

# Retirement plans under threat as workers struggle with 'pension paralysis'

September 14 2016, by Charlotte Anscombe

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Credit: University of Nottingham

Nearly half (47%) of UK employees are suffering from a crisis of confidence when it comes to making financial decisions and are agonising over their long term financial choices and health, according to preliminary research results of a major new study by The University of Nottingham Business School and Willis Towers Watson.

The study examines the approach and behaviour to retirement saving of almost 2,000 UK workers. Early results from the study reveal that, despite high [confidence](#) in the initial stages of the financial decision making process, confidence waivers for 47% of consumers when it comes to actually making the final decision. This lack of confidence persists even after a [financial decision](#) has been made, with 43% having doubts about their choice.

The large number of available saving options is one of the main factors

contributing to this crisis of confidence– with over a third of consumers (34%) revealing they think there is too much choice when it comes to saving for retirement.

In addition, the findings uncover a number of key economic factors and issues that are further compounding barriers to long term savings. Long term economic factors such as low or poor interest rates (48%), a lack of certainty over rate of return (22%) and being unclear on the extent of investment risk (16%) were still reported to be the main issues frustrating employees.

Minh Tran, Director in Willis Towers Watson's Wealth and Retirement Practice stated: "The results of our study highlight a savings problem, that has become more pertinent with the introduction of auto-enrolment. Instead of encouraging people to save more, increased choice seems to have created a decision roadblock. Coupled with economic uncertainty and conflicting financial priorities, this is creating a kind of pension paralysis where most employees end up in the default option".

James Devlin, Professor of Financial Decision Making in the Department of Marketing at the University of Nottingham Business School (NUBS) said: "The findings reveal a significant "confidence pinch-point" which occurs when savers are faced with the [decision making](#) "moment of truth". Although savers like the idea of having options and want to shop around, when faced with too much choice and complexity the decision becomes overwhelming and this can cause inertia."

Tran continues: "Employers and the pensions industry have to work together to help employees navigate these tough financial decisions. New innovative and personalised approaches to financial education, engagement and saving opportunities are required if we are to improve the situation and help UK employees to save more."

The research also pointed to other factors contributing to the crisis of confidence for savers. These include a lack of knowledge/information (35%), complexity of investment choices available (25%) and a general distrust of financial institutions (25%).

Professor Devlin continues: "From a behavioural economics point of view, one potential solution is to nudge people to engage in more suitable behaviour, using approaches that make the choice process significantly more user friendly. Our research also shows that the UK is somewhat polarised when it comes to knowledge and confidence so any approach must also be personalised to take this into account. Technology should be used to tailor services and communications to individual savers, and make them more engaging and relevant to their specific needs."

Provided by University of Nottingham

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