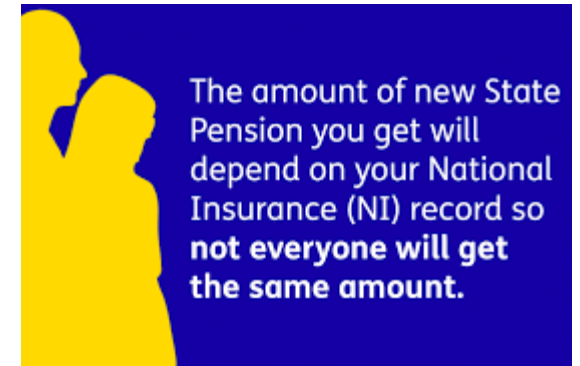
# Employer role in pensions



- Auto-enrolment
- Encourage contributions – explain benefits of pensions
- Use good scheme suitable for the workforce
- Financial education - help plan pensions and work income
- Access to financial advice - £500 tax deductible
- Auto-escalation to put part of pay rise into higher pension contributions

# information about state pension

- Help ensure full NI record
- Link to on-line State Pension forecast
- Check State Pension age
- Higher earners not entitled to Child Benefit still need to claim it or lose NI pension
- If part-time workers caring 16 hours pw should claim NI credits for state pension
- Grandparent credits available, little used



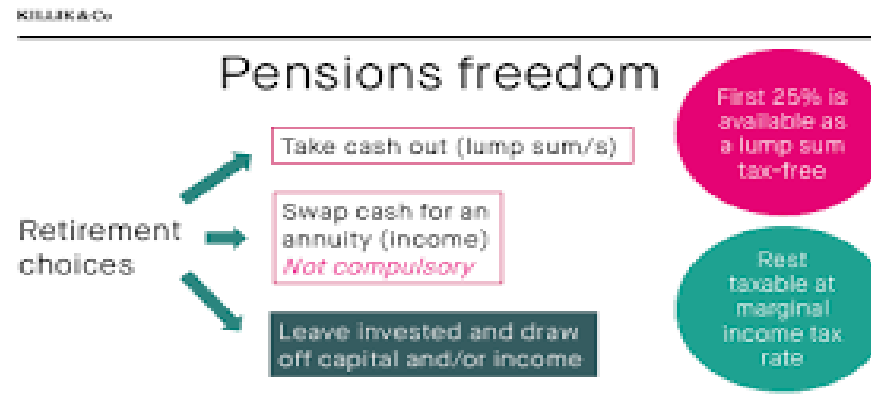
# The future of pension saving



- DC pensions are the future for private sector
- Auto-enrolment brings millions of workers into employer pensions
- But doesn't cover all – consider promoting more widely
- Good behavioural benefits – financial planning and education vital
- Freedom and choice reforms make pensions much more user-friendly
- Lifetime Pension Accounts – Growth phase, Income withdrawal phase?

# Pension freedoms

- Flexibility and choice – to help pensions fit increasingly flexible lives
- Pensions are most attractive form of saving – like ‘free’ money
- 25% bonus for basic rate taxpayers, 66% bonus for 40% taxpayers
- IHT free - last money you should spend - help with care saving or family finance
- Working longer can give higher lifetime income and larger pensions



# BUT Beware NET PAY SCHEMES



- Two types of administration for pensions tax relief – Net Pay, Relief at Source
- Net Pay schemes automatically pay contributions net of tax
- Relief at Source scheme just adds basic rate relief
- Higher earners have to reclaim higher rate relief
- BUT those earning <£11,500pa in Net Pay scheme can't get relief they're due
- Lowest earners lose 25% taxpayer bonus – pay more for same pension – blame?
- Net Pay scheme is not suitable for low earners – have you checked?

# Employer role in retirement

- Encourage and facilitate later life working
- Flexibility
- Mid-career reviews
- Ongoing training – don't overlook older workers
- Mentoring, keep in touch, part-time roles
- Prepare for care



# Older women

- Biggest risk of premature labour market exit
- Ageism or unconscious bias as well as loss of confidence
- Managing the menopause - the last workplace taboo
- Temporary health issues, recognise and support
- Networks, information, discussions
- Specific issues around caring may require flexibility





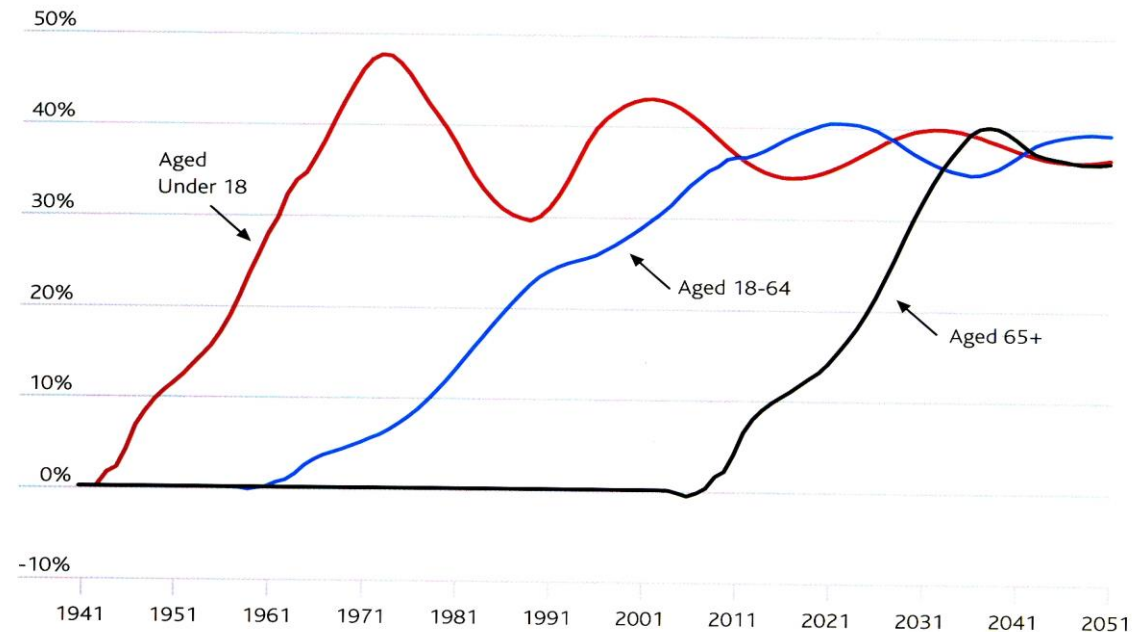
# Social care crisis

- Worse crisis than pensions crisis
- Massive policy failure
- Can employers help?
- Flexible working and carers leave
- Support groups and information
- Savings, vouchers, insurance?



# Demographics demand action Now!

- Fastest-growing segment of population is the over-85s - set to triple
- Pensions Crisis moves on to Care Crisis – NHS vs. social care
- No money set aside at national, local or individual level – massive policy failure



Source: Pensions Commission analysis based on a synthetic model of the England and Wales population

# How can we improve funding?



- There is no single solution
- Savings-based solutions – may need incentives
  - Pension withdrawals tax free if used for care
  - Care ISAs – IHT-free if not used for care
  - Workplace Savings or Insurance Plans – with auto-enrolment?
  - Care Annuities/Equity release
- Insurance-based solutions for younger workers

# Workplace help with care

- Employers could help with saving for care
- Similar principle to pensions – auto-enrolment, tax relief?
- e.g. auto-enrolment contribution/auto-escalation for care
- Eldercare vouchers use for homecare, care home or telecare?



# Retirement revolution

- Longer, healthier lives, less physical strain at work
- Retirement can be a process, not a one-time event
- Whole new phase of life for 21<sup>st</sup> Century – new social norm?
- Policy has helped by ending Default Retirement Age – manage by merit not age
- Businesses and HR catching up
- Line managers training, aim to keep more older workers



# Benefits to Business



- Retain knowledge, firm-specific skills and experience
- Maintain productivity - avoid skill shortages after Brexit
- Increase customer satisfaction and profitability
- Larger pool of talent to choose from, especially if part-time
- Staff loyalty

# Boost for economy and society

- Higher output and long-term growth if more people work longer
- Older and younger workers are not substitutes
- More older people in work, creates more jobs for the young
- Increased national wellbeing
- Reduced benefit spending
- Intergenerational cohesion



# Impact of political developments

- Most focus will be on Brexit
- Light legislative agenda for other issues
- Not much about pensions
- Don't expect new burdens from auto-enrolment review
- Consultation on social care – action is needed
- As immigration falls, later retirement could benefit economy





# CONCLUSIONS



- Auto-enrolment ensures better pension coverage, but not adequacy
- Encouraging higher contributions, promoting benefits of pensions
- Facilitating later life working
- Helping address care crisis – prepare for care
- Benefits business, individuals, economy and society
- A win-win for Britain

...THANK YOU FOR LISTENING

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