Online learning

As part of *Pensions Age's* year-long focus on financial literacy, our newest reporter, Callum Conway, shares his experience of learning about pensions through the industry's online resources

Thirty days ago *[at the time of writing]*, I joined *Pensions Age* as a reporter. Until that point, I had considered myself to be a fairly knowledgeable everyday saver. I own several ISAs that I pay into regularly, I'm aware of the benefits of different current accounts, and I keep up to date with fiscal policy and regulations. However, after embarking on my journey into pensions, I soon realised I knew absolutely nothing.

Well, not nothing. But very little about the world of pensions. Naively, I had assumed a pension was just a little virtual pot into which you paid some of your earnings until retirement. I had been oblivious to the fact that there were different types of pension schemes and that different companies paid different amounts into them according to different rules. I didn't know there were both 'buy-in' and 'buyout' insurance deals for pension funds or that there was a global ranking for pension systems. And what on earth is 'purposeful run-on'? I also had no idea that the pensions industry had so much overlap with other sectors – politics, technology, education – to name a few.

After it dawned on me how much I didn't know, I set to work – teaching myself as much as possible about this seemingly endless topic. The natural place to start seemed to be the government website. It was very useful (if you trust the government), providing clear and informative explanations of the different types of pension schemes. Although it doesn't give any background or historical data regarding pensions, it offers a good overview of the current system.

Emboldened by my newfound understanding of the state pension, I moved on to MoneyHelper, which is also a government service offering help with money and pensions. I found this less helpful, as it is geared towards consumers looking for specific pension-related advice, although it did provide an excellent description of auto-enrolment.

Now that I understood some of the basic terminology, I decided I needed a more comprehensive understanding of the history of pensions in the UK. Not as a weapon to bore to death anyone that I spoke to, but because I wanted to know how things had (or hadn't) changed in the industry. My quest took me to the Pensions

Archive Trust.

For any other pension-history buffs out there, this place is a treasure chest. *The Story of a Movement* displays a thread of pension-related history dating back to the 1100s up until the present. Did you know, for example, that the first clergy pension may have been awarded as early as 1180, when a pensions agreement was reached at the Exchequer Court for two clerics who held the church of Black Bourton in Oxfordshire after they were dispossessed? *[For more recent church pension information, read our case study on p38.]*

Pension Access was also an excellent resource, suggesting some modern-day implications of previous pension legislation and law changes. It emphasised that despite pension schemes existing in various forms for centuries, some of the most radical changes implemented to the sector have been in the past few years. It seems like I joined the industry at just the right time!

With my history appetite satisfied, I wanted to learn more about the benefits of a pension. As a young man in his 20s, I had always associated pensions as something I should worry about only when I was older, with no tangible benefits until retirement. I didn't learn about it in school or at university. Among my friends, I don't think anyone is aware of what a pension really is, let alone the importance of investing in a good pension scheme. I definitely think there is a general lack of financial education for young people – and pensions are no exception.

I found that the website of Legal and General, a financial services and asset management company, had excellent resources on the benefits of different pension schemes. In particular, it provided a detailed description of the tax benefits that investing in a pension offers. This should be advertised to all young people to encourage uptake in a pension scheme as soon as possible.

It made me curious about how many people are taking advantage of what different pension schemes offer, so it was time to study the stats. The Office for National Statistics (ONS) seemed like the natural choice, but I was drawn instead to PensionBee – the self-described revolutionaries of the pensions industry. To be fair, their website is the most modern and Gen-Z-friendly I've come across so far, with plenty of colourful diagrams and bubble writing to keep us dopamine-dependent doom-scrollers engaged. Dig a bit deeper and you can find an excellent page filled with the latest pensions statistics – less colourful and with lots of numbers. While its more serious nature may tempt a younger audience to navigate away, I had found what I was looking for.

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I learnt that although auto-enrolment has undoubtedly had a transformative effect on pension savings – over 10.8 million people are automatically enrolled, and pension participation in the private sector for eligible employees increased from 41 per cent in 2012 to 86 per cent in 2021 – 38 per cent of working-age people (equivalent to 12.5 million) are still under-saving for retirement.

When you break this down into age groups, young people are losing out the most. A recent analysis found that more than a fifth of young adults have no idea how much their pension is worth, as saving money dropped from their list of priorities during the cost-of-living crisis.

A survey of 2,000 UK adults found that 21 per cent of working 18-34-year-olds didn't know how much their pension was worth, and almost a quarter (24 per cent) had no idea how much they would need for a comfortable retirement.

As a result of the cost-of-living crisis, half of 18-34-year-olds said they had reduced or stopped any regular savings; this figure was higher than that of all adults (42 per cent) and people aged 55 and over (32 per cent).

This is hardly surprising. A separate study from the Youth Futures Foundation found that young people spend, on average, double on essentials like rent or bills compared to people over 51.

As a recent graduate, I saw first-hand how the Covid-19 pandemic and subsequent cost-of-living crisis affected young people, mentally, and financially – limiting how much they could invest in savings accounts, like pensions.

While highlighting the significant benefits of starting saving when young, the research found that only a quarter of young people knew they could save more into their pension than their default contribution rate and that many employers were willing to match additional contributions up to certain limits.

Young people who put off saving for a pension until they reach middle age could lose up to £100,000 in employer pension contributions and tax relief, a delay that could cost them as much as £665,000 by the time they retire.

As someone who knew very little about the world of pensions a month ago, I now find myself to be a passionate advocate for pensions education – particularly for young people entering the workforce for the first time.

That marked the end of my journey to understand the basic foundations of the pension world. I still have much to learn, and I look forward to improving my financial literacy further through my work for *Pensions Age*. Maybe one day, I'll finally understand what 'purposeful run-on' really means.

Written by Callum Conway