THE GOOD GUIDE TO PENSIONS 2022

This guide is brought to you by

GOOD WITH MONEY

MORE MONEY, FEWER PROBLEMS

In partnership with

PensionBee

Contents

Introduction

If you're one of the millions of pension members in the UK and you care about the future of our planet, this guide will help you understand your options.

Whether you have a personal or workplace pension, your retirement pot has more power to do good in this world than you might think.

Collectively there's £2.6 trillion invested in UK pension funds, but until now a large majority of it has been invested in environmentally-damaging sectors such as fossil fuels, arms, tobacco, deforestation among other nasties.

Do you know how your pension fund is invested? If you care, read on, and put the power of good behind your pension.

This guide, sponsored by leading online pension provider PensionBee, covers:

- Default or durrrr? Good Money Girl helps you understand your pension investments and get them working better for you
- Oli West from PensionBee looks at the benefits of consolidating different pension pots - just in time for the New Year
- Good Money Girl shows you the power of your pension in fighting climate change
- Priyal Kanabar from PensionBee explains the growing appetite for 'fossil free' pensions

By Lisa Stanley
Co-founder, Good With Money

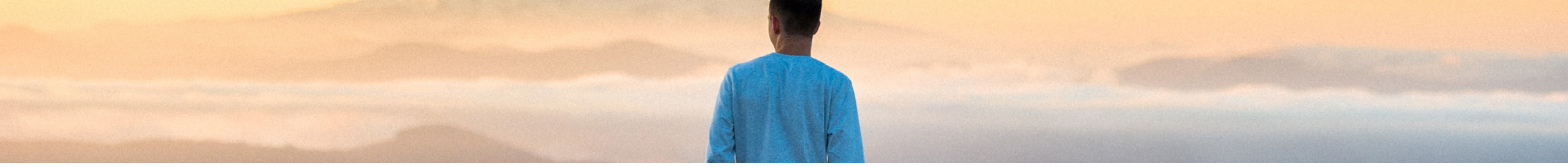
Default or durrrr? All about pensions

Does even saying the word 'pension' make you want to zzzzz? Us too. And that's the problem. For so long, pension firms have blinded us with jargon, charts and statistics, distracting us from what's really going on - the fact that pensions, collectively, wield the greatest power in fighting climate change.

It's easy to see why traditional pension providers have not been keen to raise a red flag about what's happening under the bonnet of the funds they manage. Even now, post-COP26 and with an ever increasing wafting scent of greenwash, the majority of the £2.6 trillion invested in UK pension funds will be holding on to sectors damaging to the environment.

So how can your average Jo pension-holder change this?

Of course, you may initially be feeling confused and asking why you even need a pension?



Here's why you need a pension:

A meagre state pension (if it still exists when you reach retirement age) - you can't rely on it and it pays just over £9,000 a year currently.

Your husband / wife / partner - you can't rely on them (even more sadly) as they might not have enough and you might not stay together.

You will probably live to around 83, so you will need something to live on when you stop work, because...

You will probably not work until you die (health starts to get in the way at around 63).

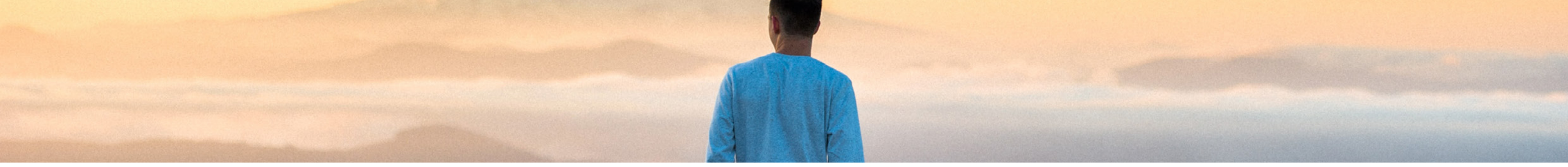
You probably won't win the lottery.

You probably won't become a social media influencer or YouTuber who earns six figures a month.

The average inheritance is around £30,000 - £102,000 less than the average amount expected by UK adults, and a whopping £130,000 less than those aged 18 to 34 hope to receive (according to Just Retirement).

You will probably need at least £250,000 in your retirement pot to get a decent standard of living in retirement.

The end of final salary schemes is nigh - so employers don't manage investments for you, you manage your pension income yourself.



In order to do something about your current pension, you first need to work out what sort of pension/s you have already. Put a tick in the box below against which statement best matches your circumstances.

- [ ] Workplace, defined contribution (most likely if you are employed and earn above the minimum for auto-enrolment).

- [ ] Workplace, defined benefit. Most likely if you are or were a public sector worker, though some private company schemes are or were defined benefit. Only 0.5 per cent now are.

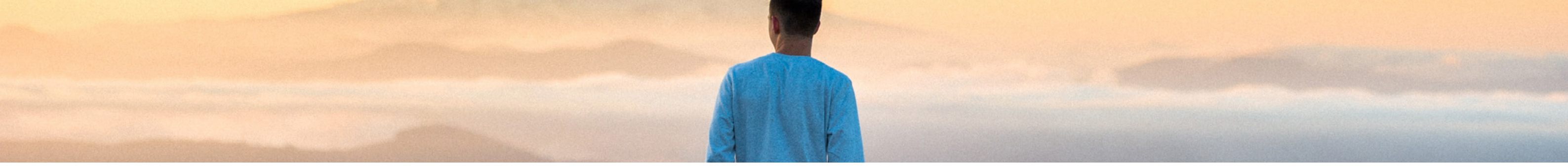
- [ ] Former workplace pension(s). If you worked in the past and had pensions with previous employers (NB. If you have more than one, at some point you need to gather these up and work out whether to put them all in one place).

- [ ] None (most likely if you are under 21, unemployed or low income).

- [ ] Personal or SIPP (Self-invested personal pension). Most likely if you are self-employed and set one up for yourself at some point, or you are topping up workplace savings and like to control your own investments.

If you didn't tick any of the above statements and you don't know what kind of pension you have or who it is with, you can find out by asking the following people:

- Your employer or past employers.
- The pension provider your employer or past employer uses.
- HMRC.
- Advisers such as IFAs or Accountants.



Once you've worked out who your pension is with, and what sort of pension it is, you can begin to take steps to make your pension work for you. Here's what to do:

Find out how much it's worth.

Find out how much you're currently paying in - to work out whether you should increase it or not - and the type of contribution scheme it is.

Find out where it's invested and in what sort of funds or sectors.

Ask yourself whether you agree with, or like, how it is invested.

Find out if you can move your pension fund and how.

Find out where you can/would like to move your pension to.

If you discover your pension is not as climate-friendly as you thought, you can check on Good With Money to see how green it is and find some more planet-friendly alternatives.

So now you understand why you really (really, really) need your pension. If you want to get it working better for you, read on to discover how to do just that. You'll discover how to consolidate different pension pots (thank you PensionBee) and how to switch from a fossil fuel-heavy or environmentally-damaging fund to a more climate-friendly one.

Oli West,
Senior Copywriter at PensionBee

Make 2022 the year your pension works out

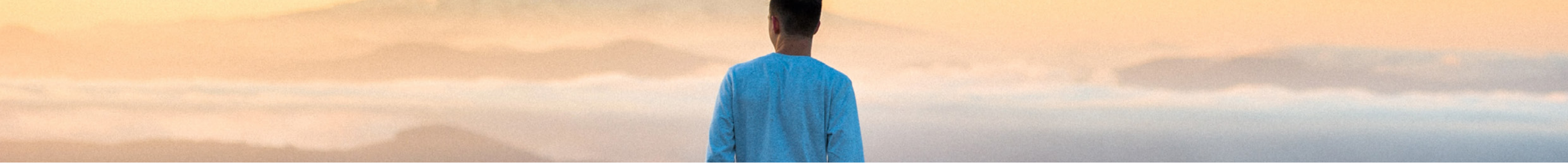
Each year, lots of us rush to sign up to the local gym. We do it with the best of intentions - "This time I'm going to stick at it!" we tell ourselves. And we usually do, for a month or two. Then life happens. Things get in the way. And after a while, we demote getting into shape from being our number one priority to being one of many priorities. Signing up to the gym is easy. Sticking with it is hard.

But what if, instead of looking at our waistline or our abs each January, we looked at our pension balance? What if we approached saving for our retirement with the same enthusiasm as getting into shape?

If we did, we'd find that signing up to a pension (if we haven't already) is easier than ever. We'd be able to do it online in just a few minutes. We could even do it while gazing at our phone between sets at the gym. In a few taps, we could set a retirement income goal. And in a few more, we could set up the necessary contributions to reach it. And, unlike the gym, we wouldn't need to rush to do it first thing in the morning or during our lunch break. Because once our pension's set up, it never stops working in the background.

Now, they say there's no gain without pain. But when it comes to pensions, there's one thing that seems to break this rule. It's called compounding returns, and it's a naturally occurring economic process that increases the amount that your pension grows over time. For example, if a £100 pension grew by 5 per cent each year, it would be worth £105 in year one, £110.25 in year two, and £115.76 in year three. Despite growing by the same percentage, it grows by larger amounts in real money terms. If it continued growing by 5 per cent each year, it would actually grow by £33.52 in its 40th year. Talk about gains.

Like going to the gym, the earlier we start taking our pension seriously, the more chance we'll have of reaching our potential. But if you're only getting around to it



now, don’t worry. While yesterday might have been the best time to start, today is the next best time. If we put £480 (the average annual cost of a gym membership) into our pension at the age of 35, PensionBee’s calculations suggest it could boost our pension pot by over £1,500 by the time we retire at 67. The best part is, the most physical exertion we have to do is wiggle our fingers across our keyboard or mobile phone.

And we haven’t even talked about one of the easiest gains of all - consolidating our old pensions into one. Like gym memberships, lots of us are guilty of forgetting about our old pensions. You know, the ones set up by old employers that we didn’t take with us when we moved jobs? They’re still out there, busily investing in things that might have been right for us when we set them up, but are not necessarily right for our goals today. And, worst of all, we’re still being charged fees by our old providers. Fortunately, transferring them to a new pension that aligns with our current retirement goals can be done in a few taps, too, with PensionBee. Not only will it be easier to manage one pension than several, but we’ll be giving ourselves the best chance of hitting our savings goal thanks to an aligned growth strategy.

Of course, if we really want to sign up to the gym and work on our fitness, we should. This isn’t an either/or scenario - we can have the best of both worlds! But in my opinion, financial health is just as important as physical health. And it should be treated with the same enthusiasm to get in shape that many of us wake up with on New Year’s Day. So why not start working towards a happy retirement now? Take the first step and combine your pensions with PensionBee.

Oli West is a Senior Copywriter at PensionBee. Prior to joining PensionBee, Oli managed the content team at Trussle, where he helped launch and grow the UK’s first online mortgage broker.

Remember, as always with investments, your capital is at risk. The value of your investment can go down as well as up, and you may get back less than you invest.

This information should not be regarded as financial advice.

By Lisa Stanley
Co-founder, Good With Money

The power of your pension in fighting climate change

Picture the scene, 30 years from now, global warming has hit 2.0+ degrees.... Don't like what you see? You can be part of the change.

A gathering at COP26 of the world's biggest pension funds and banks (the Glasgow Financial Alliance for Net Zero, or GFANZ), saw them pledge to align all their assets under management - that's a massive $130 trillion (£97 trillion) - with net zero by 2050.

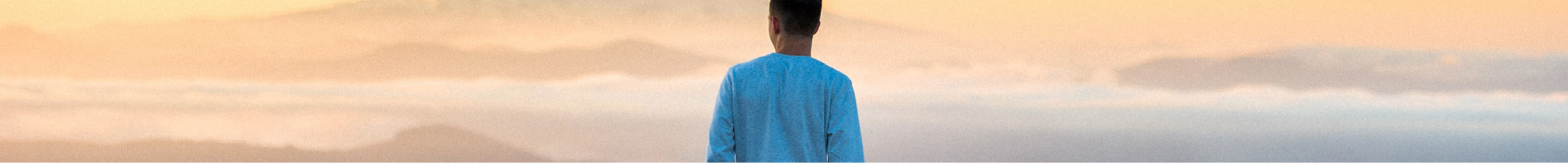
A giant case of greenwash? Only time will tell.

The big change is that fossil fuel finance is at last being talked about on the world stage. And this will surely trickle down to what as individuals we can and should be doing.

And, actually, there's quite a lot we can do when it comes to the power of our pensions. Indeed, figures from Make My Money Matter, the green pension campaign led by filmmaker Richard Curtis, show that switching your pension can be 21 times more powerful than ditching flying, going veggie and changing to a green energy tariff combined.

But how did we arrive at the point where our pensions are one of the biggest contributors to climate change?

Pensions are investments; unique investments, because they are designed to last for a long time - for decades in fact, right up until you retire and even beyond. This means that the fund managers looking after our long-term investments have a lot to think about when deciding where to put your money so it grows over very long time horizons. The driving factor is the balance of risk and return. The risk level



has to be acceptable to 'normal' savers, ie. you and me, while the return has to be sufficiently promising to justify all of us putting our money into a pension rather than, say, a cash savings account.

All investment options reflect the current opportunities in the world around us. Up to now, a large part of that world has been fossil fuel energy. So naturally, such companies have featured strongly in pension funds. One investment in particular that has typically ticked all the boxes for pension fund managers is oil. You will still find oil companies like BP and Shell in almost all major 'default' pension schemes. Why? It's not because pension fund managers love depleting the world's resources. It's to do with oil companies' size, their risk level and the way they pay returns. Oil companies are huge, and they are relatively well-established compared to companies in other sectors, with long performance histories. And, despite the odd blip, over time, they have been dependable investments - with global population rises and consumption increases over time increasing the demand for oil.

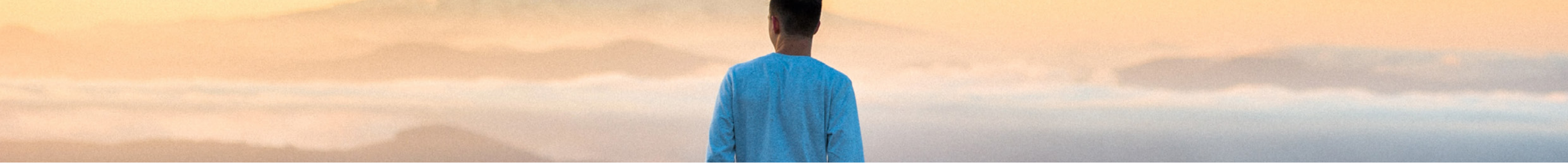
Oil companies have also always been good at paying dividends, providing a steady, reliable source of income for pension fund managers.

However, the tide has begun to turn. If our world is to survive the climate emergency, pension fund managers need to find something else to invest in. As Make My Money Matter says, 'What's the point in retiring into a world on fire?'

Thanks to the momentum driven by activists such as Greta Thunberg, regular personal testimony from David Attenborough and campaigns such as Make My Money Matter, the pensions traffic lights have finally switched from red to 'green for go.'

At the recent COP26 conference, the Treasury proposed that financial institutions and companies with shares listed on the London Stock Exchange (including several pension fund managers) must, by next year, have publicly declared their strategy to transition to net zero, including specific targets to reduce their greenhouse gas emissions and the steps they plan to implement to meet these aims. A taskforce will also be convened to set a 'gold standard' for these plans and reduce the potential for greenwash.

And even before COP26 there were a number of international law changes requiring pension schemes to 'go green'. As of 2019, pension schemes have been required to consider whether the financial impact of Environmental, Social and Governance (ESG) factors might affect their members' pension investments. Pension scheme trustees have had to set out, in their Statement of Investment Principles (SIP), their policy on how they take account of financially material factors, including ESG considerations and climate change, in their investment decision making. This statement must also set out how the scheme's fund managers are incentivised to align their investment strategy and decisions with the trustees' investment policies, including in relation to ESG matters.



So what does this mean for you?

Have you ever ordered a meal in a restaurant or some goods online that, once received, turn out to be not what you expected? Discovering what your pension is invested in is a little bit like that. It has the potential to leave a bad taste in your mouth, demanding an exchange or refund. The time has come to use that feeling of distaste, unpick what's in your pension and demand something different.

Until now, even if we do take an active interest in where our pensions are invested, it has been pretty difficult to work out where that may be. Our workplace pension is probably invested in a default fund. Information on the potential sustainability of any personal pension funds is likely to be buried 20-odd pages deep in the fund marketing material, obscured by a barrage of different terminology, ranging from ESG to sustainable to responsible to green to ethical.

So even pension holders who want to take an interest in how climate-friendly their pension is may find it confusing. Good With Money recently launched a new platform called Isitgreen.org to help pension savers work out exactly where their pension is invested, and get ideas on more climate-friendly alternatives.

Also, you're not alone in wanting more from your pension. According to Make My Money Matter, it's not only about risk and return any more; 68 per cent of UK investors want their investments to consider people and planet alongside profit.

On that point, research from our Good Investment Guide, in partnership with Square Mile / 3D Investing, shows there does not need to be a trade off between a positive return for your investments as well as a positive impact for the planet.

Now you've decided you want to green your pension, here are the steps to take:

1. First, find out where your pension is invested and whether you like what you discover in terms of the sectors and companies it's invested in. If these are not aligned with your own values, ask your pension provider to change and go green. If you are not satisfied with the reply, consider which options you have to move into a pension fund more aligned with your values. The Make My Money Matter website has a handy template to send to your provider to make this process easy.

2. Don't forget to check out your workplace pension. Ask your boss or HR department where the company pension is invested - does it align with your own values? And does it also align with your employer's sustainability targets for the business? Make My Money Matter has another useful template.

3. Make some noise! Only when we no longer bury our heads in the sand and make sustainable pensions a real dinner table topic will change come. Talk to your friends, family and colleagues, get them to ask the question of their own personal or workplace pensions: 'Is it green?'

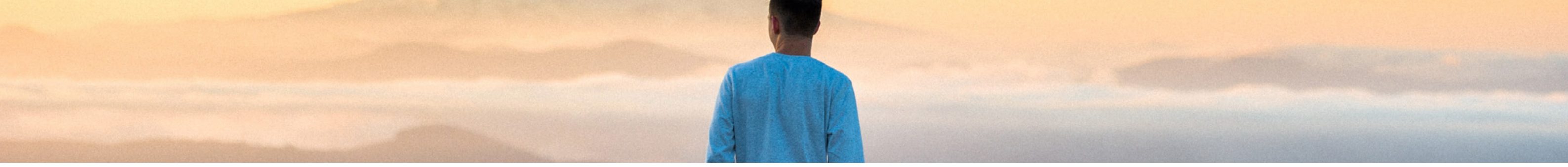
By Priyal Kanabar
Customer Insights Manager, PensionBee

Post COP-26: Savers want to take action on climate change, and the pensions industry needs to listen!

In November 2021 the UK hosted leaders from across the world for the 26th United Nations Climate Change Conference (COP26). A range of commitments have arisen from the event, and in recent weeks PensionBee has undertaken research to find out how ordinary savers feel about the key agreements. We discovered that the vast majority of Brits don't feel confident about the outcomes, with only 11 per cent reporting that they feel that the world is moving in a good direction, compared to almost half (45 per cent) who believe that although the outcomes of the conference are good, they don't go far enough. More than one in five savers (22 per cent) report being unhappy with the outcomes, whilst a further 22 per cent are of the view that governments won't solve climate change.

In contrast, when asked if they believe in the power of investments to significantly cut carbon emissions, 72 per cent expressed an interest in learning more or already believed it could drive real change. More than a quarter (26 per cent) say that they are likely or very likely to switch to a green pension, such as PensionBee's Fossil Fuel Free Plan, in order to reduce their emissions.

Yet despite high levels of interest in sustainable investments, our research shows that only 1 per cent of UK consumers report being currently invested in a green pension. Top barriers to switching include a belief that individuals don't have a choice because their employers pick their plan (28 per cent), not knowing how to switch as their pension feels very complex (13 per cent), and that they don't believe that they've saved enough for their pension investments to matter (12 per cent). These views highlight the importance of savers considering consolidating workplace pensions to a fund that aligns with their vision for the future when



they move jobs, as well as the pensions industry providing digital solutions that enable savers to see how much they have saved and manage their pots simply. Employers should involve their staff in the decision-making process around workplace pensions as this can plant the seeds of a sense of ownership amongst savers which can grow over time.

Remaining enrolled in a workplace pension scheme is essential to provide a decent standard of living in a national landscape where the average State Pension is likely to be less than £8,000 per annum (roughly 30 per cent of the average wage)[1]. However, whilst Auto-Enrolment has successfully brought millions into the private pension savings system, many are still not saving enough for retirement. PensionBee analysis shows that the average pot size is just £21,164, with a gender pension gap of 38 per cent, and only 33 per cent of savers regularly contribute to their pensions alongside mandatory workplace contributions[2].

At PensionBee, customer feedback is crucial to helping us shape the future of pensions. Building a product based on evidence of consumer needs and preferences helps us maintain high levels of engagement, with customers checking their balance via the PensionBee app on a weekly basis. We introduced our **Fossil Fuel Free Plan** in direct response to feedback from our customers **that major oil companies had no place in their investments**. Throughout 2020 our activism helped create a solution that removed the world's largest oil producers, whilst still offering high levels of diversification and good value to savers.

More recently, we invited customers in our Fossil Fuel Free Plan to participate in an **annual survey** to assess whether the plan still meets their expectations. The vast majority of respondents (89 per cent) stated that they are happy with the plan's exclusions, however many (39 per cent) now also want to see the exclusion policy go further – removing companies who provide associated services to the major oil producers and banks who finance fossil fuel exploration or lend money to oil producers. Respondents were also clear that we can't exclude all companies that use fossil fuels at this stage of the energy transition.

Armed with this survey feedback, we approached the plan's manager, Legal & General, and as a result The Fossil Fuel Free Plan will exclude companies that provide associated services to the fossil fuel industry. Our customers have led the way with their desire to change the world through their investments, and we're very thankful for their passion and contributions!

*Priyal Kanabar is Customer Insights Manager at **PensionBee** where she's passionate about understanding customers and amplifying their voices to drive improvements in UK pensions.*

[1] Towards a new pensions settlement, the international experience, Gregg McClymont and Andy Tarrant

[2] UK Pension Landscape, PensionBee

Conclusion

You will now hopefully be more acquainted with your pension and its tremendous potential to do good in this world, rather than harm.

People power really can bring about the huge change that we so desperately need. Just look at PensionBee's Fossil Fuel Pension Fund – it was created because of demand from customers, and they continue to drive it to do even better.

Thanks largely to Greta Thunberg, David Attenborough, Make My Money Matter and COP26, more people than ever are aware of the power of finance (our pensions and investments in particular) to turn the tide on climate change. There is also a growing desire to switch our pensions for good.

Now it's time to turn this intention into action – if you haven't already, align your pension with your principles today. Because after all: it's no good having a big, fat pension pot if there's no planet left to spend it on.

About Good With Money

Good With Money is a money website with a difference: it is all about how your money can do more good for people and planet, as well as line your pocket.

It created the **Good Egg mark**, a licence for financial services companies which make a positive impact.

Sign up to the weekly newsletter for the latest reviews and deals **here**.

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