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# Altmann: Pension providers must do more to stop people opting out



Baroness Ros Altmann, former pensions minister

By **Sonia Rach**

**P**ension providers have failed to explain the many advantages of private pensions or enthuse people about their pots, according to Baroness Ros Altmann.

Altmann, an independent pensions consultant and former pensions minister, said the Pensions Management Institute found that one in five of 2,000 workers surveyed have stopped their pension contributions or are considering doing so.

Writing in a blog post, she said: “This is a travesty and highlights my repeated warnings in recent years that the pensions industry has not done nearly enough to enthuse people about their pensions, nor to explain the many reasons for building up money by using the advantages built into private pensions.

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“Why is pension messaging always so negative, rather than positive?: There are so many reasons to encourage people to increase or at least continue their pension contributions, even during the cost of living crisis.

“Scare stories about later life penury are not the way to engender positive pension feelings: Every story about inadequate pension contributions is designed to encourage people to save more, yet often has the opposite effect.”

Altmann said it is important that people think very carefully before deciding to abandon or cut their pension contributions.

“They will lose out on the free money from their employer and from the taxman, which would be added to their pension fund automatically, but is never properly explained or highlighted by their pension provider,” she said.

“So they lose far more than just their own payments into their pension.”

Altmann added: “Of course, if they would otherwise lose their home, be unable to afford basic bills, or have maxed out all their credit cards and have essential spending, they may be tempted to save some monthly outgoings by cutting pension contributions.

“However, this should be an absolutely last resort, because they may find help from debt management services or state benefits instead.”

Since 2012, pension providers have received millions of workers as customers, she explained.

Altmann said auto-enrolment has been a success so far because over 10mn people are newly saving in a workplace pension.

“But, instead of capitalising on this, by reaching out to customers directly as any other consumer industry would do, providers have just banked the success ‘so far’ and telling the government to bring them more money by increasing minimum contributions or lowering salary and age thresholds,” she said.

“It seems they have not risen to the challenge of attracting people to want to pay in more, or even to keep paying in. What a wasted opportunity.”

### **Providers still have a chance**

Altmann argued providers still have an opportunity to help people recognise pension realities.

“Pension contributions are misunderstood by most people,” she said.

“If you pay in £40, that can immediately become £100 or more in your pension as employer contributions and tax relief (except for low earners in net pay schemes) are added.

“So losing £100 of pension contributions from your pension, will only give people an extra £40 or less to spend.”