

# Benefit Insights

Issue 03 / May 2024

## THE CRITICAL FACTOR

Safeguarding financial vulnerability among employees



### EMPLOYEE RETENTION

Why a deeper understanding of your company culture and work environment is key

### FINANCIAL SUPPORT IN THE WORKPLACE

The significant positive impact that financial wellbeing policies can have on employees

# HFMC EMPLOYEE BENEFITS

Employee benefits that make a difference  
to employees' lives and your business



There's no one-size-fits-all approach to an employee benefits scheme, and that's why we reflect your employees' and business's unique requirements with a completely tailored offering.

To find out more, **contact us:**

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## EDITOR'S LETTER

Welcome to the May 2024 issue of HFMC's *Benefit Insights* magazine.

Almost one-third (29%) of parents with young children have expressed a significant lack of confidence in their ability to manage financially in the event of a critical illness diagnosis, as revealed by research. A similar proportion of those surveyed indicated that their family's financial stability would be severely compromised if they suffered an injury or encountered a major health setback. On page 09, we look at how establishing a robust financial safety net is not merely advisable; it is essential for safeguarding your employees' family's financial stability and peace of mind in challenging times.

Employee retention is a pivotal theme for employers and HR professionals, underpinned by a compelling rationale. Recruiting fresh talent incurs significant expense, thereby eroding business profitability. It is decidedly more economical to channel resources into employee retention strategies than to bear the costs associated with attracting, onboarding and training new personnel. High employee turnover rates pose a substantial financial risk. On page 13, we consider the various facets when devising a comprehensive strategy for employee retention.

Research highlights that half of British employers have yet to offer additional financial support to their employees amidst the escalating cost of living crisis, nor do they have plans to introduce such measures. According to the study, a mere 12% of organisations have provided extra financial assistance to their workforce. Meanwhile, 38% are contemplating the introduction of support mechanisms. Turn to page 11 to read the full article.

In his Spring Budget on 6 March, Jeremy Hunt, Chancellor of the Exchequer, unveiled a significant reduction in employee National Insurance Contributions (NICs). On the surface, the reduction in NICs appears to favour employees, but is this the case? Find out more on page 12.

A complete list of the articles featured in this issue appears on page 04.

### Jason Lines

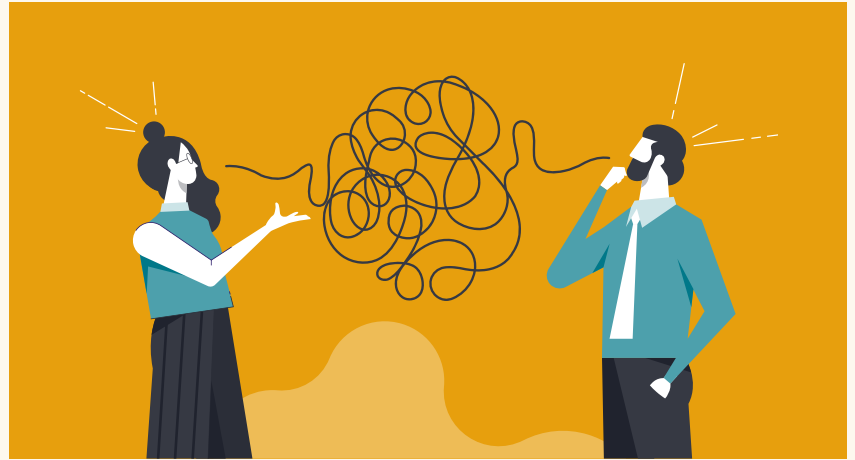
*Pension & Employee Benefits Director*

[jason.lines@hfmwealth.com](mailto:jason.lines@hfmwealth.com)

### IS IT TIME TO DISCUSS CREATING A MORE REWARDING ENVIRONMENT FOR YOUR EMPLOYEES?

In any business environment, employees are a company's paramount asset. As a full-lifecycle employee benefits advice firm, HFMC is committed to helping you create a more rewarding environment for your employees. This commitment is reflected in the insights we share in our *Benefit Insights* magazine, which we hope you find informative. Should you wish to delve deeper into how we can tailor our services to meet your specific needs, please contact us at [info@hfmwealth.com](mailto:info@hfmwealth.com) or give us a call. Our team is dedicated to assisting you in fostering a work environment that values and benefits everyone involved.

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# BOOSTING PENSION ENGAGEMENT

Transforming savings for retirement into a relevant, captivating and even enjoyable topic



**W**ith 72% of employees acknowledging their lack of active engagement with workplace pensions and just 39% of HR professionals expressing high satisfaction with their engagement efforts, pension communications demand revitalisation, according to research<sup>[1]</sup>.

Transforming savings for retirement into a relevant, captivating and enjoyable topic can significantly enhance understanding and interest in what is often perceived as a complex and dull subject. While demanding in terms of time and effort – especially when considering the diversity of employee locations and job roles – creating workplace interventions offers substantial benefits for employers and employees.

## TIMING AND APPROACH

Key to the success of these interventions is their timing and format. Demanding personal time from employees may lead to lower participation; however, integrating these sessions within the workday underscores the

employer's valuation of retirement planning. Moreover, aligning these discussions with less stressful periods, such as around pay review times, can foster a more conducive environment for contemplating the future.

Furthermore, the diversity in employee preferences necessitates a flexible approach to format. While some may benefit from individualised conversations, particularly those facing complex financial scenarios, others might find group seminars more informative. Transitioning from group presentations to one-on-one discussions can cater to varied needs, enabling a comprehensive understanding and debunking common misconceptions about pensions.

## EFFECTIVE COMMUNICATION STRATEGIES

To ensure the effectiveness of these sessions, presentations should be concise, accessible and interactive, steering clear of jargon and overly

technical language. Segmenting the workforce based on different needs and attitudes towards pensions can further tailor the messaging for maximum relevance. Incorporating introductory sessions for new joiners and soliciting employee feedback can also refine the focus on urgent and pertinent topics.

Similar to crafting a consumer campaign, workplace interventions can be enhanced by integrating them within the broader context of financial wellbeing. For instance, illustrating the impact of early property acquisition on retirement planning can provide a more holistic understanding of financial health.

## HOLISTIC BENEFITS INTEGRATION

A trend for many employers is to amalgamate pension communications with other benefit offerings, aiming to present a more comprehensive overview of the support provided by the employer. This strategy not only elevates the perceived value of the pension scheme but also enriches employees' appreciation of the entire benefits package.

By viewing retirement planning within the larger spectrum of financial wellbeing, employees can gain a clearer perspective on how various benefits interconnect to support their long-term goals. ♦

## TIME TO DELVE DEEPER INTO ENHANCING PENSION ENGAGEMENT WITHIN YOUR ORGANISATION?

For those seeking further information or wishing to delve deeper into enhancing pension engagement within their organisation, we encourage you to contact HFMC. Our team is dedicated to providing tailored advice and innovative solutions to transform how your employees perceive and engage with their retirement planning. We'll explore how we can assist you in fostering a more informed, engaged and financially secure workforce.

### Source data:

[1] Atlas Master Trust, part of Capital research 17/09/23.

# ROLE OF EMPLOYERS IN EMPLOYEE WELLBEING

Encouraging a healthier approach to money management



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**E**mployers' significance in enhancing the well-being of their staff is becoming increasingly apparent. Companies recognise the advantages of physically, mentally and financially supporting their employees. This comprehensive support framework enables employees to focus on their roles positively and productively.

Financial wellbeing, however, poses a unique set of challenges. The taboo surrounding open discussions about earnings and debt further complicates the matter despite

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the pressing need for such conversations. In today's culture of instant gratification, fostering a savings-oriented mindset among employees can appear daunting.

## **ADDRESSING FINANCIAL WELLBEING HEAD-ON**

Numerous organisations are now offering their employees access to professional financial advice to combat financial distress and encourage a healthier approach to

money management. This proactive measure aims to address potential debt issues affecting employees at all levels. Employers are taking significant steps towards preventing financial problems before they arise by assisting employees in managing their finances more effectively and promoting savings.

Despite the various strategies needed at different stages of financial planning and the myriad pressures on an employee's finances, a comprehensive approach is necessary to achieve true financial wellness. Regrettably, many employers have yet to initiate the basic steps to implement a full-fledged financial wellness strategy. It's crucial to understand that isolated solutions seldom yield positive outcomes. A holistic approach, where advice and products complement each other, offers the robust support employees need.

### **CULTIVATING A CULTURE OF FINANCIAL TRANSPARENCY**

A key element of successful financial wellbeing programmes is effective communication regarding the advice and benefits available to employees. Establishing a strong savings culture starts with an honest assessment of personal finances, which can then guide the provision of support and ensure its effectiveness.

Creating an environment where employees feel comfortable discussing financial stress and accessing trusted advice can increase engagement with available benefits. Introducing peer mentoring as a next step can provide employees with informal support from their colleagues, easing the burden of financial worries.

### **ENHANCING LONG-TERM SAVING ENDEAVOURS**

Promoting financial wellbeing in the workplace transcends offering employees competitively priced financial products. It encompasses facilitating their engagement

in immediate and long-term saving endeavours and providing access to discounts that ensure greater value for their money.

Organisations can support their workforce across diverse financial phases by introducing a spectrum of schemes – from enabling employees to economise on weekly groceries to establishing a robust emergency fund and progressing towards significant milestones such as homeownership or retirement savings.

### **CULTIVATING AN INCLUSIVE CULTURE OF SAVINGS**

These efforts can be synergised to cultivate an inclusive culture of savings. Share schemes, for example, Share Incentive Plans (SIPs) and Sharesave schemes, present employees with avenues for tax-efficient savings. Through SIPs, individuals can invest in company shares in a manner that is efficient for both tax and National Insurance purposes.

Conversely, Sharesave schemes allow monthly savings of between £5 and £500 over three to five years. This culminates in the option to acquire shares at a predetermined price or to withdraw the accumulated savings, often augmented by a tax-exempt bonus.

### **PAVING THE WAY FOR LONG-TERM FINANCIAL SECURITY**

The incentives and fiscal advantages offered by specific schemes significantly enhance the allure of cultivating positive saving habits, thus facilitating the achievement of immediate financial objectives and paving the way for long-term financial security. However, the effectiveness of implementing share schemes, discounts, financial education, debt counselling and money management tools as isolated benefits is limited.

These offerings must be integrated into an overarching financial wellness strategy to resonate and truly provide value. This comprehensive approach ensures that each component supports the others, laying a robust foundation for a savings culture wherein employees are equipped with the

necessary resources and knowledge to manage their finances effectively. Addressing financial concerns proactively bolsters employee morale and positively impacts the organisation's productivity and bottom line.

### **IMPACT OF FINANCIAL CONCERNS ON WORKPLACE DYNAMICS**

The adverse effects of financial stress on workplace dynamics are undeniable, affecting not only individual employees but also the collective morale and efficiency. Financial anxieties can significantly hinder an employee's focus and output, leading to increased stress levels and diminished job satisfaction.

By addressing these concerns head-on, organisations stand to foster a more positive and productive work environment, thereby enhancing their financial performance. Implementing a holistic financial wellness strategy that includes personalised financial advice, access to planning tools and educational resources empowers employees to take charge of their financial circumstances, reducing stress and fostering greater engagement in their roles. ♦

### **READY TO DISCUSS HOW TO IMPLEMENT A COMPREHENSIVE FINANCIAL WELLBEING STRATEGY?**

Employers' role in influencing their employees' financial wellbeing is critical. Through a combination of preventative measures, effective communication and a supportive culture, your organisation can make a substantial difference in your employees' lives. If you require further information or wish to discuss how HFMC can assist your organisation in developing and implementing a comprehensive financial wellbeing strategy, please do not hesitate to contact us.

# ABOLISHING THE LIFETIME ALLOWANCE FOR PENSIONS

Gaining a clearer understanding of how the new pension tax framework will work

The United Kingdom has made a significant policy change for the 2024/25 tax year that will profoundly impact pension savers. Following last year's Autumn Statement, the government announced its decision to abolish the Lifetime Allowance (LTA) for pensions, which took effect on 6 April 2024.

## THE POLICY CHANGE HAS BEEN DELIVERED IN TWO STAGES

The LTA is the total amount of money you can build up in your pension pot throughout your life without incurring an extra tax charge. For the 2023/24 tax year, the LTA was set at £1,073,1002. This policy change has been delivered in two stages.

The first stage involved removing the LTA tax charge, and the second stage involved completely abolishing the LTA itself. With the abolition of the LTA, new allowances have taken place from 6 April 2024.

These are the Lump Sum Allowance (LSA) and the Lump Sum and Death Benefit Allowance (LSDBA). The LSA limits the tax-free lump sum that can be taken at retirement, while the LSDBA limits the tax-free lump sum that can be paid on death. Each allowance will apply to each person independently and not per scheme.



## DESIGNED TO CONTROL THE TAX-FREE CASH GIVEN TO AN INDIVIDUAL

The LSA, a fixed cumulative limit of £268,275, equivalent to 25% of the previous LTA, is designed to control the tax-free cash given to an individual. This allowance applies to Pension Commencement Lump Sums (PCLS) and the tax-free portion of Uncrystallised Funds Pension Lump Sums (UFPLS). In the past, this tax-free cash was evaluated against the LTA.

An initial plan was to include tax-free segments of trivial commutation, winding-up, and small lump sums within this allowance. However, this idea has been withdrawn due to apprehensions about administrative complications. Despite this, individuals must retain some part of their lump sum allowance to facilitate the payment of trivial and winding-up lump sums.

The LSDBA is set at a fixed cumulative limit of £1,073,100, mirroring the previous LTA. This allowance applies to the tax-free elements of lump sums that can be disbursed during an individual's lifetime or upon death. The allowance encompasses PCLS, tax-free portions of UFPLS, as well as tax-free parts of serious ill-health lump sums and death benefits.

## SPECIFIC TO LUMP SUMS AND DO NOT APPLY TO PENSIONS

It's crucial to remember that these newly introduced allowances are specific to lump sums and do not apply to pensions. This marks a notable shift from the former LTA approach, where both crystallised pensions and lump sums were scrutinised. The introduction of "relevant benefit crystallisation events" signifies instances

when lump sums tested against these allowances are disbursed. Notably, there will be no evaluations based on age.

Individuals with valid LTA protection and/or lump sum protections for both allowances will maintain their rights to the higher protected amounts. Eligible individuals will have until April 5, 2025, to apply for Fixed Protection 2016 and Individual Protection 2016.

When they are taken, the benefits are tested against the LSA and LSDBA. Any benefits exceeding these allowances will not be tax-free. Instead, they will be taxed at the individual's marginal Income Tax rate.

## A SIGNIFICANT SHIFT IN THE UK'S PENSION LANDSCAPE

Removing the LTA and its associated tax charge is a significant shift in the UK's pension landscape. It means that savers will not have to worry about exceeding their total pension savings limit. However, introducing the LSA and LSDBA introduces new considerations for pension savers. Benefits must be carefully managed to avoid exceeding these new allowances and incurring a tax charge.

If no benefit crystallisation events (BCEs) occurred between 6 April 2006 and 6 April 2024, the individual's LSA and LSDBA will be the standard LSA and LSDBA. The overseas transfer allowance applies to pension savers who move their pension overseas. If the allowance is exceeded, an overseas transfer charge will apply.

The abolition of the LTA represents a significant change in the UK's pension landscape. While it removes a key constraint for pension savers, introducing new allowances adds complexity. Pension savers must stay informed about these changes and consider how they might impact their retirement planning. ♦

### ARE YOU SURE YOU HAVE SUFFICIENT FUNDS FOR A COMFORTABLE RETIREMENT?

Our seasoned team will explain how to structure your retirement plans optimally and devise a solution for your retirement vision. Please get in touch with HFMC to schedule a complimentary, no-obligation consultation. We look forward to hearing from you.

# THE CRITICAL FACTOR

## Safeguarding financial vulnerability among employees

**A**lmost one-third (29%) of parents with young children have expressed a significant lack of confidence in their ability to manage financially in the event of a critical illness diagnosis, as revealed by research<sup>[1]</sup>.

A similar proportion of those surveyed indicated that their family's financial stability would be severely compromised if they suffered an injury or encountered a major health setback. Despite this, only one in eight have taken the initiative to secure income protection cover that they finance themselves.

### THE REALITY OF FINANCIAL PREPAREDNESS

Alarmingly, one-fifth of respondents admitted that they would struggle to cope without their income for more than a month. Furthermore, 15% conceded that they would have to resort to borrowing through loans or credit cards if they found themselves incapacitated and unable to work for a period of two months or longer due to illness or injury. This paints a stark picture of the financial precarity facing many families today.

### CONCERNS OVER HEALTH AND FINANCIAL SECURITY

The research further illuminates that over one-third (37%) of parents harbour concerns regarding their own and their family's financial security in the face of a major health issue or injury. The fear of a child falling seriously ill is a source of anxiety for two-thirds of parents, underscoring the emotional toll such scenarios can take on families.

Additionally, within the past three years, 5% of parents with young children have experienced

an injury necessitating an absence from work for two months or more, while 7% have had to take unpaid leave to care for an ill child.

### THE NEED FOR A FINANCIAL SAFETY NET

These findings underscore a troubling need for many parents to be prepared for potential health-related work absences. Parents' concern for the wellbeing and happiness of loved ones is palpable. Yet, many need to be equipped to handle financial hardships with an adequate financial safety net.

Critical illnesses such as cancer, heart attacks or strokes can wreak havoc on a family's finances and emotional wellbeing, highlighting the imperative need for comprehensive planning and protection. Establishing a robust financial safety net is not merely advisable; it is essential for safeguarding your employees' family's financial stability and peace of mind in challenging times.

### COMPREHENSIVE EMPLOYEE BENEFITS GROUP CRITICAL ILLNESS COVER

Group critical illness cover is an essential benefit employers provide to support employees during challenging times. This insurance policy ensures that employees diagnosed with a specific critical illness, like cancer, or those who need to undergo certain surgeries receive a tax-free lump sum.

This financial support offers flexibility, allowing employees to use it as they see fit, whether to enhance their sick pay, cover medical treatments or nursing care, adapt their homes or even settle mortgages.



### ADAPTABLE TO VARIOUS BUSINESS SIZES

This valuable cover is not limited by the organisation's size, making it accessible to many businesses. While some policies might have a minimum employee requirement, the goal is to make this crucial protection available to as many employees as possible. Employers can tailor the cover, choosing which employee groups to include and setting varying levels of cover for different employee segments within the scheme. ♦

### DO YOU WANT TO EXPLORE YOUR OPTIONS FOR GROUP CRITICAL ILLNESS COVER?

If you are uncertain where to begin or wish to explore your options for group critical illness cover, together, we can ensure that your employees and their loved ones are well-prepared to face any of life's uncertainties confidently. Please contact HFMC for further information or to discuss your specific company needs.

Source data:

[1] Office for National Statistics (ONS) figures 21/09/23.

# INTRICACIES OF CRAFTING MORE PERSONALISED AND IMPACTFUL EMPLOYEE BENEFITS

## Why employers need to underscore a commitment to their staff's wellbeing and financial security

In today's highly competitive job market, many employers increasingly recognise the importance of offering an employee benefits scheme as a strategic tool to attract, retain and engage top talent.

An effective employee benefits scheme needs to encompass a variety of non-wage compensations provided to employees in addition to their normal salaries or wages. These include health insurance, pension plans, education assistance, childcare vouchers and more.

### 10 ENHANCING A COMPANY'S OVERALL PERFORMANCE AND REPUTATION

Implementing such schemes not only underscores the employer's commitment to their staff's wellbeing and financial security but also brings many benefits that can significantly enhance a company's overall performance and reputation.

In a landscape where skilled candidates often have multiple employment options, a compelling benefits package can be the deciding factor. It signals to prospective employees that a company values its workforce and invests in their long-term health and happiness. This can attract younger generations who prioritise work-life balance and wellness initiatives over traditional compensation models.

### ENHANCING EMPLOYEE RETENTION

A well-structured benefits scheme can play a pivotal role in employee retention. By providing benefits that support an employee's lifestyle and financial wellbeing, employers can foster a sense of loyalty and decrease turnover rates. This saves costs associated with recruiting and training new staff and helps maintain a stable and experienced workforce.

### BOOSTING PRODUCTIVITY AND ENGAGEMENT

Employees who feel cared for are more likely to be engaged and motivated. Health and wellness benefits, for example, can lead to reduced absenteeism and a healthier, more productive workforce. Similarly, benefits like flexible working hours or remote work options can improve job satisfaction and allow employees to work in ways that suit them best, leading to higher productivity levels.

### IMPROVING COMPANY REPUTATION

A comprehensive benefits scheme can enhance a company's internal and external reputation. Internally, it creates a positive work environment and culture that employees are proud to be part of. Externally, it positions the company as an employer of choice, which can be beneficial for attracting future talent and even in business dealings with clients and partners who value corporate responsibility.

### SUPPORTING EMPLOYEE WELLBEING

At the heart of any benefits scheme is the aim to support the overall wellbeing of employees. Whether through mental health support, financial advice services or family care options, these benefits demonstrate an employer's investment in their employee's health and happiness beyond the workplace. This holistic approach to employee welfare can significantly contribute to a more resilient and supportive work environment.

### PIVOTAL TO EMPLOYEES' WORK-LIFE SATISFACTION

But worryingly, recent findings have highlighted over half of employees surveyed, precisely 54%, report a striking lack of consultation regarding benefits schemes that are pivotal to their work-life satisfaction<sup>[1]</sup>. This statistic is alarming, especially considering the same proportion of employees acknowledge tailored benefits in their current roles.

However, there's an apparent demand for more customised employee benefits. An overwhelming 90% of those surveyed strongly preferred immediate benefits that provide tangible benefits, such as additional leave or flexible working arrangements.

### REJUVENATING EMPLOYEE BENEFITS, REWARDS AND RECOGNITION SCHEMES

Adding to the concern, 47% of employees feel they need to be more valued, perceiving a disconnect between themselves and their leaders regarding reward preferences. This perception exists despite 97% of C-suite executives claiming a desire to enhance rewards programmes.

Furthermore, 87% of HR professionals recognise the need to rejuvenate their employee benefits, rewards and recognition schemes, given that only 40% of employees utilise the existing benefits to their full potential.

### PATH TO ENHANCED EMPLOYEE SATISFACTION

This analysis underscores a crucial gap in the current corporate approach to employee benefits and recognition. While leadership has a general consensus about the importance of enhanced employee benefits and reward programmes, the implementation falls short of employee expectations.

The data suggests organisations need to engage more directly with their workforce, understand their preferences and tailor benefits accordingly to bridge this gap. HFMC is available to advise businesses looking to delve deeper into the intricacies of crafting a more personalised and impactful employee benefits scheme. We offer expert insights and guidance tailored to your unique organisational needs. ♦

### TIME TO ELEVATE YOUR EMPLOYEE SATISFACTION LEVELS?

Should you require further information or wish to discuss how we can assist in elevating your employee satisfaction levels through bespoke benefits schemes, please do not hesitate to contact HFMC. Together, we can forge a path towards a more engaged and appreciated workforce.

Source data:

[1] Boostworks report 21/03/24.

# FINANCIAL SUPPORT IN THE WORKPLACE

The significant positive impact that financial wellbeing policies can have on employees

**H**alf of British employers have yet to offer additional financial support to their employees amidst the escalating cost of living crisis, nor do they have plans to introduce such measures. This is according to a study conducted by the Chartered Institute of Personnel and Development (CIPD), which also revealed that a mere 12% of organisations have provided extra financial assistance to their workforce<sup>[1]</sup>. Meanwhile, 38% are contemplating the introduction of support mechanisms.

## THE STATE OF EMPLOYEE FINANCIAL WELLBEING

The CIPD's findings draw attention to a concerning gap between employee needs and the support provided by their employers. Approximately 27% of employees expressed that their current remuneration does not suffice in dealing with unexpected expenses, such as a £300 emergency, without resorting to their savings. Furthermore, nearly one-fifth of the workforce feels neglected by their employers regarding financial wellbeing support, with 12% stating their earnings are insufficient for maintaining an acceptable standard of living without accruing debt for essentials like food and utilities.

## THE IMPACT OF FINANCIAL WELLBEING POLICIES

The research underscores the significant positive impact that financial wellbeing policies can have on employees. Such policies are not only highly appreciated by the workforce, they are essential in mitigating the adverse effects of the cost of living crisis that threatens to plunge more workers into in-work poverty. In light of the ongoing competition for talent, it becomes increasingly imperative for organisations to either implement or enhance their financial wellbeing strategies. ♦

## READY TO DISCUSS IMPLEMENTING EFFECTIVE FINANCIAL WELLBEING POLICIES WITHIN YOUR ORGANISATION?

Should you require further information or guidance on implementing effective financial wellbeing policies within your organisation, please do not hesitate to contact the highly experienced team at HIFMC. Together, we can make a difference in the lives of your employees and ensure a more secure and prosperous future for all.

### Source data:

[1] Chartered Institute of Personnel and Development (CIPD) report 26/04/23.

# CHANCELLOR'S BOLD MOVE TO CUT NATIONAL INSURANCE CONTRIBUTIONS (NICS)



On the surface, the reduction in NICs appears to favour employees, but is this the case?

In his Spring Budget on 6 March, Jeremy Hunt, Chancellor of the Exchequer, unveiled a significant reduction in employee National Insurance Contributions (NICs). This adjustment will decrease NICs by two pence, moving from 10% to 8%, starting from 6 April. Mr Hunt emphasised that this measure would result in an annual saving of approximately £900 for the average worker earning £35,400, a figure incorporating a similar cut announced during the Autumn Statement 2023.

## ECONOMIC FORECAST AND EMPLOYMENT PROSPECTS

Documents from the Spring Budget reveal that the Office for Budget Responsibility (OBR) predicts this latest reduction will boost total hours worked by almost 100,000 full-time workers by the fiscal year 2028/29. Coupled with the cuts disclosed in the Autumn Statement 2023, the OBR forecasts an increase in work hours equivalent to around 200,000 full-time workers by the same period. This suggests a positive employment outlook as a result of the NIC adjustments.

## THE TAXATION PARADOX

On the surface, the reduction in NICs appears to favour employees. However, with Income Tax thresholds remaining static, an increasing

number of individuals are being propelled into higher tax brackets – a phenomenon known as fiscal drag. This situation threatens to negate the benefits of the Chancellor's NIC cut for many workers. It is a sentiment echoed by numerous economic commentators, who argue that the broad tax cuts are insufficiently precise, particularly affecting those operating through their own limited companies.

## GROWTH STRATEGY THROUGH NIC REDUCTION

The further reduction in NICs, which is more cost-effective than a comparable cut in Income Tax, strategically prioritises earned income over unearned income. As such, it is marketed as a growth strategy designed to encourage work. When combined with the January cut from 12% to 10%, these adjustments amount to a total annual tax saving of £618 for a median earner and £1,508 for higher earners. This represents a substantial tax reduction, providing a monthly relief of £51.50 and £125.60, respectively.

## THE RISING TIDE OF TAXATION

Whilst these tax cuts offer a significant reprieve in isolation, they come against a backdrop of an increasing overall tax burden. This rise is due to frozen or declining allowances and

thresholds across various taxes, including Income Tax, Capital Gains Tax, Dividend and Inheritance Taxes. Consequently, while the drop in NICs offers temporary relief, it merely postpones the inevitable point at which the overall tax situation for most individuals becomes increasingly burdensome.

## NAVIGATING THE FISCAL LANDSCAPE

The Chancellor's adjustments to NICs present opportunities and challenges as we move forward. While there are immediate financial benefits for workers, it's crucial to remain vigilant about the broader fiscal landscape and the potential for increased taxation. ♦

### WANT SUPPORT TO NAVIGATE THESE CHANGES AND OPTIMISE YOUR COMPANY AND EMPLOYEES' FINANCIAL SITUATION?

Please do not hesitate to contact us if you require further information or guidance on how these changes might impact your company's financial planning. Our team is dedicated to providing the insights and support needed to navigate these changes and optimise your company and employees' financial situation. To find out more, speak to the team at HFMC.

# EMPLOYEE RETENTION

Why a deeper understanding of your company culture and work environment is key

**E**mployee retention is a pivotal theme for employers and HR professionals, underpinned by a compelling rationale. Recruiting fresh talent incurs significant expense, thereby eroding business profitability.

It is decidedly more economical to channel resources into employee retention strategies than to bear the costs associated with attracting, onboarding and training new personnel. High employee turnover rates pose a substantial financial risk. This article considers the various facets when devising a comprehensive strategy for employee retention.

## ASSESSING THE RISK OF TURNOVER

A question that looms large for many organisations is whether they are at an elevated risk of experiencing high employee turnover. A recent survey sheds light on this concern,

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**64% OF EMPLOYERS ACKNOWLEDGE THE COST OF ACQUIRING NEW SKILLS AS A SIGNIFICANT FINANCIAL RISK OVER THE COMING TWO YEARS<sup>[2]</sup>.**

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revealing that nearly half of the respondents are contemplating a job change in 2024<sup>[1]</sup>. Moreover, 64% of employers acknowledge the cost of acquiring new skills as a significant financial risk over the coming two years<sup>[2]</sup>.

Utilising recruitment agencies for talent acquisition can entail fees amounting to many thousands of pounds per hire. Factoring in the ancillary costs related to onboarding

support, equipment and training, the total expense could escalate to tens of thousands for each new addition to the workforce. This finding underscores that 24% of businesses allocate up to ten hours weekly solely to arranging HR interviews, highlighting the indispensable nature of employee retention.

## THE ESSENCE OF TAILORED RETENTION STRATEGIES

A universal solution still needs to be discovered in employee retention, underscoring the necessity for a multifaceted approach. The linchpin of effective retention strategies lies in making data-driven decisions, with employees themselves serving as the primary data source. Gaining insights into employees' perceptions of your business enables a deeper understanding of your company culture and work environment.

This knowledge forms the bedrock upon which you can construct retention strategies likely to enhance your retention rates. Although there is no panacea, empirical evidence and data converge to identify specific elements that constitute successful employee retention strategies.

## CULTIVATING AN EXEMPLARY COMPANY CULTURE

The significance of values cannot be overstated in the context of employee retention. The work environment and company culture play instrumental roles in this regard. One of the most efficacious methods to bolster employee retention involves unequivocally conveying your values from the outset of the employee experience – during the recruitment phase. Ensuring that new recruits align with your values and mission mitigates employee turnover.

A profound sense of belonging and a unified vision increase employee engagement and retention levels. The importance of social values and corporate social responsibility (CSR) in retention strategies is particularly pronounced among specific demographic cohorts. By 2025, Millennials are projected to constitute 75% of the global workforce and strongly prefer employers who demonstrate social responsibility.



**ENHANCED INSPIRATION, MOTIVATION AND LOYALTY**

An overwhelming 93% of employees contend that companies should epitomise purpose, with 90% of those employed by organisations with a robust sense of purpose reporting enhanced inspiration, motivation and loyalty. Furthermore, Gen Z continues to advocate for equality and CSR, with 64% expressing dissatisfaction with governmental efforts to avert a climate crisis and expecting their employers to undertake responsible actions.

The quest for an optimal work-life balance is a pivotal factor in the retention of employees. Remarkably, 30% of workers are prepared to forfeit a fraction of their earnings for a more harmonious balance between their professional and personal lives.



**ESTABLISHING A CONDUCTIVE WORKING ENVIRONMENT**

This highlights the importance of establishing a conducive environment where employees can effectively manage their work and home lives, enhancing efficiency, productivity and motivation. A well-balanced workforce is healthier and less prone to absenteeism, and it exhibits reduced stress levels alongside increased creativity and problem-solving abilities.

In today's dynamic work environment, flexibility has transcended from a desirable perk to a fundamental necessity. An overwhelming majority of 54% of employees are likely to consider leaving their jobs if they lack flexibility regarding working hours and location.

**INCORPORATE MECHANISMS TO BOLSTER EMPLOYEE ENGAGEMENT**

Such flexibility is instrumental in fostering higher employee engagement and retention. The correlation between employee engagement and retention underscores the significance of nurturing a motivated, satisfied and loyal workforce. Effective retention strategies must, therefore, incorporate mechanisms to bolster employee engagement.

Understanding the nuances of employee engagement within an organisation is critical to cultivating a dedicated and committed team. Acknowledging the presence of

unengaged and disengaged employees within your workforce is crucial, each presenting unique challenges to retention efforts.

**MAKING RETENTION AN INTEGRAL ASPECT OF THE RECRUITMENT STRATEGY**

While unengaged employees may need more initial engagement, disengaged employees have lost their connection over time. Identifying and addressing the needs of these groups is essential for maintaining a robust and loyal workforce, making retention an integral aspect of the recruitment strategy.

The significance of employee benefits when discussing retention cannot be overstated. 71% of employees consider their benefits package when deciding whether to stay with their current employer.

**INTRODUCING COMPREHENSIVE EMPLOYEE BENEFITS AND SUPPORT SYSTEMS**

Offering an attractive and supportive benefits package is crucial in enhancing employee retention. Such packages contribute to employees' wellbeing and reduce absenteeism, bolstering retention and attracting top talent.

Introducing comprehensive employee benefits and support systems aimed at financial wellbeing is a strategic move

towards improving employee retention. Organisations can foster a more stable, satisfied and engaged workforce by addressing financial wellness. This approach not only aids in retaining valuable talent but also enhances the organisation's appeal to prospective employees, reinforcing its position as an employer of choice. ♦

**WANT TO DEVELOP AND IMPLEMENT AN EFFECTIVE EMPLOYEE RETENTION STRATEGY?**

For further information or to discuss how these insights can be tailored to your organisation's needs, please do not hesitate to contact HFMC. Our team is dedicated to assisting you in developing and implementing effective employee retention strategies that align with your company's values and objectives.

**Source data:**

[1] *Employees Benefits surveyed 1,000 UK employees 26/02/24.*

[2] *Rewards and Benefits Association report 'Retaining skills & reducing employee turnover in 2024 & beyond!' 12/12/23.*

# PERCEPTION OF PENSION REFORMS

Employees would gain the autonomy to select their pension scheme for automatic enrolment



## THE CHALLENGE OF CHOICE

This proposed shift has raised concerns among industry experts, who argue that it places an undue burden on individuals to make the most prudent decision with full awareness. The average saver's prevalent lack of understanding regarding savings mechanisms could lead to suboptimal investment decisions. These decisions might be influenced by cost or marketing prominence rather than genuine value, highlighting the necessity for well-orchestrated educational efforts.

## EMPLOYER BURDEN AND SOLUTION

Moreover, granting savers the freedom to choose their provider introduces a logistical challenge for employers tasked with accommodating their employees' choices and ensuring accurate contribution allocations. This aspect underscores the need for a framework that effectively supports both the employer's and the employee's needs. ♦

### NEED ADVICE TO NAVIGATE THE COMPLEXITIES OF PENSION MANAGEMENT AND THE IMPLICATIONS OF THE RECENT REFORMS?

If your company requires further assistance or information on navigating the complexities of pension management and the implications of the recent reforms, please get in touch with us. Our team is dedicated to providing you with the guidance necessary to make informed decisions that align with your financial goals. Speak to HFMC to arrange an appointment for more detailed insights and support.

Source data:

[1] Employee Benefits poll date 12/12/23.

A mere third (33%) of organisations surveyed have expressed optimism that the pension pot for life plans, unveiled in the last Autumn Statement by Chancellor Jeremy Hunt, will aid employees in managing their pensions. Conversely, two-fifths (40%) are sceptical about the efficacy of these plans in assisting employees, while 28% remain undecided<sup>[1]</sup>.

## PROLIFERATION OF MULTIPLE PENSION POTS

The reforms promise employees a legal entitlement to compel a new employer to contribute to their existing pension pot, thereby preventing the proliferation of multiple pension pots throughout their careers. Additionally, employees could select their pension scheme for automatic enrolment.

# HFMC EMPLOYEE BENEFITS

Looking for a modern end-to-end employee benefits solution to build stronger and more resilient business?

Healthy and happy employees build better, stronger, more resilient businesses, which leads to people being more productive, innovative and able to make better decisions.

To find out more, **contact us:**

**E:** [info@hfmwealth.com](mailto:info@hfmwealth.com) | **W:** [www.hfmwealth.com](http://www.hfmwealth.com)



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