VIEWPOINT

BRAYBROOK & CO

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

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Default Setting

Is your workplace pension working hard enough for you?

Since its introduction in 2012, auto-enrolment has been a huge success. It has transformed pension saving in the UK. Around nine in ten eligible workers are now saving into a workplace pension. That equates to almost 22 million people who are now building a retirement pot to significantly improve their long-term financial security[1].

By automatically placing employees into a workplace pension, it's solved the biggest barrier to pension saving: getting people to start. Taking contributions directly from workers' pay removes inertia and makes saving feel easy, especially when it's boosted by the contributions made by the employer.

But making things simple can have its downsides.

More than 90% of pension savers are paying into the default fund option offered by their pension provider[2].

A default fund is where your savings are automatically invested by your employer when you join a workplace pension scheme.

How your pension is invested will determine the size of your final pension pot and the level of income it will provide you in later life. So, it's important that it performs as well as possible. Default funds are designed to be suitable for most members, but this one-size-fits-all approach is flawed because the 'average' saver doesn't exist. Every saver will have different risk tolerances, timeframes and retirement plans. This lack of personalisation means that many workers end up in portfolios that don't reflect their needs.

Default funds are the right option for many savers, but they're often quite conservatively invested, which can be a particular problem for younger savers at the start of their career. With time on their side, it could make sense for them to take more risk and allow the power of compounding to increase the potential for greater long-term growth. Missing out on this extra growth potential could mean their savings pot is considerably smaller at retirement than it might have been.

Time for review?

As a first step in making sure your workplace pension is fully aligned with your individual circumstances and needs, it's worth taking a closer look at where it's invested.

If there is a mismatch, then it might worth considering changing from your default fund to a bespoke range of funds that can still be held within your workplace pension, but which more closely align with what you're hoping to achieve with your retirement savings.

This isn't a decision to be taken lightly, which is why it's so important to get professional financial advice to understand the pros and cons, and ensure that your retirement savings plans are on track.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

[1] DWP, Workplace pension participation and savings trends of eligible employees, August 2025

[2] PensionBee, February 2025

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