



The auto enrolment experience over time

Understanding the real impact of contribution
increases on behaviours and attitudes





Background to this work

Research context, questions and approach

We wanted to know...



How are Nest members' attitudes and behaviours changing over time?

What relationship is there, if any, between retirement saving and other financial behaviours?

How is a member's overall financial wellbeing impacted by auto enrolment?

The context: contribution rises and cushioning

	Before April 2018	After April 2018	After April 2019
Employee contribution	0.8%	2.4%	4%
Employer contribution	1%	2%	3%
Tax relief	0.2%	0.6%	1%
Total contribution	2%	5%	8%

National Living Wage +4.4%

Income tax personal allowance increased

Annual pay rises for millions

Our approach

(2018)	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
<i>Before survey</i> fieldwork	●	●						
Rise in minimum contributions		●						
Rise hits most pay packets		●						
<i>After survey</i> fieldwork							●	●

6827 actively contributing Nest members completed the *Before* survey



1287 also completed the *After* survey



What did we learn?

Affordability, awareness and confidence

Affordability

Was there any impact on perceptions of affordability of pension saving?

1 in 20 agree



too much of my income goes into my pension

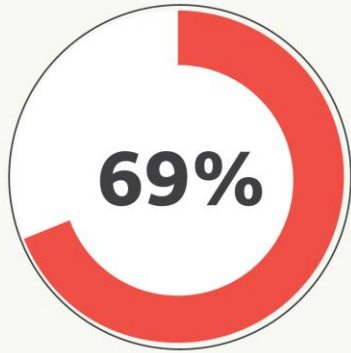
There was no evidence of increase in cessation or opt outs in Nest MI data

Question: How much do you agree or disagree with the following statement: Too much of my income goes into my pension

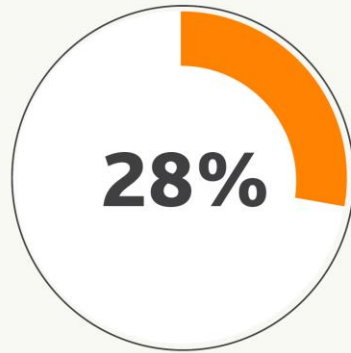
Base: All responding (n=1,170).

Affordability

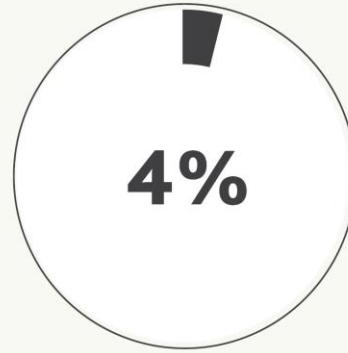
Very few members had considered decreasing contributions and over ¼ had thought about increasing them



Had not considered changing their pension contributions



Had considered increasing their pension contributions



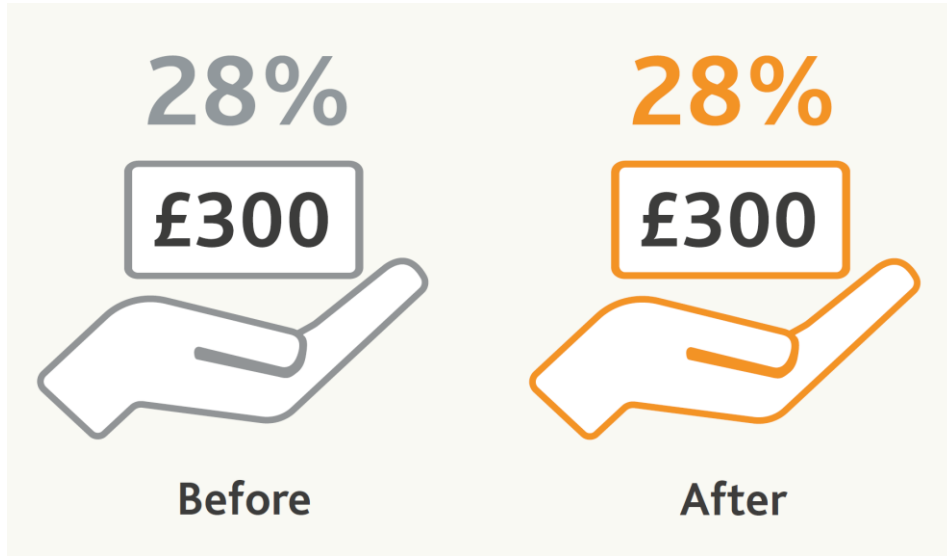
Had considered decreasing or stopping their pension contributions altogether

Question: In the last 6 months, have you considered changing your own pension contributions in any way?

Base: Members who did not/would not have noticed the automatic change in contribution levels (n=841).

Affordability

There was no net change in financial resilience:



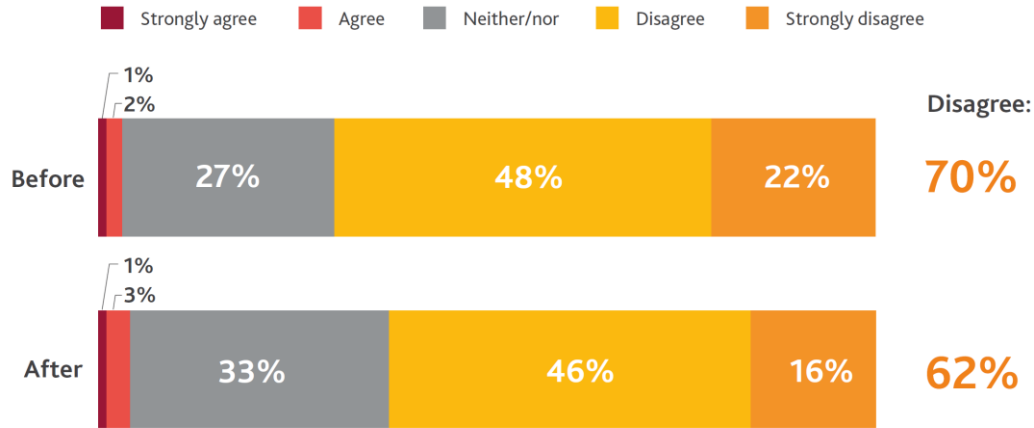
Question: Thinking about an unexpected bill of £300 that you have to pay within seven days from today, which of the following would you do?

Base: All responding (n=1,170).

Affordability

There may be early signs that sensitivity to pension contributions is increasing:

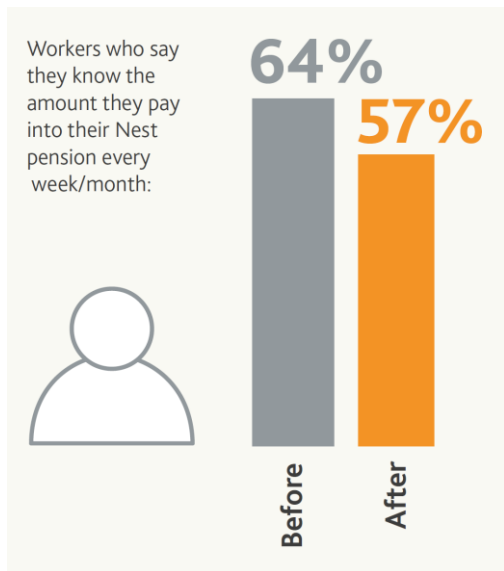
Members agreeing and disagreeing they pay too much into their pension



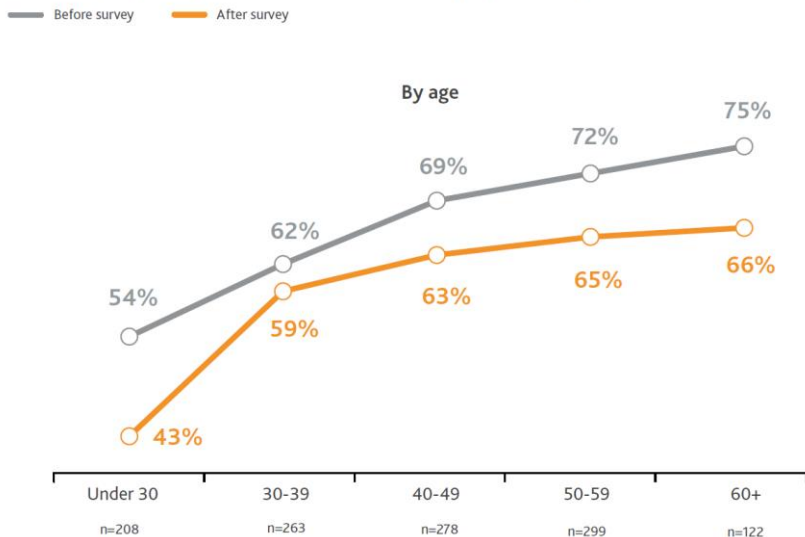
Question: How much do you agree or disagree with the following statement: Too much of my income goes into my pension
Base: All responding (n=1,170).

Awareness

There has been a fall in the proportion of members saying they know how much they pay in:



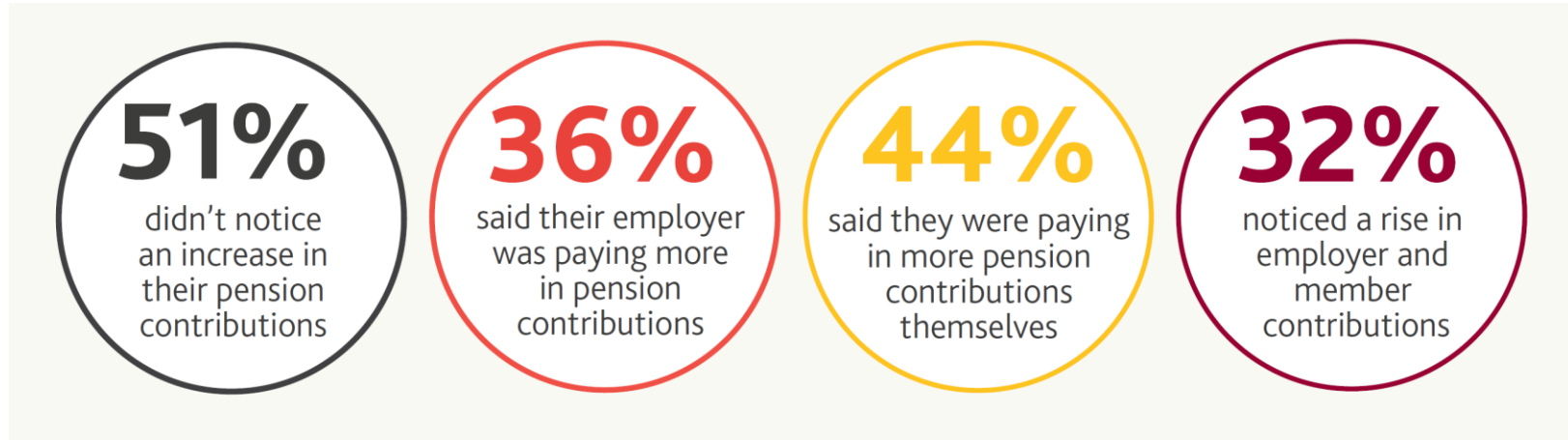
Members stating 'yes' they are aware of how much they pay into their pension every week or month



Base: After survey respondents (1,170)

Awareness

Did people notice the contribution rise?



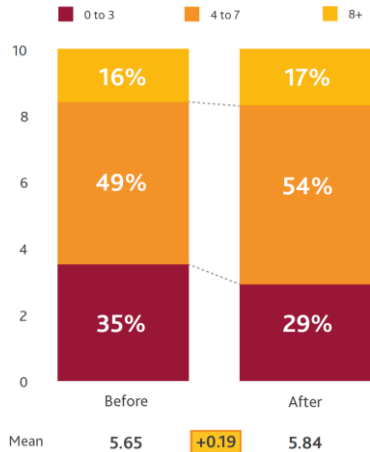
77% of members say they look at their payslips...

*Questions: How, if at all, has the amount you are paying in to your NEST pension actually changed in the last 6 months?
How, if at all, has the amount your current employer paying in to your NEST pension actually changed in the last 6 months?*
Base: After survey respondents (1,170)

Confidence

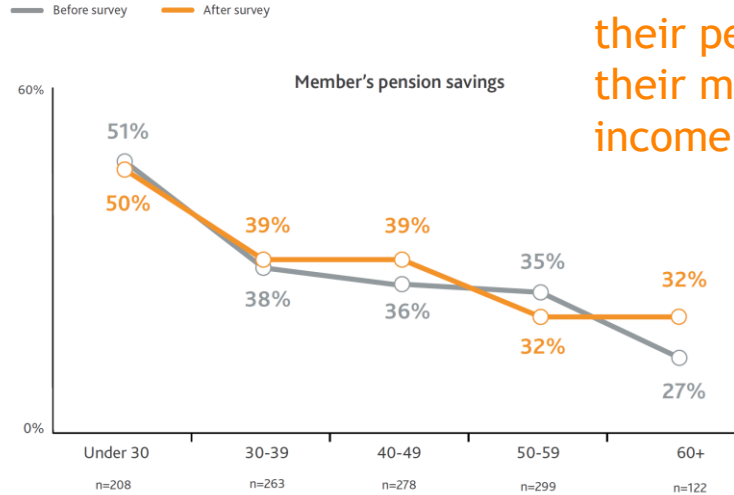
Did increased pension contributions lead to greater confidence in being able to provide for retirement?

Confidence in being able to provide for retirement (out of 10)



Question: How confident are you that you will be able to financially provide for yourself in retirement, considering what you have put in place so far, and plan to in the future? Please rate on a scale of 0 to 10 where 0 means 'not at all confident' and 10 means that you are 'Very confident'.
Base: All responding (n=1,170)

Anticipated main source of retirement income



Question: Which of these do you expect to be main source of income in retirement?
Base: Members who currently have or expect to have aspects to fund retirement (n=1,159)

40% of members say their pension will be their main source of income in retirement



What about the broader picture of members' personal finance?

Savings and debt

Savings

Did increased pension contributions replace more immediate savings?



3 in 5

members still have savings after
the contribution rise



1 in 4

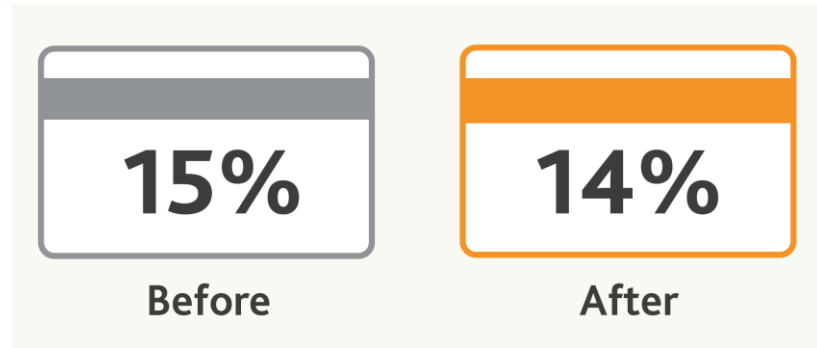
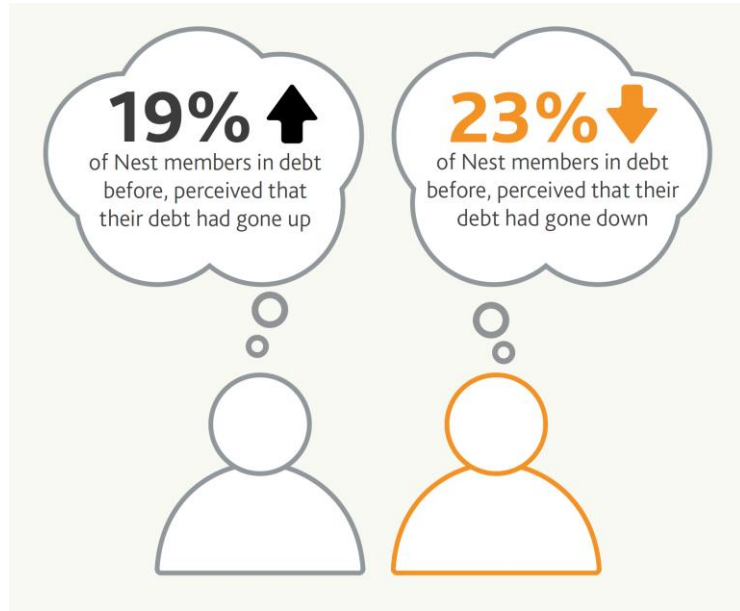
members still don't have savings
after the contribution rise

Question: Does your household have any money set aside that you consider savings? Please exclude any money saved in a pension.

Base: All responding (n=1,170)

Debt

Did the contribution increases push members more into debt?



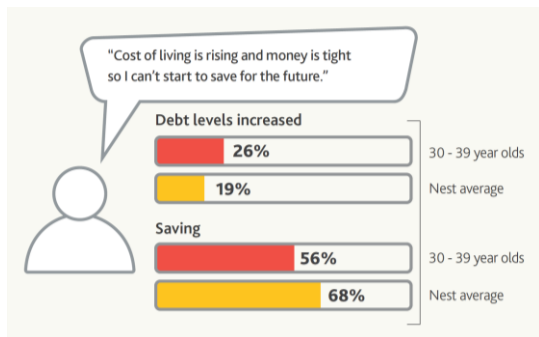
About the same proportion of members are over-indebted now as before the automatic contribution rise

Question: How, if at all, do you feel your level of debt has changed in the past 6 months?
Base: All responding (n=1,170)

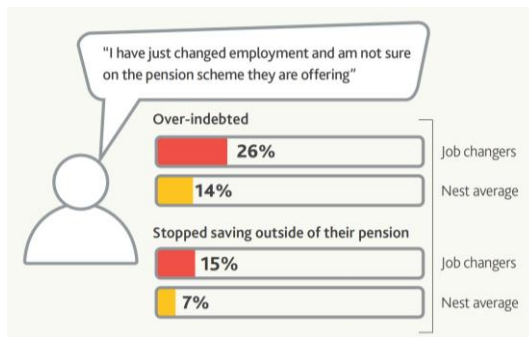
Groups to monitor

Although at a high level there was little impact, there are 3 groups to watch if we dig below the surface:

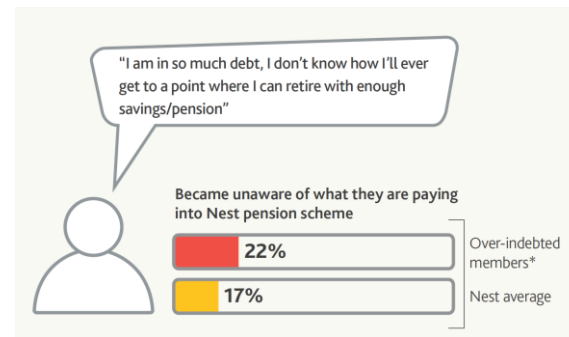
People in their thirties



Job changers



Debts to pay





Summary and considerations for the future

Many of the signs from this research are very positive

- Slight increase in confidence
- Some desire for voluntary contribution increase
- Increase in older members anticipating their own pension will be their main source of retirement income

Inertia has been harnessed as a powerful force for good, but we need to be mindful of the flipsides...

1. Low awareness of inputs likely means lack of consideration of whether outcomes will be adequate
2. We need to better understand the relationship between pension saving and people's broader financial context



Thank you