

# The pension *recovery plan.*

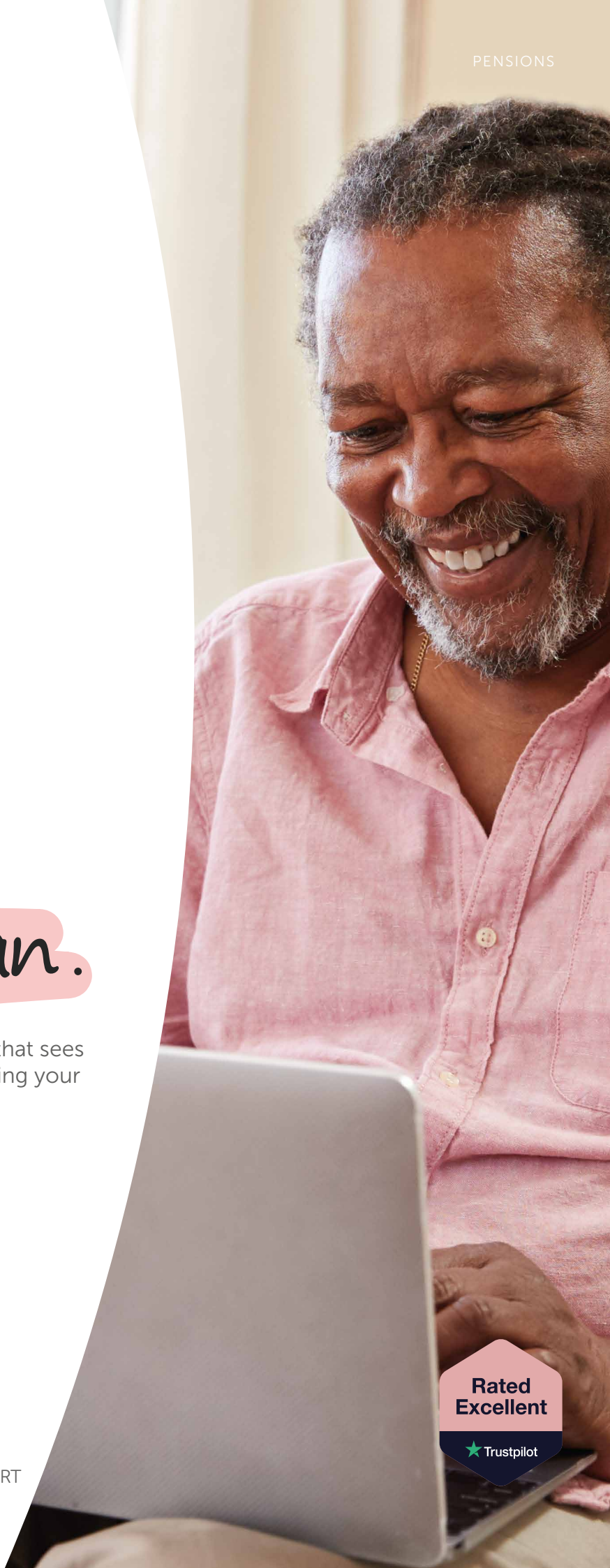
Covid-19 has landed a powerful punch that sees our pensions down, but not out. Equipping your people for the fight back starts now.

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Tomorrow starts today!



## INTRODUCTION

# The Coronavirus effect

Such has been the impact of Covid-19 that the optimism we embraced moving into a new decade has been all but washed away for some, and is hanging by a thread for others. The tragic physical and mental health scars left by the pandemic have also cut deep into the financial world.

Post the Q1 nationwide lockdown, the Dow Jones Industrial Average and London's FTSE 100 saw their biggest quarterly drops since 1987, plunging 23% and 25% respectively. The S&P 500 lost 20% during the quarter, its worst showing since 2008<sup>1</sup>. Stock market slumps of this magnitude can have far-reaching repercussions on businesses and their employees. As we are now witnessing, operations are being forced into closure and in the very worst cases have no foreseeable way back. These events can have a ripple effect that destabilises our pension savings and retirement funds. In particular, those who are already drawing on their pensions or are expecting to do so in the near future, have every right to feel concerned.

The current climate has given rise to another unexpected shift in our operating environments: the social distancing mandate means digital action is superseding human interaction and there's every indication that things won't revert completely to the way they were. While the practices of remote working and virtual meetings have been lingering in corporate pipelines for some time, they've now had a proper test run and will undoubtedly play a more prominent role in most business' longer-term operational plans. New, detailed communication strategies will be needed to ensure pension members receive the right information at the right time and cushion any future shocks the market can administer.

1. [www.bbc.co.uk/news/business-52113841](http://www.bbc.co.uk/news/business-52113841)

Post the Q1 nationwide lockdown, the Dow Jones Industrial Average and London's FTSE 100 saw their biggest quarterly drops since 1987.



## THE IMPACT ON PENSION MEMBERS

## Feeling the **full force**

The most immediate financial impact Coronavirus has had on pension members in 2020 (excepting those with an annuity) has been the initial fall in their funds and the exposure to extreme volatility due to significant reductions within the stock market.

Members closer to retirement are naturally concerned about the state of their funds and will now be frantically assessing whether their retirement needs can be sufficiently met. While changes to their contributions or investment strategies can help alleviate some of the damage, the positive impact of any action will have limited time to materialise with a first withdrawal date so imminent. For many, retirement will have to be postponed until the future pathway is clearer. It begs the question: Will people within 12 months of retiring be comfortable enough to preserve their existing plan with the fear of a second wave and further market crashes hovering menacingly?

It's a question that's not for the faint hearted. But given its importance, members that seek professional advice about the matter can at least rest assured that they have done due diligence and have clarity about what the future holds.

The impact of poor fund performances aside, difficulties incurred by businesses across the UK (despite the Government furlough scheme) has resulted in an unwelcome number of job losses. Pension contributions will cease for those who have incurred redundancy, putting an abrupt halt to their retirement planning. Subsequently, this has a negative effect on their pension fund accumulation as well as the tax-free growth within pension wrappers which will have permanent damage on that fund.

This scenario may also stand true for the self-employed who, in the absence of work, may not be in a financial position to continue contributing to their retirement plan over the months of stricter lockdown. Missing out, even temporarily on 4 to 5 months of pension contributions, may not seem like much. But unless those contributions are replaced by higher contributions, the fund available for their retirement will naturally be affected.

*Whether your members are in retirement, approaching it, self-employed or just starting out on their retirement planning journey, they will have been affected by the recent downturns, albeit in slightly different ways.*

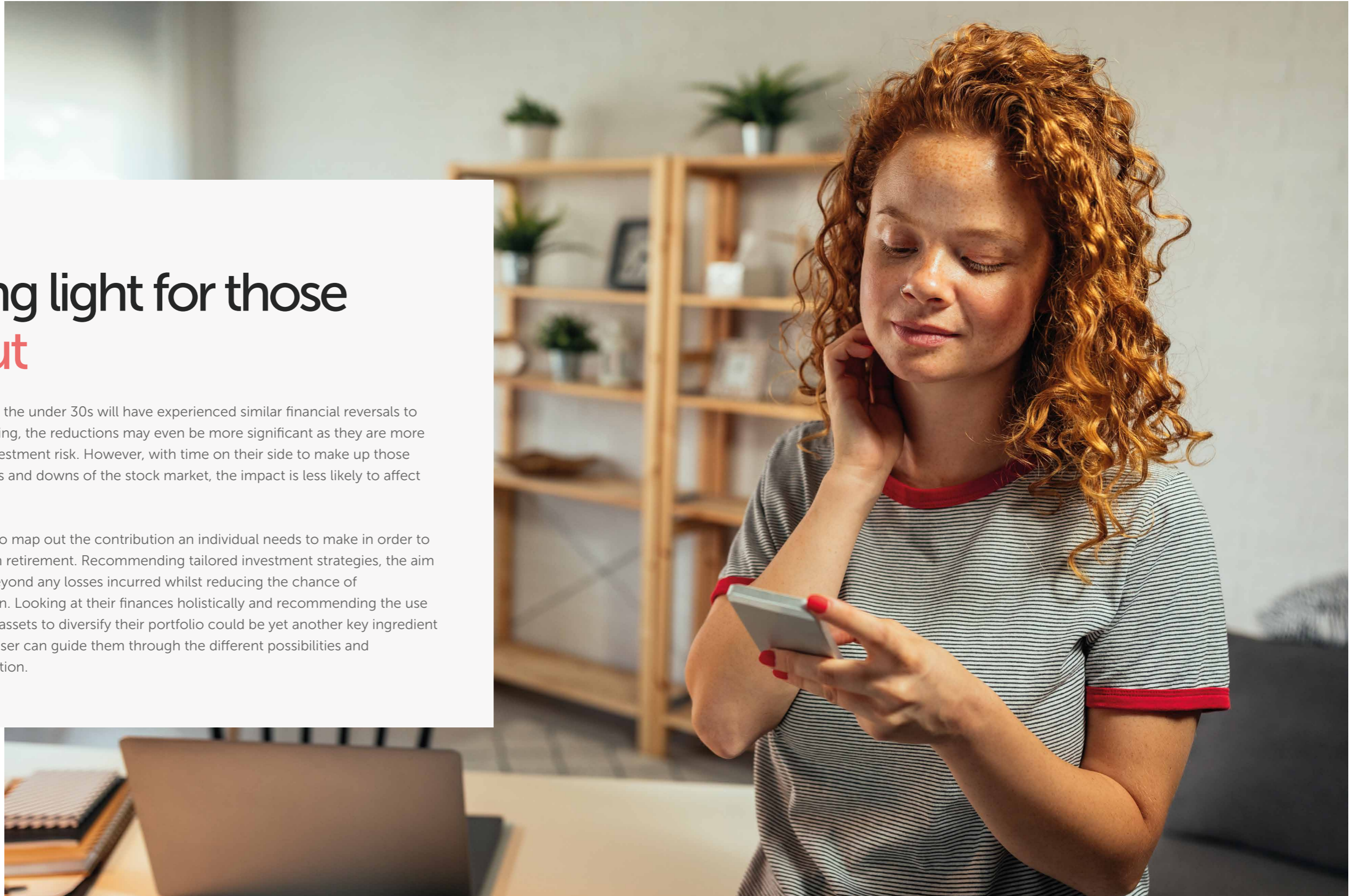


## HOW TO HELP

## The guiding light for those starting out

Fund drops don't discriminate and the under 30s will have experienced similar financial reversals to those in others segments. If anything, the reductions may even be more significant as they are more commonly exposed to greater investment risk. However, with time on their side to make up those losses and ride out the generic ups and downs of the stock market, the impact is less likely to affect them significantly.

Here, the adviser's role would be to map out the contribution an individual needs to make in order to achieve certain levels of income in retirement. Recommending tailored investment strategies, the aim is to achieve growth above and beyond any losses incurred whilst reducing the chance of experiencing the same losses again. Looking at their finances holistically and recommending the use of alternative retirement planning assets to diversify their portfolio could be yet another key ingredient in their future master plan. An adviser can guide them through the different possibilities and recommend the best course of action.





## HOW TO HELP

Helping the *self-employed*

The self-employed have had a real challenge throughout the pandemic and during lockdown. For them, the landscape is simple and harsh: no work, no pay. Again, two waves of government support based on percentages of previous income may have assuaged their fears about survival, at least temporarily. But the same level of assistance is unlikely to be sustained.

Not having the ability to earn or continue making contributions to their pensions will only be compounded by the fact that they may have suffered large losses in the value of their pension assets. Having a professional cast an eye over their retirement plans and recommend actions to keep their objectives on track is fundamental to the financial health of this segment.



## HOW TO HELP

## Aiding your members approaching retirement


This group will be making decisions that will ultimately affect the next 20 to 40 years of their lives. It's likely that retirement is something they have been saving for throughout the majority of their careers. So making a major decision on what to do amidst a global pandemic where pension funds have slumped is a daunting proposition (there was an average fall for pensions of 15% in Q1 of 2020<sup>2</sup>).

In situations like these it's all too common to feel overwhelmed – our human behavioural default mechanism can be to bury our heads in the sand. This pension member segment almost certainly needs active guidance to assist them through such unprecedented times.

Communicating to those approaching retirement is the first step. Some members may not have even considered their situation, or fully understood the recent effect on their investments. Our research conducted in 2017 asked 200 people over the age of 55 how they felt about their retirement. Only 17% believed they had been supported and were fully prepared for it. There's evidently a sizeable gap that needs filling to ensure members are confident when they begin retirement. Implementing a comms plan targeted solely at this segment is clearly worth some serious consideration.

On an individual basis, an adviser will be able to ascertain whether retirement can still go ahead as planned based on their current set of circumstances. While there are potentially many different discussions around how to approach this period of life comfortably, a change in investment strategy, increasing contributions until retirement, and deciding whether flexible or secure income is now suitable, should all play some part.

<sup>2</sup>.  
[www.ftadviser.com/pensions/2020/04/30/pension-funds-suffer-record-losses-as-covid-19-hits/#:~:text=Data%20from%20the%20latest%20Moneyfacts,falls%20seen%20during%20the%20global](https://www.ftadviser.com/pensions/2020/04/30/pension-funds-suffer-record-losses-as-covid-19-hits/#:~:text=Data%20from%20the%20latest%20Moneyfacts,falls%20seen%20during%20the%20global)



In a study of pension members over the age of 55, only 17% believed they had been supported and were fully prepared for their retirement.



## HOW TO HELP

## Supporting those already in retirement

While there are no guarantees, those currently in retirement may have recovered some of the losses from their pension fund setbacks in the first half of 2020. The severity of the hit, however, can be high compared to somebody in their 20s for example, who has just started their retirement planning; pension pot reductions could mean they are no longer in a position to draw a sustainable income for the rest of their lives.

Savings and investments may have to be utilised to cover core outgoings or clear mortgages and debts. Or worse still, they may have to engage in part time work for additional income or downsize a home to release capital.

With the help of a financial adviser, there are steps this group can take. By looking at their pension and non-pension assets differently, a plan can be formulated that will allow them to continue meeting their outgoings in a sustainable manner. They may choose to change the investment strategy within the pension to try and recoup losses. An adviser could assist with recommending whether the purchase of a secure income as opposed to investing their pension monies may now be more appropriate. In short, there will be options. A financial adviser will quell the initial anxiety around losing 30% of a pension, for example, and clear a path towards remaining comfortable and meeting retirement objectives.



## FINANCIAL WELLBEING

# Taking care of our people

The need to provide financial wellbeing and some respite from the heavy Coronavirus clouds cannot be overstated, not least to your members who are fast approaching retirement.

The shock waves from the peak of the pandemic are still reverberating and shaping our 'new normal'. Could there be a more appropriate time to help people take control of their finances once again? Almost certainly not. With help and guidance a top priority, it is our collective duty to empower our members and give them the confidence to make informed decisions during these toughest of times.

## The question of course is, how?



### 1. Explaining the effects of Coronavirus

Many people still feel in the dark about the financial effect that Coronavirus has had, and maybe don't know who to turn to for guidance. It is important to focus on building a holistic picture around the economic impact of the pandemic – it will help to give their own situation context.



### 2. Improving pension knowledge

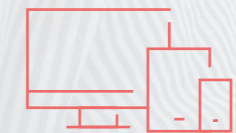
In a recent study, 43% of the U.K. population admitted they didn't know how much capital they would need in their pension for retirement<sup>3</sup>. This statistic is a clear indication that education, in what is arguably the most important employee benefit of all, is very much needed.

With people unwittingly plunged into financial uncertainty, there is a new-found willingness to learn about every aspect of their investment picture. In this instance, we might be well advised to strike while the iron is hot. Focussing on improving pension knowledge, starting now, will not only help those starting out, but also those considering retirement. Giving them the tools to make informed decisions is a game-changer.



### 3. Managing expectations

Concern over pensions in the aftermath of the recent financial turmoil is understandably beginning to snowball and only goes to highlight the importance of managing expectations where any form of investment is concerned. The adage 'what goes up must come down' is more of a truism where the stock markets are concerned. The bottom line here is that recent fluctuations, although dramatic, aren't a one-off; this isn't the first time the markets have dipped and it certainly won't be the last. Heightening awareness governing financial highs and lows is essential for investors. Sharing past trends and increasing any member's knowledge base provides the kind of perspective required to understand that a pension is likely to recover in the long term. In doing so, any unnecessary stress can be alleviated.



### 4. The new digital landscape

With remote working already playing a much more prominent role in the way our lives operate, the manner in which we inform and educate on all things financial will need to adapt accordingly. In our digitally-crowded, somewhat overwhelming space, the customer experience needs to be as user-friendly and informative as possible. Whether it be signposts to your own portal for guidance, or simply making people aware of the [www.gov.uk](http://www.gov.uk) or the [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk) sites, they will always need to know where to go for assistance and be thoughtfully guided through the appropriate channels.

The frequency of our communication is equally important, particularly at times like these – it remains one of the biggest voids in any financial strategy.



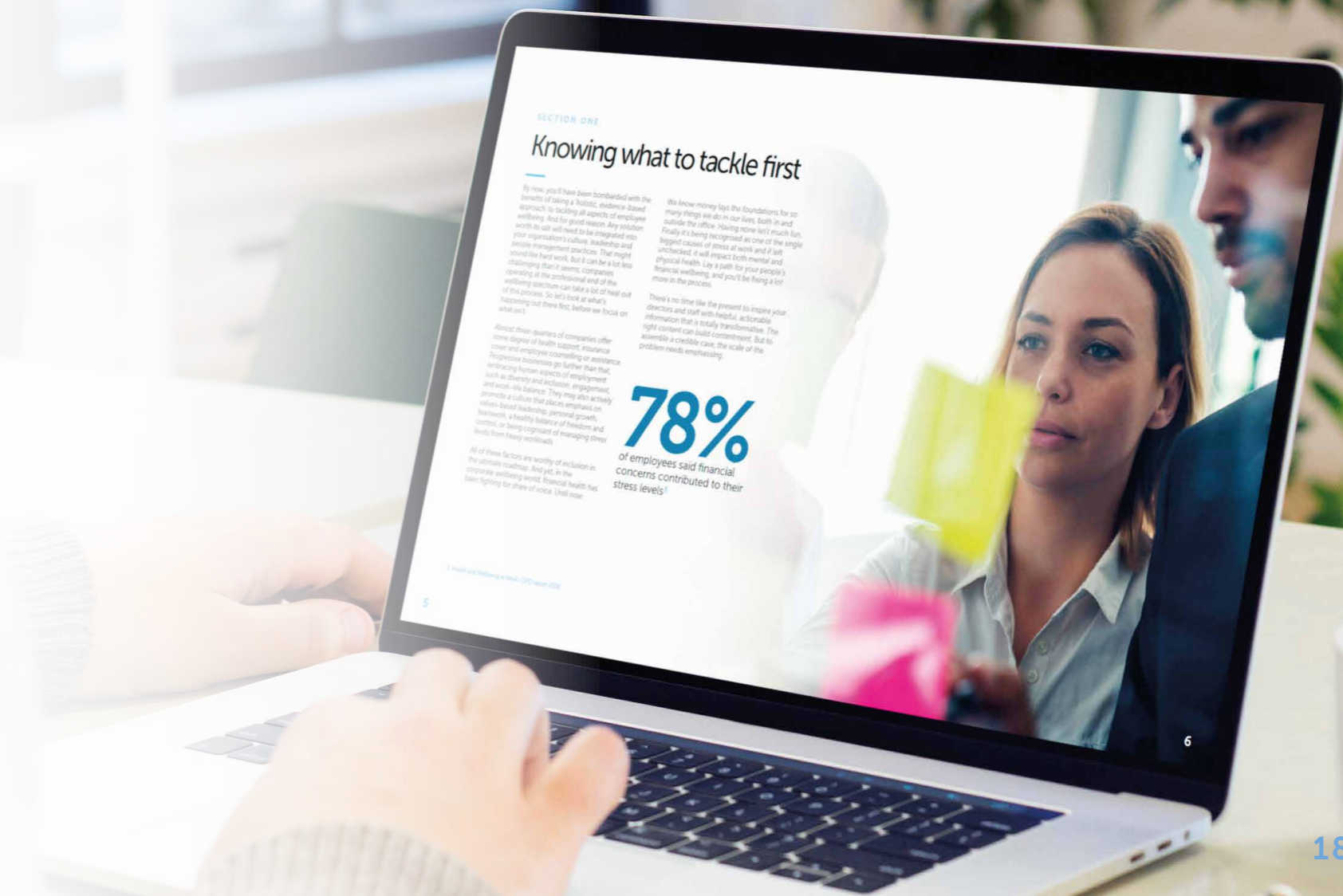
INSPIRATION

# Understanding how to implement a Financial Wellbeing Strategy

Financial Wellbeing Whitepaper: As HR executives look to address the deafening calls for financial wellbeing at work, this ultimate, easy-to-follow, step-by-step guide outlines a solid business case that stakeholders will find hard to ignore. But it won't be just the employees who benefit.

[DOWNLOAD WHITEPAPER](#)

Are you ready to break new ground?





## COMMUNICATION

# Improving communication in the 'new normal'

In this day and age, to understand the power of communication we have to look no further than mainstream media. The state of our minds, moods and even actions can be governed by what is generated through broadcast. The apprehension currently circulating around Covid-19 is a prime example.

Organisations that take communications seriously often reap the rewards. Adding value to digital channels by improving engagement can make a huge difference to the attitudes of employees and members, and have a direct and positive impact on their wellbeing.

The current uptake in digital and social media has been an eye-opener for many organisations, as they experience first-hand the interest that this form of engagement can attract. Mastering it can produce some pretty favourable results. **Here we identify 5 key ways to future-proof your communication plans.**

## 1. Target and personalise your communications

Nobody wants to feel like a number on a page. If we want somebody to listen to us, we have to demonstrate we understand their situation first, build a bridge between their problem and our solution, and support our viewpoint with facts that clearly demonstrate we're in a position to help.

Although there is often some common ground between what our different audiences experience, each often requires a unique solution. Communication to mass audiences rarely enables this to be done effectively, although blanket emails do have their place where announcements, generic updates or offers are concerned, for example. That aside, the more personalised our targeting, the more response we are likely to generate.

Breaking down a large database helps the content you produce to become more relevant to the reader, increasing interest and improving productivity. If you want a larger share of voice you have to cut through the clutter and pinpoint your messages.

## 2. Be creative about delivery

It seems ironic that the more time we spend in the digital world, the more personal we have to be. But in a crowded space, we have to maximise our engagement by thinking differently. The best content on the planet won't resonate if it's delivered in the wrong way. **The following communication methods can be received positively if the information that supports them is relevant, engaging and persuasive:**

- Talking head video
- Animated personalised video
- Expert-led group sessions
- Webinars

Using a trusted figure, an expert in the field or a peer as the face behind your communication will add gravitas and credibility to the message you're trying to convey.

## 3. Maintain an informative, open dialogue

It is imperative that you maintain open lines of communication. Being available builds comfort; being prepared builds trust. If we're properly equipped to handle queries or requests, more or less on demand, we become the reliable go-to person that everybody values. **Here are a few ways to future-proof your open channels:**

- Live-chat plugins to your website
- Reviewing your benefits website/portal content
- Improve customer service capacity
- Invest in suitable technologies (i.e. a virtual GP)

## 4. Take a multi-channel approach

Creating multiple ways to convey the same message is essential if you want all your people to properly digest everything you communicate. Some may prefer email, others may want a call, or a video chat might be a preferable way to engage. That said, given the availability and recent adoption of digital communication channels, it would seem nonsensical to overlook it as an effective means of maximising engagement.

In lockdown, a recent REBA study showed 74% of companies increased their usage of social media apps<sup>4</sup> such as Slack. They represent a simple and effective way to get your messages across directly to your people.

Whatever channel seems appropriate to utilise, communication teams have the responsibility to ensure everyone understands the information being conveyed.

## 5. Increasing talk time

The insular nature of remote working can leave people feeling isolated and left in the dark where their benefits are concerned. One of the best remedies is to build a strategy that encompasses regular communication to keep your people abreast of the latest information. In its absence, trust, reciprocal engagement and motivation can quickly dissipate. There can be no substitute for dialogue – it is a pillar for productivity.



**CONCLUSION**

# Tomorrow starts **today!**

Poor financial wellbeing is renowned for being a catalyst for mental stress, anxiety and even depression. All are pre-cursors to apathy and a lack of productivity. When any of us finds oneself in the throes of money woes, taking a positive step to shift the dynamic feels almost impossible.

Yes, recent stock market volatility has sparked reductions in pension funds. But by implementing a professional strategy that involves education and communication, the Coronavirus impact can be combatted and rejuvenation for all demographic groups can begin. The confidence to make smart financial choices today that will affect tomorrow starts with using the channels and tools now available to us, to provide support and updates on financial landscapes and evolving trends.

As David Pugh, Managing Partner at Lemonade Reward explains, "Our qualified advisers like to deliver tailored financial wellbeing seminars that massively help engagement. We're still encouraging face-to-face sessions, ideally one-on-one, through digital channels. This is then supported by a bespoke web portal that will guide your members with their pension plans. It keeps them connected. They can request advice, book seminars and stay up to date with financial topics."

Awareness is reassuring. And when circumstances change, people want to be informed and ready. No matter where your members are in their pension cycle, transparency and information will be the springboard for their revival.



**Our qualified advisers like to deliver tailored financial wellbeing seminars that massively help engagement.**

- David Pugh - Managing Partner at Lemonade Reward





NEXT STEPS

# It can be overwhelming, here's how to get help.

Lemonade Reward is an employee benefits consultancy specialising in delivering financial wellbeing in the workplace using refreshing, engaging techniques. Our Money Mentors are set up to help HR executives formulate a plan that works for your company.

You can chat with us and get any financial wellbeing advice you need by contacting us:

- w** [www.lemonadereward.com](http://www.lemonadereward.com)
- e** [info@lemonadereward.com](mailto:info@lemonadereward.com)
- t** 01483 617010



"I had a great pension review with Steve, he went over everything clearly with me and made sure I was happy and comfortable on each section before moving on."



"My understanding of how the financial markets etc work is fairly limited so to go through this has always been daunting however with Lemonade this was an easy and painless process as they made it very easy to understand answering any questions along the way. I would highly recommend them to anyone who is unsure of how to proceed with any financial dealings."



"The guys at Lemonade Reward are great! They are friendly, honest, and truly approachable. I have had pension reviews with a few of their team members over the years, and every one of them treats you like an individual and knows your plan details. I absolutely recommend Lemonade Reward to anyone looking for a great pensions advisory service."



"The team at Lemonade are thorough and allow you to understand the pension process and make informed decisions about your future. They make you feel comfortable in those decisions for a peace of mind when you retire. The saying is very true 'when life gives you lemons, make Lemonade'. My recipe for Lemonade is set and ready. Thank you Steve and the team at Lemonade."



"Jack Saunders spoke to me about my pension Pie options, I found him pleasant and very helpful, fully explaining my options, I told him about my current situation. He was helpful and explained everything clearly. I felt informed after our meeting and very confident about the Pie offer from my pension provider. Thanks Jack it was a lot clearer after speaking to you."





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