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Govt urged to review entire auto-enrolment system

By Jack Gray 4/8/21

The government should review the entire auto-enrolment system to help young people and low earners save for a pension, and to incentivise greater saving amongst the population as a whole, according to Cushon.

Its whitepaper, *Pensions To Be Proud Of*, stated that although auto-enrolment rules had achieved "a lot in their nine years", it was "clear" that changes were needed to help reach those "who need it most".

Cushon recommended that the government looks into changing the earnings trigger, earnings threshold and age restrictions to make more people eligible.

It also called for the simplification of the tax relief system to make it fairer and allow people to see the value they can get by saving into their pension pots.

Ex-Pensions Minister and Cushon advisory board member, Baroness Ros Altmann said: "Cushon's research shows we need to make it as easy as possible for everyone to start paying into a pension and once they are in, we need to get them engaged. And for me, this is about getting people to feel more connected with their pension."

The Covid-19 pandemic has resulted in a positive shift in attitudes towards saving, especially amongst younger people, according to the firm's research.

Its research found that people aged 18-24 were nearly twice as likely to be thinking on their future finances than focusing on just today, with the firm urging the government to explore taking advantage of this change in mindset.

Cushon recommended the consideration of employers being able to automatically enrol employees into workplace saving schemes with safeguards in place.

The suggestion follows its findings that 55 per cent of employees said the pandemic made them more aware of the importance of saving for the future, although 11 per cent said they could not afford to put additional money aside presently.

The research showed that six in 10 (60 per cent) people want to be able to view their long-term savings, such as pensions, via an app and 52 per cent said they would be more likely to save if their employer set it up for them or if it came out of their salary directly.

More than six in 10 (62 per cent) would stay in a workplace savings scheme if their employer put them in, while around one in 10 would opt out.

"It's great to see that attitudes towards saving are slowly changing for the good, particularly among young people who are now twice as likely to think about the future than the here and now," commented Cushon CEO and founder, Ben Pollard.

"But there is still much more that could be done to support those who aren't in this mindset.

"Similar to pensions prior to auto enrolment, it's clear that inertia plays a big part. We believe that the government should look to allow employers to automatically enrol employees into workplace saving schemes albeit with safeguards in place, such as education around saving versus debt repayment.

"We know from our research that the appetite is there among employees and, even without an employer contribution, the majority would remain in a scheme. In the meantime, employers should think about setting up workplace savings schemes as part of their benefits offering and even consider contributing."

Cushon's whitepaper also found that people still viewed pensions as complex, with 58 per cent saying information around pensions was too complicated and 52 per cent agreed that they would save more into a pension if they understood it better.

It also highlighted young peoples' interest in tackling the climate crisis, and recommended linking pensions to the issue to drive engagement.