TISA response to the Institute for Fiscal Studies report on Auto Enrolment

Renny Biggins, Retirement Policy Manager, TISA, said: *"The IFS is right to indicate that, for some people, saving into an Auto Enrolment (AE) pension is not the right solution. A minimum earnings trigger of £10,000 was introduced to protect the lowest earners from being included in a framework which could have adverse impact, like not being able to pay off high-interest debt, cover basic necessities in full, or lose out on certain state benefits in retirement.*

"However, the earnings trigger cannot single out every single person for whom AE is inappropriate – which is why people can opt-out if necessary. Most importantly, there needs to be guidance in place to help these people to effectively budget, determine priorities and understand lost benefits such as employer contributions. Even basic financial education could enable some to change their spending habits in order to make AE affordable or at least make them aware that, once they are in a position to do so, they should opt-in at the earliest opportunity. Circumstances change and so people should be encouraged to review their situation on an annual basis.

"It would be beneficial to have this guidance in place before AE minimum contributions rise beyond what they are now. The proposed mid-2020 changes to remove the qualifying earnings band and reduce the minimum age to 18 will increase the level of contribution and also bring more low earners into AE. It will be interesting to see the impact COVID-19 has on the timing and nature of this implementation."