

June 2024

# Financial Advice in UK Workplaces

Examining workplace trends on financial advice



# About us

We have been helping employees for some of the UK's best-known organisations to improve their financial wellbeing for over 50 years.

We're passionate about helping people resolve their money worries and take control of their finances now and for their future.

Our workplace financial wellbeing services provide employees with end-to-end support via financial education, financial guidance, financial planning advice, savings and investments.

Whether you want to implement a 'hire to retire' strategy or start by providing tailored support to specific employee groups, our services drive engagement across every area of financial wellbeing.

# Get in touch

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# Introduction

In recent years, UK financial wellbeing has faced an onslaught of challenges: the pandemic, employees and organisations adapting to more hybrid working, the highest rate of inflation in decades, significant rises in our cost of living, continued market volatility affecting savings and consumer confidence, and uncertain mortgage rates. Whilst these changes are difficult enough to deal with in themselves, the fact that most have been unforeseen and inflicted upon us, and so outside of our control, has also added financial worry, impacting mental wellbeing as well as financial wellbeing.

Also, over the last decade in particular, with the introduction of pension freedoms, the growth in defined contribution pensions and more complexity with personal taxes, there has been a shift in the weight of responsibility with individual employees now required to be aware of, and take more financial decisions at every stage in their career.

All of these changes point to one thing, now more than ever before, all employees need more help with their finances.

## The need for financial advice

Employees, having weathered the turbulence of recent years, are more engaged than they have ever been with their financial wellbeing. They recognise their need for help citing financial advice as their third most important workplace benefit to help improve their financial health<sup>1</sup>.

It's also interesting to note that of these priority benefits, half relate to protection benefits, underlining the uncertainty that employees are still feeling. In the current economic climate, when confidence matters and every penny counts, employees need access to the best quality support – from information to financial education, guidance and advice.

## Benefits employees want to help improve financial wellbeing<sup>1</sup>

1. 52% pension
2. 38% private medical insurance
3. 36% financial advice
4. 34% critical illness cover
5. 31% employee shopping discount scheme
- =6. 30% death in service protection
- =6. 30% income protection
- =8. 27% long service awards
- =8. 27% dental insurance
10. 26% holiday purchase and sell back

“Now may be the perfect time for companies to give employees what they really want - financial advice alongside other workplace benefits.”

# Financial advice in UK workplaces

In this recent YouGov survey, almost two thirds, 63%, of organisations confirm that they provide financial advice to employees, falling to less than half, 44%, for organisations with less than 500 employees.

However, for most of those that do provide financial advice the advice is limited, in its range or as it is only offered to certain employee groups. Advice around pensions and retirement are the most common types of advice offered at 48% and 44% respectively, 17% of organisations offer advice only to some employees and 11% provide advice for retirees. Only 12% of firms offer the full range of financial advice for their employees.

“For most organisations that do provide financial advice, the advice is limited”

Extent of financial advice offered
48% pensions advice
44% retirement advice
40% debt advice
31% pension consolidation advice
30% tax planning advice
29% mortgage advice
12% the full range of financial advice

# Financial advice for every life moment

Whilst the highest proportion of workplace financial advice is focused around pensions and retirement, it’s interesting to note that this matches only one of the biggest issues challenging employee financial wellbeing.

The biggest financial challenges are employees managing normal living costs, and the second biggest being the cost of rent/mortgages<sup>1</sup>.

Comparing the support currently available versus the need, mortgage advice, for example, is only provided in less than a third of organisations, 29%, yet it is still one of the biggest issues employees are grappling with.

“All employees, in every age category, identified financial advice as a top priority workplace benefit”

All employees, in every age category, identified financial advice as a top priority workplace benefit, it wasn’t only those approaching retirement<sup>1</sup>. The need to review changes to personal finance happens for various reasons and at many different life moments. Employees may need help in many scenarios; from starting to save, to finding the right mortgage, from reviewing protection needs ahead of a possible redundancy to planning a career break to raise a family, and from marriage to funding the cost of care.

<sup>1</sup> Spotlight on UK Financial Wellbeing research July 2023  
<sup>2</sup> FCA register 22 December 2023, including retail banks

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“Limiting advice offered to only one area of personal finance, or a segment of employees, will reduce its reach and impact.”

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## Some common life moments

Starting a pension	Starting a job	Renting first home	Managing debt	New baby	Marriage
Acting as an executor	Starting to save	Pay rise/bonus	Finding a mortgage	Career break	Children leaving home
Ill health	Children going to university	School fees	Retiring	Remortgage	Reviewing protection needs
Parental leave	Separation/divorce	Finding/consolidating pensions	Tax planning	Saving vs paying off debt	Redundancy
Managing savings/investments	Children on property ladder	Buying first home	Care costs	Estate planning	Bereavement

Limiting advice offered to only one area of personal finance, or a segment of employees, will reduce its reach and impact, as not all employees can benefit.

Not every provider will be able to provide the full range of advice services. So when reviewing how well the existing provision can meet employee demand, employers need to be aware of the range of advice and any limitations of expertise from their current providers.

# The providers

With the increased focus on workplace financial wellbeing, and the growing need for more support over the last 10 years, the provider market has naturally grown. Existing providers such as pension and benefits providers have added financial wellbeing to their service offering. New providers have entered the market and new services such as fintech education platforms, salary advance and workplace loans, and financial coaching have also been introduced.

Workplace financial advice providers
40% financial wellbeing provider
33% UK-wide firm of financial advisers
29% pension providers
28% a panel of selected financial advice firms
28% an adviser included in benefits platform/provider
14% local IFA/financial advice firm

The quality of provision is likely to influence the success of the outcomes. When reviewing an existing provider or searching for a new provider, organisations need to understand what different providers are likely to deliver, both to manage their own expectations and to be clear on the expertise they put in front of their people.

“To manage expectations, organisations need to understand the advice that different providers can deliver so they are clear on the expertise they put in front of their people”.

Reviewing some common life moments, and remembering that half of the top 10 workplace benefits employees want are financial protection, it's easy to see why some current financial advice provisions may not be meeting employee needs.

For example, pension providers are expected to be experts on their own pensions, but they cannot help beyond that, such as finding protection or mortgage products. A fintech financial education platform may be able to inform and raise awareness on a range of benefits and personal finance topics, but unless they can provide access to financial advice, they may not be able to help with things like consolidating multiple pensions or recommending a savings plan to fund care costs. Financial coaching is not financial advice.

In reviewing the latest research, it seems apparent that there may be some blurred lines around the understanding of financial education, financial guidance, financial coaching and financial advice.

- **Financial education** provides information aiming to raise awareness. It should focus on facts, rules and choices, outlining universal principles, best practice and key decision-making criteria
- **Financial guidance** takes financial education and explains how that relates to an individual, outlining and guiding that individual through the options and choices available to them and arming them with the tools so they can then make a decision and take action themselves
- **Financial coaching** is identical to financial guidance, with the added point that it can also provide checks and accountability when the individual works with the coach over a number of sessions
- **Financial advice** provides the most personalised and detailed service as it starts with a personal fact find of an individual's circumstances and needs across all areas of personal finance, including other immediate family members, as relevant. This results in written financial advice with specific recommendations and an action plan including recommended products after a market review.

	Financial education	Financial guidance	Financial coaching	Financial advice
Who can provide it?	Anyone	Anyone	Anyone	Qualified, practising, regulated financial adviser
Is it regulated	No	No	No	Yes
Requirements for interactions to be recorded, reviewed and complied?	No*	No*	No*	Yes

\* Likely if this is carried out by regulated financial advisers within a regulated firm

And when companies state that their financial advice is provided by a financial wellbeing provider, what does that mean? A financial wellbeing provider is a catch-all term that can include any provider delivering a financial benefit or any aspect of a financial wellbeing programme. Benefits consultants/providers lead the way in providing financial wellbeing programmes at 24%, 20% are delivered by a financial advice firm, 17% are each provided by the pension provider and the employers themselves, 11% are provided by a specialist financial education provider, 16% by financial coaching firms, 8% by the Money and Pensions Service, 7% by a workplace loan provider and 6% by a fintech platform<sup>1</sup>. So a very broad range of quite different providers, each with their own specialisms, each with their own core services and so each with quite different services to offer to an organisation and its people.

It's worth noting that in the workplace, the professionals employees trust most to provide financial education, guidance and advice are financial advisers at 46%, pension providers at 40%, and 37% trust a specialist financial education provider selected by the employer. Only 3% of employees trust a fintech financial education platform, a workplace loan provider or financial coaching delivered by coaches who are not regulated financial advisers<sup>1</sup>.



# The importance of financial education

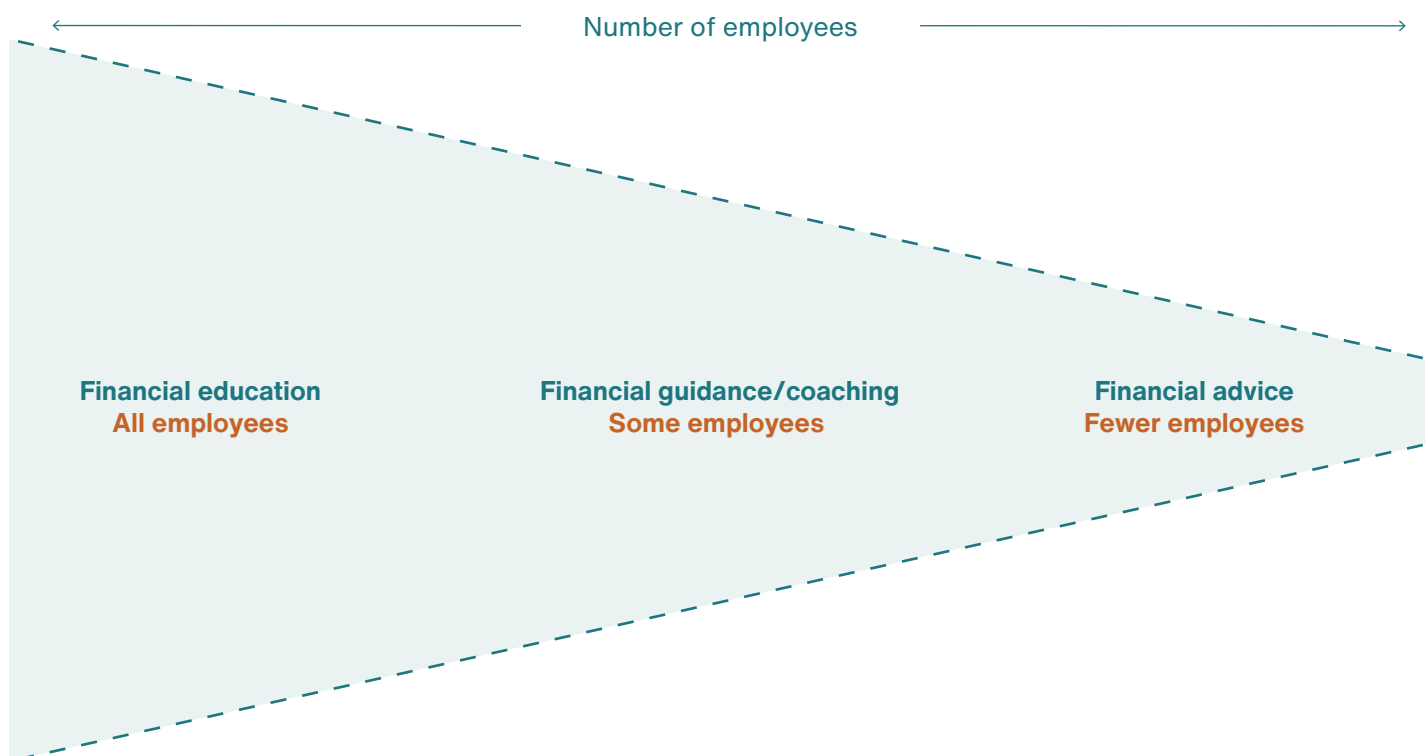
The ideal workplace financial wellbeing programme will include financial education, financial guidance and financial advice. It will address all workplace benefits and all personal finance topics and be available to all employees.

In reality, when a quality financial education programme is offered to all employees, this will be enough to support the majority of employees with most financial decisions and through most life events.

Some employees may need that extra bit of help with additional one to one support via a financial guidance/ financial coaching service.

And a minority of employees will need to seek financial advice.

In practice... the importance of financial education







If the full range of financial advice services are not offered to all employees, employers should consider whether they are happy that employees will then be left to the vagaries of the marketplace to find suitable financial advice on their own.

“On their own, employees trying to find a suitable adviser in the open market may be vulnerable to considerable variation in quality, price and service”

For employees that need financial advice, having a firm that has been selected by their employer, and where quality, price, service standards and credentials have been reviewed and are monitored, is far preferable. On their own, employees trying to find a suitable adviser in the open market may be vulnerable to considerable variation in quality, price and service.

# Future financial advice

For the 34% of organisations that don't currently offer financial advice in the workplace, 17% expect to add it in the next few years, 46% do not envisage adding it and 34% are unsure.

Historically, employers have shied away from selecting a financial advice firm because of the perceived risk if inappropriate advice were to be given to employees and the possible repercussions on the organisation. This view still exists and is the top reason as to why financial advice isn't currently offered:

- 31% don't know
- 27% the risk of inappropriate advice and the reflection on the organisation
- 24% no budget to fund it
- 23% do not consider it an important workplace benefit
- 21% risk of selecting a suitable advice firm
- 18% lack of demand from employees

However, with employees being clear about needing financial advice to improve financial wellbeing, and with over 16,000<sup>2</sup> financial advisers/advice firms in the UK, 82% of which have less than three advisers, the risk of any individual employee finding and selecting a suitable adviser are far greater.

Employees themselves provide the biggest motivator to influence change for those organisations without financial advice. A third say that seeing evidence that employees would take up this benefit would influence their decision, and a further 21% would consider adding it if employees requested it.

And, given the research findings regarding who currently delivers financial advice to those organisations already providing this, the most important criteria to be satisfied when selecting a provider are:

- Price
- Suitable and consistent service levels for employees
- Full range of advice service
- Recommendations from other organisations
- UK coverage

These criteria not only provide a good checklist for those looking to introduce financial advice into their workplace but they may also be useful for organisations that want to measure and manage the effectiveness of existing providers.

<sup>1</sup> Spotlight on UK Financial Wellbeing research July 2023

<sup>2</sup> FCA register 22 December 2023, including retail banks

# Methodology

## **The research**

Unless otherwise stated, the data referred to within the report is based on surveys conducted among 503 employers with 200 or more employees in the UK. The research was carried out on behalf of Close Brothers Asset Management by YouGov between the dates of 28 March and 19 April 2024.

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