

“**G**od helps those who help themselves.”
The proverb describes the broad

sentiment of many religions, whereby planning for the future – including for old age and retirement – are framed not merely as practical considerations, but as moral duties.

“Retirement planning is not only a technical or actuarial exercise, but also a moral and ethical one,” Spencer West partner, Ishtiaq Nawaz-Chechi, says.

“Traditions in religions such as Islam, Christianity, and Judaism hold a strong emphasis on stewardship as well as intergenerational responsibility. Thus, it is not viewed as a lack of faith when an individual plans for retirement, but rather an expression of responsible guardianship over resources entrusted to us.

“Pensions continue to be a mechanism for dignity and independence in later life, representing more than future income. Faith traditions consistently stress the importance of not becoming an unnecessary burden on

Keep the faith

✦ Laura Blows explores the influence of religious beliefs on retirement saving, and how the pensions industry can demonstrate its alignment to drive greater engagement

family or community where reasonable planning can prevent this. In that context, contributing to a pension is aligned with the principle of foresight and self-reliance,” he explains.

With retirement planning and religious belief so harmoniously intertwined, one could arguably expect people of faith to be overrepresented as a proportion of savers within the pensions industry.

Yet, the evidence seems to point more to the opposite scenario.

Last year, research from the Institute for Fiscal Studies (IFS) found that over a quarter of Muslim employees reported that their religious beliefs affect their saving and investment decisions a lot, with almost another quarter reporting that their religious beliefs affect these

decisions a little, both of which being far higher than for other religions.

It also discovered that 20 per cent of Muslims who report that religion makes a great difference to their life (‘more religious’ Muslims) opt out of workplace pension participation, compared with 12 per cent of ‘less religious’ Muslims and 6 per cent of Christian or non-religious employees.

Industry awareness

According to Quietroom consultant, Isla MacFarlane, “in many schemes, faith-aligned options exist but aren’t always clearly signposted or explained”.

“For some savers, particularly Muslim savers, that lack of awareness and clarity can lead to disengagement or opting out altogether,” she adds.

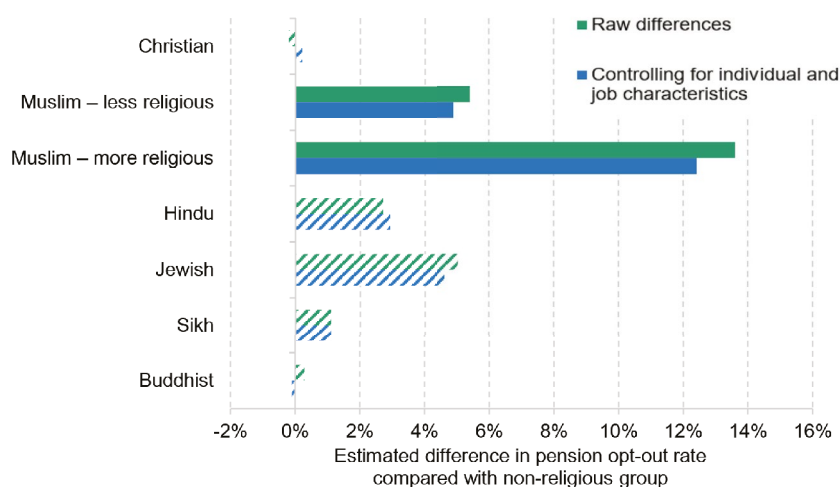
Nawaz-Chechi agrees, noting that some faith communities, such as migrant communities, have had lower pension participation rates, which sometimes can be attributed to unfamiliarity with either the system, concerns regarding interest-based returns, or a cultural reliance on support structures within the family.

“A culturally informed financial education and clearer communication from providers is required to address these barriers,” he states.

The UK pensions sector does seem to be making gradual progress in this area though, Nawaz-Chechi says, as faith-based investing has grown in awareness, “whether it involves Sharia-compliant structures in Islamic finance, or broader ethical screening that avoids sectors such as gambling, alcohol, arms manufacturing, or environmentally harmful industries”.

“Pension providers are gradually

Figure 3. Percentage-point differences in pension opt-out rates of employees compared with non-religious employees, by religion



Source: Institute for Financial Studies, *Ethnic differences in private pension participation after automatic enrolment*, January 2025

adapting to the demand, offering ethical or faith-based investment funds. However, there is still a need for greater transparency and accessibility,” he adds.

One such example of these greater efforts come from Smart Pension, which in 2024 launched its Halal Workplace Pension, in conjunction with Islamic digital investment platform Wahed, offering a Sharia-compliant managed investment glidepath as the default investment option.

Nest’s research into this area also found that some Muslim savers would have felt unable to participate in auto-enrolment if there was not a Sharia investment option, making it a “clear inclusion and compliance issue for employers”, which was why Nest introduced a Sharia option as an additional, specific fund choice,” Nest Invest senior investment manager, fund proposition, Georgia Smith, says.

However, she notes that its research didn’t find the same widespread or systematic opt-out risk among other UK



faith groups.

“Instead, across faiths and belief systems, we see broadly shared expectations around avoiding certain sectors like weapons, gambling, pornography and alcohol, and around ensuring strong standards of stewardship, worker treatment, environmental responsibility and supporting wider

positive outcomes for society. Nest meets these shared expectations through our Ethical Fund and through the design of our sophisticated default funds, which embed responsible investment, stewardship and ESG integration,” Smith adds.

Although there is overlap, faith-based investing and ESG are “fundamentally different”, Barnett Waddingham partner and senior investment consultant, Reena Tanna, warns.

“ESG is typically framed around financially material risks and opportunities, whereas faith-based investing is rooted in moral, ethical or religious prohibitions that may apply regardless of financial impact.

“A Sharia-compliant fund, for example, excludes interest-based finance, which is something that cannot be addressed through ESG integration alone. Faith-based investing should therefore be treated as a distinct consideration, not simply folded into ESG by default,” she explains.

Balance of considerations

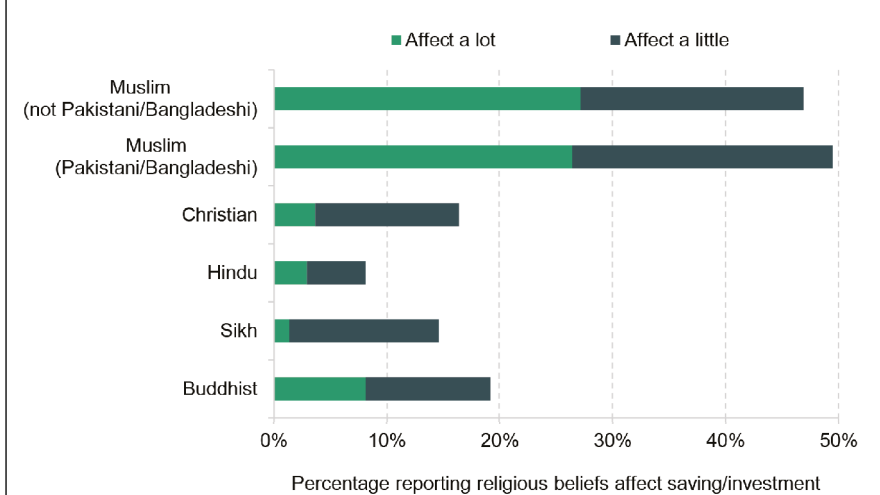
It may be a distinct consideration, but that does not mean that trustees must consider every religious distinction.

“Trustees are not expected to create bespoke solutions for every faith group,” Tanna states.

She highlights how The Pensions Regulator gives trustees flexibility to take steps that are “reasonable and proportionate for their scheme”. This enables trustees to balance fiduciary duties with member-driven preferences, including religious beliefs, without compromising outcomes or imposing disproportionate costs.

According to Tanna, trustees are not under an obligation to tailor investments to every individual belief, “but they are required to exercise judgement

Figure 4. How religious beliefs reportedly affect saving and investment decisions, by religion



Source: Institute for Financial Studies, *Ethnic differences in private pension participation after automatic enrolment*, January 2025



✦ Examples of religions' views on investing

Christianity: Opposes usury (excessive interest) and exploitation; favours ethical investments.

Islam: Shariah-compliant investing avoids riba (interest), gharar (excessive uncertainty), and maysir (speculation), and excludes industries such as alcohol, gambling, and tobacco.

Hinduism: Encourages wealth (Artha) pursued with ethical duty (Dharma).

Sikhism: Emphasises honest labour (Kirat Karna), sharing (Vand Chhakna), and rejecting immoral gains.

Judaism: Sees wealth as Tikkun Olam (for repairing the world), requires ethics, risk diversification, and forbids charging interest between Jews (Ribit) or unethical investments.

Buddhism: Avoids harm; wealth supports family, society, and charity.

when setting investment strategy and governance, taking account of their membership profile and acting in members' best financial interests".

For this, she suggests that trustees focus on offering a "thoughtfully designed self-select range that allows members to opt into suitable funds".

Arguably the main challenge here for trustees and pension managers is balancing inclusivity with good governance.

"Offering faith aligned investment options can be valuable, but it comes with practical constraints. For example, trustees cannot ask members to disclose protected characteristics such as religion, so demand must be inferred from broader workforce insights rather than hard data," Tanna says.

"Trustees also need to ensure that any faith aligned fund meets the scheme's standards on cost, liquidity and governance, which can be more difficult where funds have specialist mandates or narrower universes... Documentation, evidence based reasoning and regular reviews help ensure that fiduciary duties remain at the forefront while still making space for faith aligned preferences where appropriate," she adds.

Getting this balance 'wrong' between fiduciary duty and faith considerations may risk lower participation or higher opt out rates; disengagement from pensions more broadly, with members

viewing schemes as misaligned with their values; and reputational risk for employers seeking to promote inclusion and diversity, Tanna warns.

However, get the balance 'right' and trustees may see improved member engagement and confidence in the scheme; reduced opt outs, particularly in auto-enrolment contexts; and stronger alignment with employer diversity and inclusion objectives.

"Even where take up of faith aligned funds is relatively low, the existence of the option can itself be valuable in demonstrating inclusivity," she adds.

Communications

Communicating the faith-based considerations being made by pension schemes can foster engagement with more-religiously minded employees – but only if done correctly.

According to MacFarlane, there aren't any specific UK pension regulations that tell schemes how to talk about religion, but there are several legal and regulatory principles that shape what good practice looks like.

Religion is a protected characteristic under the Equality Act, which means "communications should avoid assumptions, stereotypes or language that could disadvantage or alienate people based on belief", she states.

In practice, this means being careful with imagery, examples and tone.

"Communications should avoid clichés or tokenistic representations of faith groups. A single image of someone in religious dress cannot stand in for an entire community. Inclusive imagery works best when it's part of everyday content, rather than confined to materials about faith-aligned funds, where it can feel bolted on rather than baked in," MacFarlane explains.

"Religion is deeply personal, complex and rarely binary. Communications should never imply that all members of a faith think the same way, or that a particular fund is only for a particular religion... Levels of observance vary, and people's investment choices don't always align cleanly with their outward beliefs," she adds.

Therefore, it is generally better to talk about the characteristics of a fund, rather than the individuals who might choose it, MacFarlane suggests.

"Clear, neutral signposting helps members understand what options are available, without assumptions being made about who they are or what they believe," she explains.

Ultimately, as MacFarlane says, "visible faith-aligned options reassure members that the scheme is designed for a diverse workforce, and that they are not being asked to compromise deeply held beliefs by default".

✦ Written by Laura Blows