

Helping employees plan for tomorrow and giving them peace of mind



That's the power of FRIENDS®

For advisers only.
Not for use with customers.

ABI figures from November 2006 highlight that 4.3 million people are under-saving towards their retirement income.

However, behavioural explanations suggest people may want to save more for their retirement. If an individual feels that they are not losing out on their income they may be inclined to pay more. They also realise that there is a need to frequently review the amount being saved towards their pension.

As pay increase time approaches, this is a good opportunity to get individuals to commit to pay more. They won't perceive an increase in payments as a loss of income as their earnings will be increasing too.

How do employees plan for tomorrow?

The essence is straightforward: people commit in advance to allocate a portion of their future salary increases towards their retirement savings. Our goal is to provide a programme to help the employee to save more and help them overcome the lack of will power often associated with such a decision. This helps employees achieve the desire to save more and helps instil perceived confidence in their pension planning process.

Our simple 3-step process

- 1** A proposal is made to employees about increasing their pension payment rates a considerable time before their scheduled pay rise.
- 2** If employees opt to do so, their payment to the plan is increased at the agreed percentage level beginning with their first pay packet after the rise.
- 3** The payment rate will continue to increase on each scheduled raise until it reaches the maximum percentage level agreed between the employer and the employee.

Employees can choose to opt-out of the programme at any time if they can no longer afford the increase to payments.

How it began

The first implementation of a similar programme, named Save More Tomorrow (SMT), took place in America in 1998 within a mid-size manufacturing company. Prior to the adoption of this initiative, the company suffered from low participation rates as well as low savings rates.



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By implementing this programme, the company witnessed a dramatic increase in pension commitment with 78% of their staff opting for the 'automatic increased savings' programme. 98% of those who joined remained in the programme for two pay rises with 80% staying until after their third. The average savings rates for the SMT plan increased from 3.5% to 11.6% over the course of 28 months [source: Richard H Thaler – University of Chicago].

What FRIENDS® will provide

FRIENDS® will provide the employer with all the support they need to offer this programme.

The programme, using Microsoft Access, provides:



The screenshot shows the FRIENDS PROVIDENT software interface displaying a table of "Current member details". The table has the following columns: Surname, Forename, Department, Staff number, Date joined, Company payment %, Member current payment %, Member increase payment %, and Member historical payment %.

Surname	Forename	Department	Staff number	Date joined	Company payment %	Member current payment %	Member increase payment %	Member historical payment %
Aravogh	Michael	Accounts	484767	04/01/00	0	0	0	0.0
Wright	Chris	Accounts	389975	09/01/00	0	0	0	0
Wright	Chris	Accounts	389975	09/01/00	0	0	0	0
Smith	John	Marketing	389975	09/01/00	0	0	0	0
Smith	John	Marketing	389975	09/01/00	0	0	0	0
Smith	John	Marketing	389975	09/01/00	0	0	0	0

- o Member listings.
- o An add/update function.
- o A valuable sort function.
- o The facility to print letters.

The suite of letters, which the employer can produce locally to speed up and ease the administration process for employees, include:

- o Member announcement.
- o Enrolment form.
- o Enrolment confirmation.
- o Increase in payments confirmation.
- o Change of details confirmation.
- o Opt-out confirmation.

FRIENDS® also provide full sales support including training, ongoing support and free periodic updates.

The benefits are clear

Employers:

- Shows commitment to the retirement needs of their staff.
- Another valuable option to aid staff retention.
- Help make their pension scheme more successful and attract new joiners.

Employees:

- Save more during their working life to increase income in retirement.
- Added flexibility.
- Automatic increase and earmarking of future pension payments.
- Added confidence in their pension planning and peace of mind.

We don't guarantee the value of the plan. It can go up and down depending on how well the investments perform. Members could get back less than they've paid in.

What to do next

For more information on this or to see a demonstration of the programme, please contact your local FRIENDS® consultant.

Friends Provident Pensions Limited

Exeter Office: Winslade Park, Exeter, Devon EX5 1DS

Registered and Head Office: Pixham End, Dorking, Surrey RH4 1QA

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Authorised and regulated by the Financial Services Authority

www.friendsprovident.com Telephone 0870 608 3678

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