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# Watson French

INDEPENDENT FINANCIAL PLANNING  
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MEDIA RELEASE 22 September 2011

## **Pensions reform 'unaffordable' for many, warns Watson French**

Reform of the pensions system to encourage more people to save for their retirement could be unaffordable for many workers hit by rising costs and static wages.

The warning comes from Watson French, the Truro-based independent financial planning and investment management company, in evidence recently submitted to the House of Commons Work and Pensions Committee.

Starting from next year on a phased basis, employers must provide a pension scheme to virtually all members of their workforce and make contributions to it. Workers must be enrolled automatically in the scheme and also contribute from their wages as part of the Government's drive to get more people saving for retirement.

The changes are being introduced over four years, starting with larger employers first in 2012, and smaller employers from 2014.

But evidence from Watson French, which acts for a number of employee pension schemes, suggests that many will not be able to afford the contributions and will opt out, which they are entitled to do.

Watson French director and Chartered Financial Planner Nick Wood said: "The Government needs everyone to save for retirement because we're living longer and the State simply won't have the resources to support the increasing number of people in retirement.

“But in a climate of rising living costs, higher inflation and low pay, many workers are telling us that they won’t be able to afford to pay, and will have to opt out of the scheme.

“That could be especially true among low wage or seasonal workers in areas like Cornwall, and with all households facing increased costs of living and in particular those with rising university costs, we could be storing up trouble for a generation of people with little or no pension provision.”

Mr Wood said he had submitted evidence of his concerns to the House of Commons Work and Pensions Committee, which is investigating the opt-out issue and has requested evidence from the pensions industry.

He added: “Although these changes were first advocated in 2006, they have not been given enough publicity. It’s the job of Government to make sure everyone - employers and employees alike – are fully informed as to what is going to happen and to instil an awareness and understanding of why this is necessary. That hasn’t happened so there’s a huge education job to be done.

“It’s also vital that employers reinforce the long-term benefits of saving for retirement to their own staff, and that they take professional advice to understand the full implications of these sweeping changes.”

Watson French has produced guidance notes for employers to help them understand the changes to work-based pensions, available by emailing [enq@watsonfrench.co.uk](mailto:enq@watsonfrench.co.uk)