

# WEETU

WOMEN'S EMPLOYMENT ENTERPRISE  
AND TRAINING UNIT

**Retirement Planning:  
increasing financial awareness  
for women**

**Produced by:**

**WEETU** *financial*  
PLANNING FOR YOUR RETIREMENT

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## **1.0 Introduction**

The Women's Employment, Enterprise and Training Unit (WEETU) was set up as an independent voluntary agency in 1987 in Norwich and is a not for profit Company Limited by Guarantee. WEETU helps women take control of their economic lives. WEETU offers advice, training and support to develop employment and enterprise opportunities.

The aim of the project was to use a variety of methods to reach different groups and therefore establish what methods are most successful in increasing financial literacy and awareness of retirement planning among individuals living in Norfolk and North Suffolk. There was a particular emphasis on engaging women, as women historically make fewer plans for retirement and therefore suffer more poverty in later life.

This report presents the findings and research completed over the last year. It comprises an overview of the retirement planning issues and some general observations received from the women through One 2 Ones and at presentations, including data collected at interviews with employers, human resource departments, employees, the self employed and Independent Financial Advisors.

Supporting this information is some research done by the Financial Services Authority. The report also outlines some recommendations made by some of the participants in the project about how to make retirement provision more attractive.

## 2.0 Terms of reference

### 2.1 Women's issues around financial planning for retirement

#### 2.1.1 Introduction

Women traditionally have made little provision for their old age and this project, with its focus on women, has been designed to address this issue.

Recent research has highlighted various problems experienced by women in relation to saving for retirement.

Scottish Widows found that nearly a third of UK women have no private pension plans in place at all and that half of all females stop saving towards their retirement once they have children<sup>1</sup>.

The Equal Opportunities Commission states that, under the current pension system, one in five women risks poverty in retirement and more than two million women are not building up rights to claim even the basic state pension<sup>2</sup>.

A report produced by the Financial Services Authority, *Women and personal finance states: the reality of the gender gap*, shows there is little difference in ownership of financial products between men and women in similar social positions and roles, though there are wide variations between different groups of women. While more women of working age are financially independent, women still have lower levels of pension ownership than do men, e.g. only 27% of married women have a pension, compared with 47% of married men<sup>3</sup>.

## 2.2 The issues

### 2.2.1 Investment

When choosing to invest women are more likely to be risk averse. As such they tend to choose low risk investments which attract lower returns. They do not like 'locking their money up' for prolonged periods, owing to a number of reasons:

- Employment tends to be periodic.

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<sup>1</sup> [http://orange.co.uk/money/bankandsave/18794.htm?linkfrom=orange\\_search](http://orange.co.uk/money/bankandsave/18794.htm?linkfrom=orange_search)

<sup>2</sup> [http://orange.co.uk/money/bankandsave/18794.htm?linkfrom=orange\\_search](http://orange.co.uk/money/bankandsave/18794.htm?linkfrom=orange_search)

<sup>3</sup> <http://www.fsa.gov.uk/pages/library/communication/pr/2001/043.shtml>

- Women are more likely to work part time. In December 2007, 42% of women in employment were working in part-time jobs, compared to just 11% of men<sup>4</sup>. This type of employment tends to be more flexible than full time work, with part days, nights or several full and consecutive days worked. This enables women to work and earn money but also maintain their lifestyle and its responsibilities and challenges.
- Their incomes are usually lower and can fluctuate. The roles tend to be low paid with less job protection or benefits. They have often had irregular working patterns due to domestic responsibilities, mainly childcare but increasingly caring for an elderly relative.
- Women's wages or salaries may be used to balance the family budget or put towards luxury items such as holidays or clothes, resulting in little left over for longer term saving.
- Any money saved tends to be for short term goals such as holidays, improving or spending on the home, or to cover their children's expenses such as school trips.

### **2.2.2 Lifestyles**

- Women tend to be poorer after a divorce or partnership break up as they are often left with the children and therefore have less capability to save
- Lifetime transitions, such as childbirth or divorce, have larger and longer lasting effects on women's levels of savings and debts than on men's

### **2.2.3 Attitude to money**

- Women tend to be good at managing their day to day budgets but have little realisation of the long term reality.
- They often feel that retirement is a long way off and that they have more immediate priorities.
- There is low confidence around choosing financial products.
- Women tend to have lower retirement income forecasts than men. Many women only have the State pension. If they have saved into a pension it is often of a low value.

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<sup>4</sup> First Release Labour Market Statistics, February 2008, National Statistics, 13 February 2008.  
[www.statistics.gov.uk/pdfdir/lmsuk0208.pdf](http://www.statistics.gov.uk/pdfdir/lmsuk0208.pdf)

## 2.2.4 Employment

- More likely to be part time to fit in with women's lifestyle and family commitments.
- Over one million women in the UK are now self-employed. This number has increased by 18% in five years (Labour Force Survey historical quarterly supplement: calendar quarters, Office of National Statistics, 2006). By its nature self employment makes it more difficult for women to make long term financial provision.
- Women tend to choose part time work and/or self employment as it allows greater flexibility and control over their time. However this type of work often results in a lower income than that full-time employment.

### 3.0 Methodology

- A new branch of WEETU was set up called *WEETUfinancial*. *WEETUfinancial* develops and delivers the training for this project.
- We used a promotions company who assisted us with marketing. Articles were published in local newspapers, organisations' and businesses' magazines. Information was put on the internet and intranet of large local companies with links to the *WEETUfinancial* website.
- Networking proved to be an invaluable way of raising the profile of the project. We attended Business to Business events, Women's conferences, Debt and Citizens Advice Forums and other awareness raising events.
- We have conducted presentations and workshops for employers in the organisations' offices.
- Utilising other WEETU services such as the Full Circle programme by incorporating retirement planning information for self employed women into the training.
- In addition, financial planning information is also incorporated into WEETU's money management courses.
- WEETU's recruitment agency, WEETUworks, promoted the *WEETUfinancial* services via information included in email signatures. WEETUworks (our employment agency arm) sent out as an attachment on all its emails the following statement:  
"*WEETUfinancial* (part of WEETU) offers free, practical and impartial information about planning your financial retirement options. This information is delivered at your workplace for you and your employees at no cost. "
- The most successful methods were using personal networks and WEETU's reputation to engage clients
- This often resulted in One 2 One meetings where we were able to provide specific information and directly meet the client's needs. This also enabled us to do some financial literacy coaching which led to the clients receiving an overall better understanding of their financial situation and the importance of a pension.

## **4.0 Findings**

### **4.1 Difficulties engaging with employers**

- Employers have concerns about the cost of retirement planning. For example, when staff choose to opt in to a company pension scheme the expense to the employer is substantially increased. This tends to lead to employers offering the pension but not actively promoting it.
- Employers argue that staff are uninterested in retirement planning and so when pensions have been offered the take-up has been low.
- There were difficulties attracting employers with fewer than five employees, as there is a perception that they will be put in a position of having to offer a pension which they may not be able to afford.
- These factors resulted in employers feeling that they can fulfil their obligation to provide information on pensions by making posters or leaflets on pensions available to the staff: they are very reticent to provide further or more detailed information.

### **4.2 Actions to overcome difficulties**

- The services of a marketing company were engaged, who used their expertise to develop a marketing plan that would push the service into the forefront of the minds of employers and workers in the region. Together we identified the most appropriate employers to target, with the aim that they would feed information about the service down to employees. It was felt that this method would ensure that we had the opportunity to do presentations to people in the workplace and to engage more individuals in One 2 Ones.
- To engage companies within the area, a mail-out was produced and sent to over three hundred companies. This was followed up with telephone calls from an 'outbound' telephone specialist. Although employers seemed very positive on the phone they did not follow up and book presentations or One 2 Ones for their staff or themselves.
- Although we have found that WEETU's reputation was successful in engaging with individuals, this did not translate into activity with employers.

- Feedback indicated that people are wary of organisations offering pensions information as there is a perception that the organisation will want to sell them pension schemes or other financial products. This was found to be true *despite* publicity clearly stating this was not the case.
- Greater success was achieved with individuals and small groups as this is the client group with who WEETU engages. We are already trusted by the women to deliver training and information and this helped to overcome issues which have already been mentioned, e.g. concerns that they may be 'sold to'.

#### **4.3 Women's attitudes to, and knowledge of, Retirement Planning**

- Women in full time employment tend to be more financially aware. They often save towards their retirement using a variety of methods such as work based and personal pensions, ISAs, long term bank or building society savings, unit trusts and other stock market investments.
- Women in part time employment and self employment often have a general awareness about retirement planning but may also have limited knowledge or understanding of specific financial products and how they work.
  - Many women are deterred from saving in a pension as they believe that the final amount saved will not be worth the loss of income in the present.
  - Many prefer to use their income for more immediate needs.
- Often by talking through other options which offer flexibility, such as ISAs, clients will consider other options and can appreciate the advantages of making retirement provision.
- The least well provided for group are those women who are currently on benefits and/or single parents.
  - Though their money management skills in the majority of cases are good, they have little left over to make even short term provision.
  - With this group it was important to give them options, help them with their budgets and give information regarding saving and investment products which may be useful to them such as Credit Unions.

- This allows us to raise their financial awareness and enable them to make fully informed financial decisions. If their income increases in the future they will now be aware of the products available and other sources of information and advice.

#### **4.4 One 2 One topics and presentation questions**

Some issues proved to be very popular concerns and were raised regularly during One 2 Ones and question time at presentations. The most common issues are listed below:

- There is a lack of knowledge about financial jargon, (for example, qualifying years, home responsibilities benefit etc.), and this can act as a barrier to towards accessing pensions.
- How much a state pension is
- How second pension and pension credits work
- How you can defer your state pension after retirement age and what this entitles you to
- Tax relief on pension contributions, that it exists, how much was received and when it applied
- How to get a pension forecast
- Where to trace old or lost pensions
- How pensions actually work – money purchase, annuities, different types, options at retirement
- Transferring of pensions and circumstances when it may be appropriate
- How to make additional savings into a pension
- What the limits are
- Open market options for pensions are available.
- That statements are available from pensions providers on a yearly basis
- How much to save
- How to budget so that savings can be made
- Options for saving for retirement which would include other products such as Equity and Cash ISAs, savings accounts and investment funds
- Advantages and disadvantages of the different types of savings for retirement

- Options available such as working past retirement, changing to part time work etc.
- Concerns about taking the next step
- Where to find good quality advice
- What information is included on pension statements
- Some said that their house was their pension and a discussion took place around this, including the pros and cons of using that equity
- Reliance on inheritance and advantages and disadvantages of this approach
- Where to get impartial information and advice.
- What products are available
- How to choose which product is right for you

Retirement provision is often seen as the partner's responsibility. As such, there is a need to understand the provision that had been made.

When answering or providing information it is important to highlight that a diversification of saving and planning for retirement is normally a good idea. Once decisions are made, investments and pensions need to be reviewed regularly, either by the client or using the expertise of a suitable qualified advisor. The role of the Independent Financial Advisor needs to be explained to the client, along with the benefits of using an IFA's services. Emphasis needs to be placed on the reasons why it is never too late to start saving for retirement. Other options for boosting income in retirement need to be explored, for example, working longer or engaging in part time employment.

## **4.5 Interview findings and comments**

### **4.5.1 Interviews with employers**

A wide variety of employers were interviewed in order to establish their views, as employers, regarding pensions and longer term financial planning for retirement.

Where employers offered a pension scheme this was normally after a qualifying period of employment, normally between three and six months. Of those who offered a pension scheme, many were not auto-enrol systems and the take up was low.

#### 4.5.1.1 Case studies

- Company A offered either a pension contribution or an enhanced salary. A very high percentage opted for the salary enhancement; however the staff were predominately under the age of thirty. The reasons given were 'too young to think about retirement', 'need the money' and 'don't see this job as a long term career so why bother?'. Once they had taken this option they were then effectively barred from the pension scheme for the length of that employment.
- Company B has a pension scheme which all employees are invited to join after they have served their probationary period of three months. They match payments into it of up to 3% of gross salary. It is a money purchase scheme: they do have an existing final salary scheme but this is closed to new entrants. Current take up of pension is approximately 40%. Many reasons were given for not joining, for example, purchase of a house, lack of savings, in debt, no need to worry about pension, and the complicated joining forms supplied. As part of a consultation process the organisation produced a far simpler enrolment form of just one side, but this has not made any significant changes in take up of the pension provided.
- Company C is an independent software and computer business which provides a pension scheme for its employees. The directors saw this as a positive staff retention tool, demonstrating that they cared about the longer term financial future of their employees. They felt it was important that it was auto-enrol but also commented that it *was* expensive to the business. The employer contributes 3% and the employee has a minimum contribution of 3%. *All* employees have the pension and all but one are under the age of thirty. It is seen by the employees as an additional salary, something they did not have to make a decision about where and with whom to invest, and were appreciative of the employer in investing for their long term future. As the scheme was a personal pension they knew that it was portable so could continue to contribute if they changed their employment. However they knew that other employers may not offer such good terms.
- Company D is a franchised food operation, where the owner of the business and three members of staff were interviewed. These were

based in Norwich, Kings Lynn and Great Yarmouth. The staff are generally low paid (minimum wage), below the age of thirty and tend not to be in long term employment, usually moving on to another job after only one year. The staff had no interest in retirement planning as they felt that they had no money to save and their concerns were paying the rent, living expenses and being able to socialise. Many felt they were on little more than subsistence; there was resistance to even receiving information about retirement planning. Although the staff were offered a pension within the staff handbook, little was done to promote this. The owner was reluctant to encourage discussion as she felt she could afford neither the expense of contributions nor the spare time to provide information to the employees. She was concerned as this would cost her money and profit margins were too tight.

- Company E is a small garage with fewer than five employees. They had no pension scheme and the employer was reluctant to allow me to even talk to the employees.

In general conversations it was found that some employers were concerned that, if they encouraged their employees to make some positive plans for retirement, it would end up costing them money from increased salary demands. If they did offer a pension scheme it was not in their interest to promote it too much because if the take-up was too great then it would be costly to the company.

#### **4.5.2 Interviews with employees**

Even where a company pension scheme was available, often this was not taken up. Reasons given for this included:

*"Disposable income is low"*

*"The State will take it off me"*

*"Retirement a long way off"*

*"Live for today and worry about tomorrow later"*

*"I don't understand pensions"*

*"I don't trust pensions"*

*"What if they go bust I have lost my money"*

*"I save this money but I can't have it until I retire and I might need it"*

*"If I die before retirement - I have lost that money"*

*"If I die in retirement I can't leave it to my children"*

*"When I had a forecast of what I need to save it is too much to get a decent pension- so why bother!"*

*"My husband will take care of our pension"*

Those who were saving, either in a pension or in longer term investments, were in general pleased they had made that decision. They expressed that they felt more financially secured. Some expressed their concerns that it may not be enough for the type of retirement they wanted. Some also felt they may have been sacrificing more state help in retirement such as pension credit as their savings were low.

#### **4.5.3 Interviews with the self-employed**

A number of self-employed contractors to a small building firm were interviewed. During discussions regarding pensions and planning for the longer term, there was definite resistance and a lack of confidence surrounding pensions. The following criticisms about pensions were raised:

*"They are a waste of money"*

*"You have to wait to get your money"*

There were also concerns that they had no choice about how to use the money- it had to be used to buy a pension/annuity. Many also felt they could get a better return by themselves.

Several had the goal to pay off their mortgage as quickly as possible and then maybe buy a second property to fund retirement. Others had a 'live for today' attitude and this resulted in the group generally having little or no emergency fund. All of them felt that their skills would always be in demand and, as such, they could work longer in a full or part time capacity.

The owner of the business had similar attitudes. He had a small pension with a current value of £5200 and a monthly contribution of £50. He was reluctant to put more in as he felt the return was relatively small.

Instead, his house would be his pension. The wife of the owner had a limited work history and had no interest in starting a pension as she felt that, at forty-five years of age, it was too late and she would not be able

to get a decent pension with her limited resources. She said she was relying on her husband for income in retirement.

In general, many self employed people feel that formalised savings did not offer them what they wanted. They saw their business as their pension, either by selling it, continuing to work in it or employing a manager or family to run it on their behalf but still maintaining their income.

#### **4.5.4 Interviews with Financial Services Providers**

These providers reported experiencing difficulties selling pensions. To overcome this they tended to use phrases such as 'Retirement Provision' instead. The reasons given for these difficulties were as follows:

- Pensions receive a bad image with the media
- Pensions are a very confusing subject and need to be demystified.
- There is a feeling that a pension is 'Never bought, it is always sold' by an advisor. Most customers do not see the benefits until these were explained.
- There are too many rules, for example, due to compliance issues the advisors are told by their management that they are only allowed to advise those clients without access to a company pension. This applies even if an employer has a poster with pension provider details displayed up in the workplace. The advisors are required to get a letter from the employer agreeing to the employee receiving advice on pension products. This includes both group personal pensions and stakeholders if the employer is making a contribution. This leaves a very small percentage to whom they are able to give pension advice.
- This leaves the advisors with low earners, (with an income of less than approximately £12,000).
- The self employed are a difficult area: if they are unsuccessful in business they have no money to make pension provision, if successful, the business is used as their pension They build up their businesses to sell or continue to work in it after retirement or they keep the business going, whilst taking drawings out and employing others to do the work.
- Stakeholder pensions have low charges: 1.5% for the first ten years for the client. However, for the advisor many providers do *not* pay commission. Therefore there is no incentive for them to promote stakeholder pensions to their clients as it affects their income.
- They also felt stakeholder pensions were not a good deal for the client as the contribution was often invested in poor performance funds.
- Clients have more choices of funds with Unit Trusts and greater flexibility.

- Multi manager/fund of funds held better potential but higher charges.
- They tended to see pension business and ISA investments as loss leaders in themselves, but used them as a tool as it could lead on to good future business with that client.
- If clients do start a regular premium pension and stop making contributions within two years the advisor is subject to a claw back of commission, e.g. women who stop to have a baby and/or career break. This also affects the persistency rate/KPI for the advisor, which are very important indicators for them and their insurance cover.

With regards to ISA investment it was reported that:

- There is more choice and it is easier to sell them
- They can be used as a top up to pension provision
- From the client's perspective they were difficult to understand as the same name is used for two different products - stock and share (Equity) ISA and Cash ISA.
- People liked TESSA and PEPs because they knew what they did.

#### **4.6 Suggestions for ways to improve retirement planning (taken from interviews).**

1. Provision of a government backed scheme which will guarantee an annuity for a pension pot. For example, for every £10,000 saved the saver would receive an annuity of £500 per annum. The advantage would be that everyone would know the minimum they would achieve and the uncertainty of what they will receive in retirement is taken away.
2. Encourage savings with more tax breaks. For example, the £7200 ISA allowance can be used for cash or shares
3. New pension compulsory savings, the Personal Accounts need to have more tax breaks for both employers and employees to encourage the take up and to make it feel less like another form of taxation.
4. Everyone to have a minimum guaranteed state pension. Currently state + pension credits. Those over a certain pension income would not receive pension credit.
5. Produce a fact sheet to serve as a decision tree. This could also incorporate sources of further information and advice.
6. Creation of a general information source which is impartial and can signpost people to the next step: (see 4.7 Improving the Situation).
7. Increase of Employers schemes such as auto-enrol (where this happens there is a 90% take up) and a minimum contribution from both employees and employers. Benefits to the organisation should be highlighted more but perhaps an incentive from government to help the employers with the cost could be included.

8. Have a compulsory contribution of 5% of gross salary made to a pension, separate from government (as many people did not trust them with their money) and placed with a third party for investment.

## **4.7 Improving the situation**

### **4.7.1 Financial Capability**

In 2004, the *National Strategy for Financial Capability* was published, led by the Financial Services Authority (FSA), in partnership with the Government, financial services industry, voluntary and community sector and consumer groups. The strategy aims to improve financial capability in the UK through a programme of education, information and advice using different delivery mechanisms to target different groups. This includes working through:

- Schools
- Institutions of Further and Higher Education
- Workplaces
- Organisations that help the young
- Organisations that help excluded adults

The strategy will focus on engaging people in their own financial situation and needs. This will certainly help to highlight the importance of long term provision and generally increase people's financial awareness and skills.

### **4.7.2 Otto Thoreson**

Otto Thoresen is the chief executive of Aegon (a fund management company) and in March 2008 published his findings regarding financial advice. He has recommended a national network of impartial Money Guides giving free generic advice. This could be developed into:

1. An advisor who would make a financial plan for an individual for a fee but would not recommend a specific product or provider
2. A centre which gives generic information and guidance
3. An advisor who looks for the right product for your needs and thereby focuses your choices.
4. A coach to look at your situation, help you change habits and motivate you to make financial decisions.

With all of the above *no products would be sold*, purely information and guidance would be provided. The choice would be with the consumer and the 'advisor' or coach would be paid by a fee or time used rather than by commission.

### 4.7.3 Financial Capability Survey produced by the FSA

This survey has produced similar findings to WEETU in the key areas of planning ahead, planning for retirement and the understanding and purchasing of financial products. The survey found that:

- The majority of those interviewed did not plan ahead and were storing up problems for the future. 39% said that they tend to *“live for today and let tomorrow take care of itself”*.
- 81% of the pre-retired do not think that a state pension will provide them with their desired standard of living in retirement. However, 37% of these people were not making any additional pension provision. Of those 37% the reasons given were lack of income, they had *“not got round to it”* or not thought about doing it or they were not in jobs long enough or were not currently in employment.
- Choosing the type of financial products proved a challenge for some people and they often chose badly. Many in the survey did not understand the risks they were taking on, what risk they wanted and what they had actually brought. For example, 40% who owned an equity ISA did not know that the value of their investment is directly affected by the stock market. They also tended not to shop around and brought products with little regard to price, features and benefits. Many followed the advice of friends, relatives or sales staff or made the decision based solely on the product information for their choice of product.
- The survey found inertia in that once a product was bought the customer tended to stick with it. Longer term financial products such as pensions and long term savings were unlikely to be transferred to a better performing pension or product.
- One important finding was that men significantly outperformed women with regards to making provision for retirement and that women in social housing and single parents were worse than average in their planning.

The survey reinforces the findings from the project that people need to be better informed and need help to plan ahead more and to make better decisions regarding their product choices.

### 4.7.4 Government initiatives

There are a number of government initiatives that are designed to improve the current situation regarding financial planning for retirement:

- Funding to improve financial capability and financial inclusion.
- Legislative changes to pensions. By reducing the qualifying years element to receive a full state pension this will help reduce poverty in retirement for many women.

- Although raising the state retirement age could be seen as a negative, this will help women as it will allow them to carry on working and earning at a stage in their lives when potentially they will have fewer care responsibilities, providing them with a higher net income.
- the amount you can invest in pensions has changed and is no longer restricted by age, however there are still limits on the total amount that can be invested or held in a pension pot
- There is flexibility with regard to how you take your pension at retirement, such as income drawdown and phased retirement.
- Introduction of Personal Accounts will reinforce the message that saving for retirement is important. By choosing auto enrol the choice about where to invest and whether to make savings for retirement is taken away.

## 5.0 Conclusions

In general, women previously have made little or no provision for retirement, mainly owing to the reasons already outlined in this report. The impact of changing work patterns, longer life expectancy, more women with a single status and therefore less reliance on partners to provide, mean there is a definite need to target this demographic and raise awareness around this issue.

A variety of methods have been used to deliver this information and the findings of this report strongly indicate that the best way to target this group is to use established networks and trusted third parties for referrals.

- Small presentations or workshops providing a chance to discuss concerns and individual circumstances have been very effective.
- Many women have felt more comfortable and better able to share their concerns and questions within a small group.
- One 2 Ones perform a similar function but at a more personal and specific level. They have the opportunity to assess their personal needs and direct information is given, enabling them take the next step.
- This is an effective way of giving information and raising their awareness as women who are self employed are one of the least well provided for groups.
- Utilising existing complementary services is a very effective way of targeting women.
- Women who are in full-time employment tend to be more financially aware and are saving towards their retirement either in a work place pension, personal pension, using long term savings such as ISAs and unit trusts or a mixture of some or all of the former.

Evidence from this project also supports the idea that delivery of training and information in this area is far better received by a female audience if presented by a female trainer. This helps to build a rapport and trust and allows the client to ask questions in a secure and friendly environment.

# Appendices

## Appendix A - Further resources

### Websites

[www.moneymadeclear.fsa.gov.uk/publications](http://www.moneymadeclear.fsa.gov.uk/publications) - a free range of booklets on a variety of subjects including Pensions, Retirement Options, Stakeholder Pensions, savings and investment, credit unions.

[www.unbiased.co.uk](http://www.unbiased.co.uk) to find a local IFA

<http://www.pensionsadvisoryservice.org.uk> for all about different sorts of pensions. They have pensions experts who you can email with a question or concern.

[www.moneymadeclear.fsa.gov.uk/healthcheck](http://www.moneymadeclear.fsa.gov.uk/healthcheck) gives tips on your financial health, helps to sort out your priorities and take control of your money!

[www.moneyfacts.co.uk](http://www.moneyfacts.co.uk) impartial with simple guides and factsheets on all financial products. Also lists the current best buy financial product

[www.moneysavingexpert.com](http://www.moneysavingexpert.com). Full of advice about how to save money on different products. etc.

[www.fool.co.uk](http://www.fool.co.uk) full of help on all kinds of financial issues.

[www.thepensionsservice.gov.uk](http://www.thepensionsservice.gov.uk) to get a pension forecast and trace old pensions

[www.direct.gov.uk](http://www.direct.gov.uk) information on tax, benefits, retirement and pensions

### Telephone numbers

FSA consumer helpline 0845 606 1234

HM Revenue and Customs 0845 302 1479

## **Appendix B – Glossary of terms**

### **Annuity**

When you retire, you can take up to 25 per cent of your savings as a tax-free lump sum. You should use the rest to generate an income to live on in your retirement. You can do this by buying a product called an annuity. The annuity will provide you with a regular income, usually until the end of a specified period or until you die.

### **APR**

You'll see the APR – Annual Percentage Rate – quoted on loans and credit deals. The APR is an interest rate but not one that affects what you pay each month. Instead, you should look at APRs when you're comparing offers from various credit companies.

### **Assets**

Your assets are the things you own that have value, such as your home or shares.

### **AVC**

AVC stands for additional voluntary contributions. They're top-ups you can buy for your occupational pension.

### **BACS payments**

A direct transfer into your account from someone paying you (for example, your employer or your benefits provider).

### **Basic state pension**

A pension provided by the state. To receive the full amount, you'll have needed to pay or have been credited with a minimum level of national insurance contributions over your working life.

### **Capital**

Your capital is how much wealth you have in assets such as savings and property. You can use your capital to generate income.

## **Cash (ATM) card**

A plastic card that lets you get cash from your account through cash machines, at your bank or building society branch and by using cash-back facilities at, for example, supermarket tills. You can also use it to make telephone or internet payments.

## **Cheque book**

Lets you make a payment from your account to someone else.

## **Cheque guarantee card**

Makes cheques up to the guarantee limit widely accepted, because the person you're paying is guaranteed to receive the money, whether or not you have enough in your account.

## **Cleared and uncleared balances**

When you pay money into your account by cheque, it usually takes a few days for the cheque to clear before the money is ready for you to use. During this time, you can't be quite certain the money is yours because the cheque you've paid in might **bounce** (it might be worthless if the person who wrote it to you has no money in their account).

An **uncleared balance** includes the money in transit in your account, but your bank or building society might not let you draw it out yet. Even if it does, be careful - you could end up going overdrawn if a cheque does bounce.

A **cleared balance** shows only the money that has already reached your account and is ready for you to use.

You can ask a bank to clear a particular cheque more quickly than normal, but it will charge for doing this.

## **Credit scoring**

The systems used by banks and other loan companies to judge whether you're creditworthy.

Depending on how many points you score when your personal details are run through their rating system, the financial institution will either accept or reject the risk (i.e. they will either give you a loan or turn you down).

Each institution has its own scoring system, but they also share information which is held by credit reference agencies. They will usually ask one of these agencies about you when you apply to borrow money.

## **Collective funds**

Collective funds, such as investment trusts and unit trusts, allow you to invest in shares without having to choose to invest in a particular company. They are run by professional fund managers who decide what to invest in and when to buy and sell.

## **Company pension**

A company pension is a pension that's provided by your employer. There are different types of company pension, including defined contribution pensions, final salary pensions and stakeholder pensions.

## **Credit**

Credit is money that an organisation, such as a bank, has allowed you to borrow.

## **Direct debit**

A regular monthly payment that you can set up from your account.

## **Dividends**

Dividends are regular payments which companies make to their shareholders.

## **Equities**

Another name for shares. You can invest in them either through collective funds like investment trusts and unit trusts, or directly in individual companies.

## **FTSE 100**

The FTSE 100 is an index made up of the 100 largest UK companies by market capitalisation. FTSE stands for Financial Times Stock Exchange.

## **Fund manager**

A fund manager manages an investment trust or a unit trust.

## **Gilts**

Gilts are bonds issued by the government.

## **IFA**

An IFA is an Independent Financial Adviser. Find one at [www.unbiased.co.uk](http://www.unbiased.co.uk).

## **Income**

This is the money you have coming in, such as your salary, benefits or the interest that you're getting from your investments.

## **Inflation**

The rate of inflation refers to the rate at which prices rise. If the annual inflation rate is 5%, then a £100 ring will cost £105 next year. Inflation can eat into the purchasing power of your savings.

## **Interest**

Credit cards, loans, ISAs and bank accounts will all quote you an interest rate. This rate is expressed as a percentage and refers to the money that will be added to your savings – or to your debts – each month or year. The extra money you receive or have to repay is called interest.

## **ISA**

ISA stands for Individual Savings Account and is a tax-efficient way of saving money. There are two main kinds of ISA: a Mini ISA and a Maxi ISA. Each year, you have a choice:

Invest up to £3,600 in a Mini Cash ISA and £3,600 in a Mini Stocks and Shares ISA

Invest as much as £7,200 a year in a Maxi ISA, of which up to £3,600 can be cash (so if you want more than £3,600 in stocks and shares, you'll need to take out a Maxi ISA)

You won't get taxed on the interest you make on your savings or on the capital growth of your investments.

## **National insurance**

If you earn over a certain amount, you'll pay national insurance contributions. These build up your entitlement to various state benefits, such as the state pension. How much you pay depends on how much you earn and whether you're self employed or not.

## **Personal pension**

A pension that you take responsibility for yourself. Stakeholder pensions and SIPP (self invested personal pensions) are examples of personal pensions.

## **Risk**

Risk is the possibility that something negative will happen. In financial planning, the risk is you may not get the return you're looking for, or may even lose some of your investment. As a rule of thumb, higher-risk investments, such as shares, have a higher return than low-risk ones. High-risk investments are better suited to long-term savings as it gives you time to ride out the risk.

## **Savings account**

A type of bank account which encourages you to save by having a higher interest rate than your everyday current account.

## **State allowances**

This refers to the money that you're entitled to from the state, such as your state pension.

## **State pension entitlement**

This is simply how much state pension you'll receive. This will depend on your national insurance contributions. You can get a projection from the pensions service – just call 0845 3000 168 or apply online for the State Pension forecast e-service.

## **Tax**

A charge set and collected by the government. Many things may be taxable, including salaries, savings (in a standard savings account) and inheritances. Tax is expressed as a percentage.