

Consumers and Pension Auto-Enrolment - UK - September 2013

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“The true test of auto-enrolment is how SMEs handle the administration of schemes as they approach their staging dates. There are expectations that opt-out rates will be higher amongst these smaller employers, and that the employers themselves will be ill prepared to deal with the implementation of the scheme.”

– Stephanie Absolom, Financial Services Analyst

This report looks at the following areas:

- Will the success of auto-enrolment continue as smaller companies reach their staging date?
- How can the number of people opting-out be managed?
- How can providers maintain engagement and keep people enrolled?
- Are we likely to see compulsory auto-enrolment in the future?

Designed to transform the pension savings culture in the UK, automatic enrolment was launched in October 2012. The scheme is set to be rolled-out over the next five years and initial findings suggest that it has made a strong start. Auto-enrolment is expected to increase the number of people actively saving in a pension by up to 11 million according to data from the DWP. It is also expected to increase the amount saved in workplace pensions by around £11 billion per year. Membership of the scheme is not compulsory for employees, who may opt-out of the scheme if they wish.

Despite the opt-out option, figures from the Department of Work and Pensions have shown that opt-out rates for the initial stage of auto-enrolment, which has included large employers only, stood at 9%. This is significantly lower than the 33% opt-out rate that is expected by the DWP once the scheme has been fully rolled out and is being viewed as encouraging. The success of the scheme will become clearer as the opt-out rates of smaller employers who will approach their staging dates over the next few years are established.

This report offers an overview of the key pension auto-enrolment market drivers and how the scheme is impacting consumers, pension providers, employers and IFAs. A summary of some of the main auto-enrolment pension providers is also given in addition to an overview of the pension market in general. Mintel's exclusive consumer research looks at auto-enrolment awareness, opt-out rates and reasons for opting-out, as well as consumer views and preferences around workplace pensions.

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