

Keeping on track in challenging times

Aon's DC pension and financial wellbeing
employee research 2021



The fundamental purpose of pension provision is to ensure people are financially supported at a time in the future when they no longer earn or generate enough income through their day-to-day work.

While this may sound simple, the reality is not so straightforward, especially at a time when people's lives and financial security may have been affected in many other ways.

To explore the reality of defined contribution (DC) pension provision and wider financial wellbeing today, Aon and YouGov surveyed over 2,000 employees across a wide range of age groups, incomes and industries.

The resulting report — which also draws on wider Aon and external research, as well as the views of Aon's DC experts — provides an insight into the current financial position and pension planning of the UK's employees. Some of the headline findings may be surprising or even shocking and should not be ignored.

When talking about people's finances we need to be mindful of the economic and personal impact of the times we are all currently living through.

Nearly **40%** of our respondents were directly impacted by employment changes during 2020¹



Over
1 in 4
were put on a period of furlough²



1 in 6
had reduced hours and or reduced pay³



1 in 35
had been made redundant and subsequently found new employment⁴

The retirement savings gap is getting **worse not better**



1 in 4

think they will **never** be able to **retire**⁵

This is a huge increase from the one in seven who expected never to retire from work when we asked the same question in 2018. Around half of employees expect to continue in work past age 68⁶.

Employers need to up their game on communicating their **financial wellbeing support**



Just **15%**

of employees believe their employer offers a **good level of support** with their financial wellbeing⁷

Around one in three say their employer offers no support in this area and one in six do not know what support (if any) is available. We know from our 2019 research — ‘How do you measure up?’ — that companies are doing more than ever in this area — but clearly the message is not getting through.

People are **not checking** how their **pension investments** are performing

Despite the unprecedented volatility in markets and widespread reporting of how this could impact workplace pensions, only 7% said they checked to see how their pension investments had been affected by market movements in 2020. Only 8% say they plan to do so over the next 12 months⁸.



Proof, if needed, that it is **vital for schemes to manage investments** on members' behalf

Most people need the basics such as **simple rules of thumb** rather than complex tools



71% have not set a goal for how much they need to save before they can retire⁹

This is higher among female respondents than male (76% / 68%)

It is still high for older respondents, as 63% of over 55s have not set a goal

The most popular type of support requested is guidance on how much to save to be able to retire on an adequate income.

There is a serious issue with **retirement affordability**



87%

are **expecting a shortfall** in retirement income¹⁰

Most people aim to address this by either planning to save more in the future or accepting a lower quality of life in retirement. Working longer also features highly. 11% have no idea how they will address the expected shortfall¹¹.

Schemes need to do more to help people plan. Employers will need to understand the impact of people staying in work for longer

This report is split into five sections exploring a range of key themes, each including a checklist of potential actions:



We hope you find the survey results interesting and useful. We would be happy to talk them through with you, to put them into context for your own employees and pension scheme members. We can also help you to understand where you and your employees need to take action to ensure their retirement savings remain on track.

Speak to your usual Aon consultant, email us at talktous@aon.com or contact one of our subject matter experts below:



Ben Roe
Senior partner and head of DC consulting
+44 (0)1727 888 286
benjamin.roe@aon.com



Tony Pugh
DC solutions leader, EMEA
+44 (0)20 7086 1009
tony.pugh@aon.com



Karina Klimaszewski
Principal consultant
+44 (0)20 7086 9165
karina.klimaszewski.2@aon.com



Steven Leigh
Principal consultant
+44 (0)113 394 3424
steven.leigh@aon.com

Breakdown of survey response data in this section

Footnote	% response	Number of respondents	Notes
1	38.1% employment affected	2,002	
2	26.9% put on period of furlough	2,002	
3	15.3% had reduced hours and/or pay	2,002	
4	2.9% had been made redundant since Jan 2020	2,002	Only current employees surveyed so this excludes those made redundant and still out of work.
5	24.7% of respondents	1,385	Excludes 'don't know' responses.
6	51.4% of respondents	1,385	Excludes 'don't know' responses.
7	15% of respondents	2,002	28% of respondents said their employer offers an average level of support, 11% not a very good level, 30% no support and 16% do not know what support is offered.
8	7% of respondents have checked between Jan and Oct 2020, 8% of respondents plan to check within the next 12 months	2,002	
9	71% of respondents have not set a goal	2,002	
	76% of female respondents	850	
	68% of male respondents	1,152	
	63% of over 55's	505	
10	13% of respondents do not expect a shortfall	1,586	Excludes employees who responded 'don't know' to how much they think they will need in retirement.
11	21.3% plan to save more in future	1,386	Excludes employees who responded 'don't know' to how much they think they will need in retirement and those who do not expect a shortfall.
	20.5% will make cut backs to standard of living in retirement		
	18.6% plan to retire from work later		
	10% do not know how they will address the shortfall		

Financial wellbeing



 **1 in 2**
rate their financial situation as **not good**¹



Those in their **mid-career** are more likely to not have money left over for saving²

 **1 in 3**
are not confident in their ability to make decisions on their financial future³

1 in 5 
in their early or mid-career are too busy to sort their finances⁴

Financial Wellbeing

The COVID-19 pandemic has shone an intense spotlight on workforce resilience in a way we have never seen before. Leaders are now far more aware of the fragility and dependence of businesses on a healthy and financially well workforce. Smart, strategic investment in the health and wellbeing of your workforce is more than good housekeeping, it is part of what makes a business thrive.

If we focus on financial wellbeing, it is clear that people do need help — and particularly those in their mid-career.

From our results, **only 15% of employees think their employer offers an above average level of support with their financial wellbeing**. Nearly half say their employer offers no support or they do not know what support is offered⁵. This often does not mean that there is no support in place; for example our 2020 survey of DC schemes, 'How do you measure up?', showed that while over 75% of employees have access to financial education and planning tools, many do not know where to go for that help.



Only 15%
think their employer offers an above average level of support

"You need to guide employees to the right support for them as they won't find this themselves"

Urike Ziler, Head of HR for Allianz Germany,
Aon's Rising Resilient report (p35):

How can you bring the different parts of your financial (and wider) wellbeing support together so that individuals can easily find and access the support they need?

There are a range of options, from an interactive PDF on an intranet site, to a personalised dashboard, or even an app which can nudge members to take action. No matter what method you use, a complementary communication strategy is needed for members to be aware of what they need to do and where they need to go.



Interactive PDF

This can be put on an intranet site summarising the financial wellbeing support offered. A printed version could also be posted to home addresses or displayed in workplaces.



Dashboard

A page on your intranet that brings all your financial wellbeing support together in one place. This can range from a static microsite to a personalised dashboard.



App

Accessing support through a mobile device is an effective way to nudge people to action, and can include coaching delivered by artificial intelligence (AI), personalised tips and guidance for specific needs.

Where Aon can help

At Aon we have developed tools such as our [Well One](#) app to help you bring together your financial wellbeing (and wider) support to improve awareness and utilisation. We also have vast experience of running successful communication campaigns to engage employees with the support being provided.

You may already have lots of support in place, but does this meet the needs of your workforce? Collecting and analysing the data you have available and looking at this holistically can help you to determine what is working and what is not, and to change your support appropriately. It can also help you to determine where to focus your efforts and can feed into your wellbeing strategy.



1 in 4

cannot come up
with £1000 in an
emergency



Almost 1/2

do not have a set
budget they follow
each month⁷



**People in their
mid-career** are most
likely to have credit
card debt which they
are unable to pay off
in full each month⁸

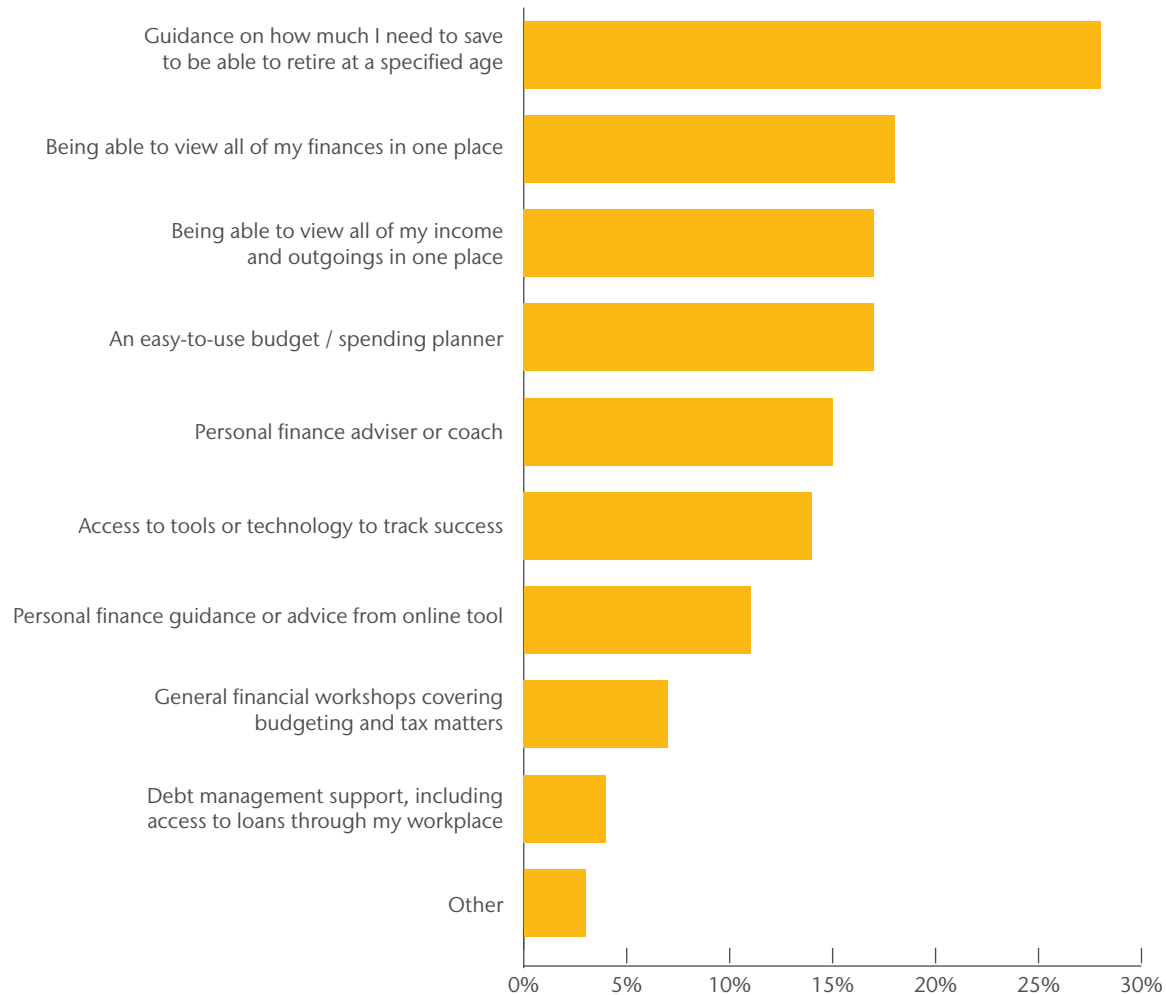
We asked respondents what would best help them manage/improve their current personal financial situation. The most popular responses were guidance on how much to save for retirement⁹, followed by being able to view all current finances in one place, as well as monthly income and outgoings¹⁰. From our work in this area we find that it is common to start by offering general financial education as this is fairly straightforward and can be an impactful way to reach employees who do not know how to get help.

Where Aon can help

- Aon offers a free financial wellbeing gap analysis to determine if there are any areas where you are not currently providing support. You can complete the survey [here](#) to receive a free report and meeting to discuss further.
- Aon's financial wellbeing scorecard has a modular approach for employers to analyse what support their employees need and whether their benefit design currently meets those needs.



Which do you think would best help you manage and/or improve your current personal financial situation?*



*Respondents were able to select up to three options.
2,002 UK employees

Where Aon can help

- Aon's Well One Money is an easy to understand personalised app that provides guidance on projected retirement savings and shows all your finances in one place. It highlights key areas of a user's finances with income/expenditure graphs, pension overviews, discounts based on a company's benefits package tailored to individuals' actual spending habits and budget summaries. The app is also fully integrated within Aon's DC solutions, the Aon MasterTrust and BBT (our GPP).
- If you decide to put in place additional benefits, Aon has a range of services available or preferred providers to help you implement a tried-and-tested solution. We have researched the options in the market for you, to save you the time and expense of doing the same.



An effective way to determine if there are any gaps in your current financial wellbeing offering is to perform an audit of the support you have compared to the options typically available.

Make certain to include checks on the accessibility of the support you offer in your audit to ensure inclusivity for all employees in your approach. This could be accessibility of the technology or inclusive visual images. To learn more about Diversity and Inclusion in pension schemes, see our [Practical Diversity & Inclusion Guide for Trustees](#).

Actions checklist:

Understand the usage of the support currently offered

Assess whether there are any gaps or duplication in your financial wellbeing support and refine your offering appropriately

Ensure your support is well communicated and can be easily accessed



Breakdown of survey response data in this section

Footnote	% response	Number of respondents	Notes
1	49% of respondents neutral or negative response to rating their financial situation.	2,002	
2	37% of respondents aged 35-44 do not have any money left over after my outgoings to save any / more money.	2,002	Compares to 31% aged under 35, 32% aged 45-54 and 30% aged >50.
3	29% of respondents neutral or negative.	2,002	
4	18% of respondents aged under 35 or aged 35-44.	983	
5	15% of respondents described employer financial wellbeing support above average level. 30% stated employer offers no support and 16% do not know what support is offered.	2,002	
6	24% are not sure that they could come up with £1,000 in an emergency.	2,002	
7	47% of respondents do not agree with statement that they follow a set monthly budget.	2,002	
8	35% of respondents aged 35-44.	2,002	Compares to average of 29% across all age groups.
9	28% of respondents.	2,002	
10	18% of respondents view finances in one place, 17% of respondents view regular income and outgoings in one place.	2,002	

Speak to your usual Aon consultant, email us at talktous@aon.com or contact one of our subject matter experts below:



Ben Roe

Senior partner and head of DC consulting
+44 (0)1727 888 286
benjamin.roe@aon.com



Karina Klimaszewski

Principal consultant
+44 (0)20 7086 9165
karina.klimaszewski.2@aon.com



Olly Walker

Senior partner
+44 (0)20 7086 9343
contact.name@aon.com



Tony Pugh

DC solutions leader, EMEA
+44 (0)20 7086 1009
tony.pugh@aon.com



Defined Contribution Pension Plans

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

Copyright © 2021 Aon Solutions UK Limited. All rights reserved.

This document and any enclosures or attachments are prepared on the understanding that they are solely for the benefit of the addressee(s). Unless we provide express prior written consent no part of this document should be reproduced, distributed or communicated to anyone else and, in providing this document, we do not accept or assume any responsibility for any other purpose or to anyone other than the addressee(s) of this document. In this context, “we” includes any Aon Scheme Actuary appointed by you. To protect the confidential and proprietary information included in this document, it may not be disclosed or provided to any third parties without the prior written consent of Aon Solutions UK Limited.

Aon Solutions UK Limited Registered in England and Wales No. 4396810

Registered office: The Aon Centre, 122 Leadenhall Street, London, EC3V 4AN.

Aon Solutions UK Limited is authorised and regulated by the Financial Conduct Authority.

Aon Solutions UK Limited's Delegated Consulting Services (DCS) in the UK are managed by Aon Investments Limited, a wholly owned subsidiary, which is authorised and regulated by the Financial Conduct Authority.

www.aon.com