

Perspectives

FRESH THINKING FOR YOUR CLIENTS BROUGHT TO YOU BY **COFUNDS**

Onwards and upwards

Verona Smith takes a look at the post-RDR world and the opportunities it presents **p4**

INSIDE

Power ahead

Matt Hudson explains how UK equities can help investors gain strong yields **p10**

INSIDE

Ride the wave

Steve Bee predicts an auto-enrolment tsunami is headed for IFAs **p14**

The auto-

STEVE BEE PREDICTS THAT AN AUTO-ENROLMENT WAVE IS HEADING FOR IFAS, WHICH WILL FORCE THEM TO DISCUSS WORKPLACE CORPORATE PENSIONS WITH CLIENTS – OR LOSE OUT ON VALUABLE BUSINESS

I've been causing a bit of a stir recently as I've been wending my way around the conference circuit speaking about the auto-enrolment tsunami that I think is about to hit IFA beach.

It all sounds a bit alarmist, I know, and plenty of people have probably said, "Oh, it's just Steve Bee again over-dramatising things", and stuff like that. Maybe it is, but I don't see it that way, and besides it's not anything like as dramatic as the impact that the raw stats on auto-enrolment had on me when I first saw them on the Pensions Regulator's website.

PEAK OF THE WAVE

Figure 1 shows the early stages of the auto-enrolment reforms in terms of the number of employers reaching their staging dates between October 2012 and April 2015. The peak of the wave that will hit during the next winter has 12,700 SME employers a month hitting their staging dates. Between October 2013 and May 2014 all firms with more than 90 employees and fewer than 1,300 employees will reach their staging dates and will need to implement auto-enrolment and all that entails.

If that's not a tsunami, I don't know what is.

TRANSFORM IFA BUSINESS

Those firms form the first wave of real significance that I think will transform IFA businesses in the UK; I call it the 'SME Wave'.

Firms with between 90 and 1,300 employees are smack in the middle of IFA territory and SME is as good a name as any for that group in my book.

As these good-sized firms reach their staging dates they will almost certainly turn to the IFA community for help and assistance. All the research says as much. And that's why we've spent the last three years here at J&gonFree building our jargonfreebenefits products to help IFAs provide valuable services around the new pension reforms for employers.

It is not something to be tackled overnight though. Any employer who starts thinking about implementing auto-enrolment procedures and all the record keeping and processes that go with that just a month or so before their staging date will have big problems. Firms need to start seriously planning for auto-enrolment at least 12 months before they reach their staging date.

Look at the last graph again; it is spring 2013 right now;

"In five years' time, our corporate pensions landscape in the UK will have been completely transformed by the momentous effects wrought by the introduction of auto-enrolment"

-enrolment wave

In 12 months' time the leading edge of the SME staging-date tsunami will be just hitting the beach!

But the SME Wave is only the start of it. Figure 2 shows the numbers of employers reaching their staging dates between October 2012 and September 2016.

Figure 1, showing the SME Wave, is the small first wave shown here to scale against the larger swell of firms that starts to build soon after the next general election in May 2015.

The following wave, which I refer to as the Micro Wave is where the employers with fewer than 50 employees start to reach their staging dates. Within a year of the next election, and before the Rio Olympics, 40,000 small employers a month will be hitting their staging dates. A small employer is defined in the legislation as having fewer than 50 employees. Again, this is IFA and local accountancy territory and the research says that's just who smaller firms will turn to as they get swept up in the auto-enrolment reforms.

THE THIRD WAVE

But look at Figure 3, which I think serves to put the last two in perspective and should provide a 'penny-dropping' moment for any of you who have not been close to these important reforms as they've been unfolding. The first two waves now look like blips compared with what is about to follow from the end of 2016 to the beginning of 2018. As the micro-employers (those with fewer than ten employees) reach their staging dates, the number of employers affected per month hits a staggering 135,000 at the end of the summer of 2017!

In five years' time, our corporate pensions landscape in the UK will have been completely transformed by the momentous effects wrought by the introduction of auto-enrolment. Before October 2012, only a small number of large employers formed what we used to call the corporate pensions and benefits marketplace. That small number of large employers employs about half the UK workforce.

After 2018, practically all UK employers will be part of the new corporate pensions marketplace as over a million new workplace pension schemes are put in place by this groundbreaking legislation. Those smaller employers between them employ the other half of the UK workforce, those who have thus far been excluded from the pensions and benefits the other half of the workforce have long taken for granted.

Many IFA businesses, too, will be transformed by these events and the opportunity to help employers and their employees take their first steps in this new corporate pensions and benefits world. That's a great opportunity if ever there was one.

FIGURE 1. STAGING DATE PROFILE OF EMPLOYERS UP TO APRIL 2015

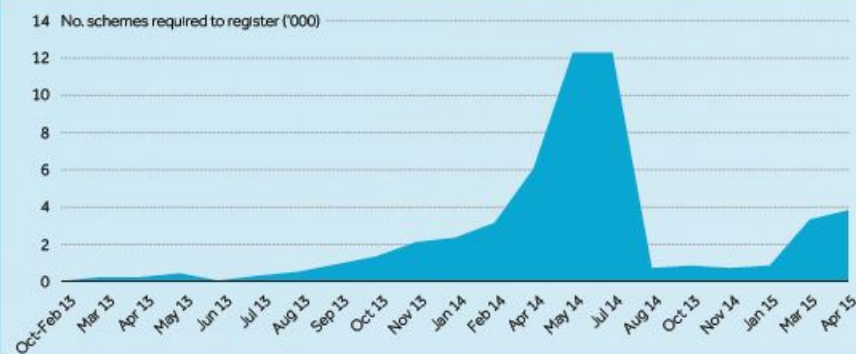


FIGURE 2. STAGING DATE PROFILE OF EMPLOYERS UP TO OCTOBER 2016



FIGURE 3. STAGING DATE PROFILE OF EMPLOYERS UP TO FEBRUARY 2018



Steve Bee is the founder of JargonFreeBenefits and the author of www.pensionsguru.info

WANT TO KNOW MORE?

• www.pensionsguru.info