



The pensions industry is a long way from grasping what communications the public actually want and need says Alex Thurley Ratcliff, strategic consultant at Shilling Communication

Treat pensions savers as people

Thirty years ago, if you asked “How can companies help employees make the right decisions for their retirement?” you would have been faced with blank looks. There was only one sensible option – the occupational pension that most employers, public or private, provided.

Since then the landscape has changed dramatically and continues to do so. Comfortable paternalism has given way to bleak reality. Employers were quick to change because of financial necessity, but have employees changed too?

But the new paradigm of shared risk demands much more, and not less, communication input than was imagined. Seven or eight years ago, when DC schemes started to become fashionable replacements for DB, the idea that costs could be saved across the board – lower fees to set up, lower investment charges, tracker funds, bundled admin and communications – was fundamentally flawed.

If you want me to share some risk, then I need to feel that I share some responsibility too. Responsibility, ownership and engagement are linked. If you own something, you take responsibility for it. Most people take care of their house but very few take care of their retirement income! There’s been a systemic failure to engage; and while engagement can be an annoying buzzword, it really is critical to the current scenario. Even more so, as the pension landscape opens out into the wider country of retirement savings and employee benefits.

I have a bugbear about linen-clad

pensioners with white teeth skipping barefoot across tropical sands. The old adage “you’ve just got to sell it” is meaningless in today’s world. Marketers call it “the hero shot” and it’s lost almost all its currency and value.

While there are aspirational elements in communicating employee benefits, the “realness of the audience” demands a smarter, more relevant, focussed strategy. Treat me as a real person, with real connections to my needs and I start to listen. Of all business disciplines, reward and benefits should have grasped the value of the data they hold. Communication can so easily be targeted by demographics, taking into account age, lifestyle, gender, salary expectations and career path. One size does not fit all; employees need benefits that fit their perceived and actual needs. The 25-year-old has completely different drives from the 55-year-old and, quite rightly, they may be more complex, dynamic and non-traditional.

The answers found in behavioural finance and the psychology of decision-making are not a magic bullet, but they should be used to shape the reward and benefit strategies and communications for years ahead.

There are already too many myths about retirement. Our research with YouGov and others has found that most people underestimate the age they will live to and the amount they need to live on. They happily believe “I’m buying a house...” or “saving into an Isa... so I don’t need a pension” or even worse, “I’m paying the default 5 per cent into my pension so I must be alright.”

What people need is clear guidance about their goals, their ability to save and the usefulness of each savings vehicle. A pension is still one of the best, most tax-efficient ways for people to save for retirement. So how do we get people – the younger population in particular – to understand the mixture of savings options?

Questions remain. Will employers perceive it as their role to explain the complete picture? Some already do, but will other employers prefer to shift as much risk and responsibility onto the employee as possible?

Will IFAs, in a post-RDR world, find a viable market in “lower net worth individuals?” Or will advice devolve to the lowest common denominator of a few “compare the moneysupermarket.com” type websites?

Will regulators continue to draw the line at compliance-driven tests? After all, the employees had all the information...

We have had 30 years of fiddling about with broad policy. It may not be perfect yet and there are big elephants such as auto-enrolment and Nest in the room, but we need to make a transition to a new world.

We need “holistic” retirement advice, which helps people where they are – not where the actuary says they should be. One step at a time, we can build a culture of saving for retirement, of active engagement in our futures, of reward that means something now and in 40 years, creating a new financial legacy for the second half of the 21st century. Or we might as well go and work in China.

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