Altmann hits out at providers for pension positivity failure

Peer says messaging explaining the benefits of pensions could stop people opting out

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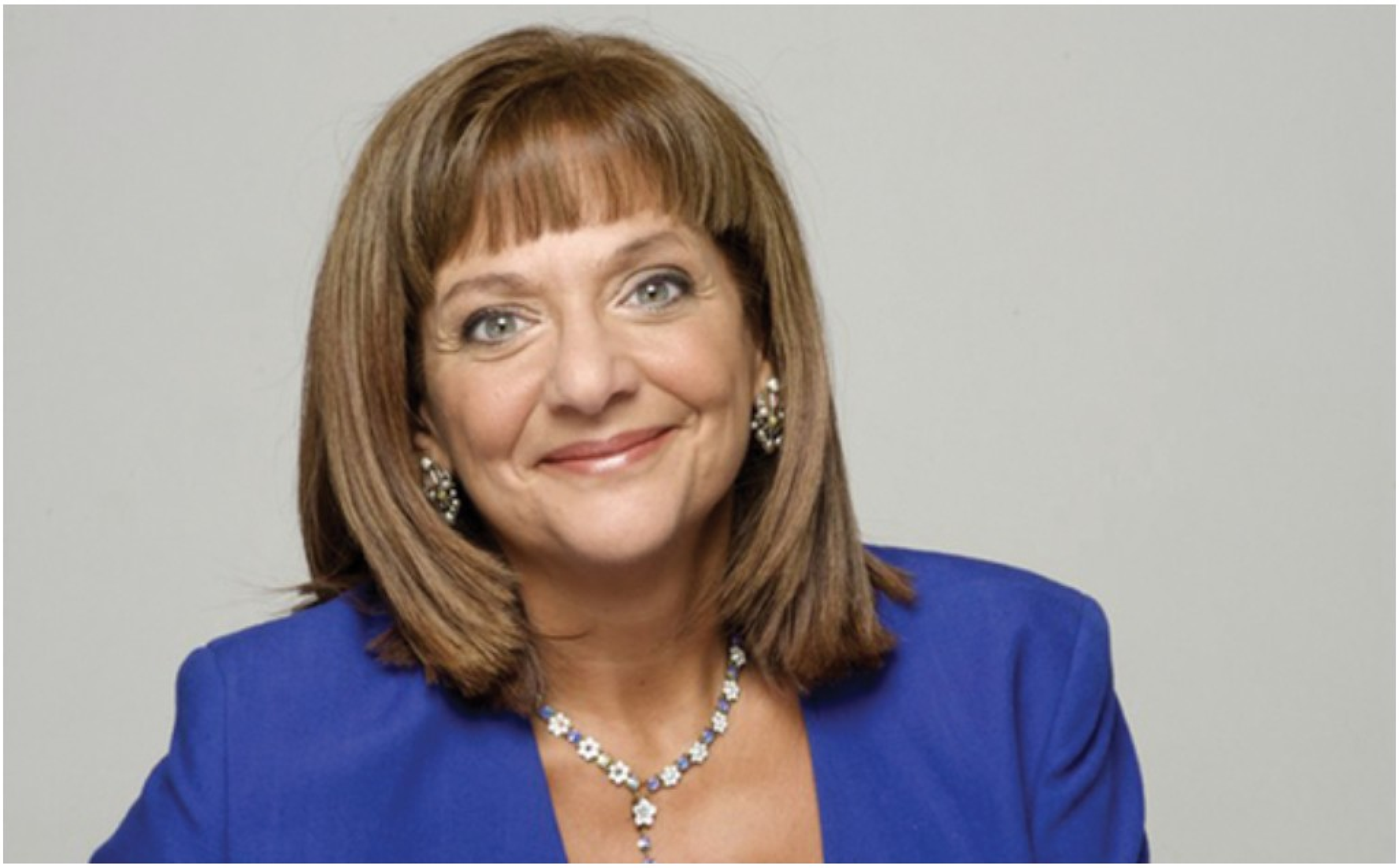

Image: Altmann: Providers have not risen to the challenge of attracting people to want to pay in more, or even to keep paying in, to a pension

Providers have failed to engage or enthuse millions of auto-enrolment customers with positive pension messages, undermining the policy by not explaining the advantages of pensions, Baroness Ros Altmann says.

The campaigner and former pensions minister said that, rather than "constant negative messaging", people needed to know about the positives of pensions so they understand the free money they will have and higher benefit payments they could have if they keep paying in.

Altmann's comments come as research by The Pensions Management Institute suggested that one in five of the 2,000 workers it surveyed have stopped their pension contributions or are considering doing so - findings the peer blamed on pension providers failing to explain the many advantages built into private pensions.

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.

"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 noted the consequences on people's take-home pay should they stop contributing to a pension would be unlikely to increase their spending power by nearly as much as they stop paying in - explaining that they would lose out on the "free money" they get from both their employer and from the taxman by opting out.

She said those on Universal Credit could lose far more as means-tested benefits may disregard payments into a pension - saying that stopping pension contributions of £100 could mean individuals have £55 less in Universal Credit and £200 or more less into their pension fund.

She said these sort of considerations are never properly explained or highlighted by pension providers - meaning many could lose far more than just their own payments into their pension.

Altmann added: "Since 2012, millions of workers have been handed to pension providers on a plate. AE has been a success so far because over ten million 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 tell the government to bring them more money by increasing minimum contributions or lowering salary and age thresholds.

"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."

Altmann added: "Instead of relying on scare stories in the media about inadequate contributions, pension firms should start explaining the positives that customers need to understand before it's too late."