BIRCHWOOD INVESTMENT MANAGEMENT LTD

Newsletter for the outplacement industry

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Over-65s at work hits 1m mark

New statistics have shown that while unemployment is falling, the number of over-65s in work has hit its highest level.

Data released by the Office for National Statistics (ONS) on 12 June, for the period February-April 2013, revealed that nationally there were 2.51 million unemployed people, down 5,000 from November 2012 to January 2013 and a fall of 88,000 from a year earlier.

But among those aged 65 and over, the total of those in work hit one million for the first time since records began. The percentage of people in work in this age group stood at 9.5 per cent.

The ONS said that the landmark figure came about "partly through more people staying on in work and also more people of this age group in the population."

It added: "Both the number of people in work and the employment rate for those aged 65 and over are the highest since comparable records began in 1992."

In that year, the number of 65-year-olds and older in work stood at 479,000, less than half the current total.

On the same day that the ONS figures were released, research by retirement income specialist MGM Advantage also revealed that almost half of retirees working part-time were doing so because they needed the extra money.

The research found that 1.65 million retirees aged 55 and over were continuing to work part-time, including in voluntary roles. Many were doing so because they wanted to do something useful with their time (21 per cent) or for social interaction (31 per cent), but 721,000 people – 44 per cent of retired part-time workers – were working to supplement their income, highlighting the value of retirement and pension planning.

Earlier this year, research by the Money Advice Service found that 12 per cent of people aged over 55 who have yet to retire had not thought about how their retirement will be funded.

The figures, released at the end of April, found that four out of ten people in this age group who intended to retire were resigned to the fact that they would have to work for as long as possible and eight per cent of those yet to retire did not think they would ever be able to do so.

Small employers 'not ready for auto-enrolment'

Nine in ten smaller businesses feel unprepared for when they start automatically enrolling their staff into a workplace pension, according to new research.

The government initiative began in October 2012 with the largest firms and a gradual roll-out will see all employers brought on board by 2018.

Although it is recommended that employers start preparing for auto-enrolment at least 18 months before their staging date – the date at which they start automatic enrolment of eligible employees into qualifying workplace pension schemes – new research suggests that many are nowhere near ready.

Software specialist IRIS revealed on 19 June that following a survey of more than 400 businesses to assess their knowledge and preparation for auto-enrolment, 59 per cent were unprepared.

But the figure jumped to 90 per cent in businesses with fewer than 100 employees and more than half of these businesses had no idea when their staging date was.

With auto-enrolment likely to become a priority issue for increasing numbers of businesses, specialist expertise in this area can be invaluable.

At Birchwood Investment Management, our fully qualified team offers extensive experience in auto-enrolment and other occupational pension issues.

Our pensions experts can provide advice on a one-to-one basis, or through seminars, or we can provide more specialist assistance with reviewing and upgrading pension schemes or implementing new schemes. For more information, please contact us.

Every little helps on annuities?

Supermarket giant Tesco has been hitting the headlines with news that it is to offer a comparison service for annuities.

It was widely reported at the end of April that the retailer is seeking regulatory approval to expand its price comparison website, Tesco Compare, to help people shop around more easily for the best retirement incomes. The site currently offers comparison services for insurance, credit cards, loans, mortgages, utilities and holidays.

Each year, 400,000 retirees cash in pension contributions to buy an annuity, which then provides an income for the rest of their lives. But according to research by the Association of British Insurers, one in three does not feel informed enough to compare alternative quotes and many settle for the offer made by their pension provider, which could be less favourable financially.

The Tesco move drew a cautious response from Karen Barrett, chief executive at the unbiased.co.uk website, which helps consumers to find regulated and qualified financial and other advisers. She said that while the Tesco service would be non-advised, taking advice from qualified professionals was a key step to getting the best deal.

She said: "The industry has long been aware that there is a real need for people to shop around for their annuity to ensure they are getting the best income in retirement and new entrants like Tesco prove just how big the market for this type of service is.

"While Tesco helps to spread awareness amongst consumers that they should shop around for the best annuity deal, their service is non-advised. We believe it is important for consumers to understand that they don't have to be an expert in annuities to make the right decision – taking professional advice on their pre and at retirement options is an easy and reassuring way to work through the different options, to ensure they are making the right choices for their retirement income."

Retiring employees need more help, says pensions body

Employees who are about to retire are not getting enough support when it comes to choosing their annuity, the National Association of Pension Funds (NAPF) has warned.

The pensions body published a report on 25 June exploring the advice and brokerage market used by private sector employers whose staff have defined contribution (DC) pensions.

At present, employers offering DC pensions to their staff are only required to offer them some basic information ahead of retirement, which is designed to encourage them to shop around.

However, the report highlights a range of barriers that prevent employers from appointing advisory services. This means savers end up retiring with a poorer annuity deal than they could have got if support to shop around in the annuity market had been embedded in their pension arrangement.

NAPF wants to see more support for employers and trustees to help them put good services in place, so that they can help their staff with difficult, one-off decisions around annuities and income drawdown. Current issues include:

- employers offering DC pensions to their staff are often too scared, as a result of misconceptions, to go beyond the legal minimum in helping them at retirement because they fear legal comeback.
- those working for smaller employers or with smaller pension pots are most at risk because of the costs to their employers of setting up guidance and advice services.
- the advice and brokerage market can be complex for employers to understand, with a range of different charging and service propositions available.
- fee and commission-based charging models can both help deliver a better deal for savers.

Mel Duffield, head of research and strategic policy at NAPF, said: "Too many people are still at risk of failing to make the right choices and get the right shape of annuity at the best price.

"As they approach retirement, what they really need from their employers is more support and advice. But at the moment there are market barriers that stop that happening more widely.

"Auto-enrolment will ensure that all employers are helping staff save for their retirement, and it would be a great shame to see some of those contributions go to waste when it comes to drawing a pension.

"People should automatically shop around for the best annuity when they retire, and employers and pension trustees can do more to make this happen. It is still the case that hundreds of thousands are failing to obtain quotes and compare prices in the market."

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