

Consumers and Pension Auto-Enrolment - UK - September 2012

Report Price: £1750 / \$2723 / €2181

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"While British consumers are quite fond of the idea of employer contributions they are predictably less enthusiastic about having to contribute themselves. Granting savers access to a certain proportion of invested funds under specific circumstances could be a powerful way to encourage people to save more than just the minimum."

– George Zaborowski, Senior Financial Services Analyst



In this report we answer the key questions:

- Who wins with auto-enrolment?
- What is the main issue for people who are likely to opt out?
- How can employees be encouraged to contribute more themselves?
- Can IFAs benefit from the introduction of auto-enrolment?

Pension savings rates in the UK have declined significantly over the past several decades as both the quality and availability of workplace pension benefits in the private sector has progressively deteriorated. Part of the reason for this decline in workplace pension provision is associated with an impressive improvement in longevity, which has made saving for retirement more important than ever before. Even though this pension savings deficit could have been made up through private pension arrangements, only a minority of British adults have shown the initiative to contribute to private pension savings accounts.

This reality has compelled the government to take action in order to prevent the pensions saving gap from getting further out of control. As a result from October 2012, millions of British workers without existing pension arrangements will begin to be automatically enrolled into a pension scheme with their employer. While it is expected that up to two fifths of those may choose to opt out, the introduction of auto-enrolment is expected to put years of declining pension activity in Britain to an end.

This report provides readers with an overview of how pension auto-enrolment will impact the wider UK pension and retirement savings landscape. As a part of the analysis the report details the size of the existing workplace and personal pension markets and also highlights the key market drivers behind the introduction and ongoing development of auto-enrolment in the UK. In addition to this there is a strong focus on auto-enrolment from the perspective of the British consumer. This includes an investigation into consumer awareness of, and attitudes towards, auto-enrolment, as well as how likely consumers would be to opt out of the scheme.

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