

# Impartial advice provides a more comfortable retirement

**Having a pension advisor from WTW in your corner comes with many advantages – not least in disputes with pension companies.**

*By Martin Wex*

Impartial advice creates value. This is a well-known fact to the more than 14,000 employees who every year receive advice from WTW to adapt their retirement savings and insurance coverage to their own needs and wishes. One of them is Lene, who recently started a new position with a different company and was invited to a counselling session with an advisor from WTW – an invitation she had to consider for a while before she decided to accept it.

»It's been a long time since my last counselling session, and I do have a number of pension savings here and there, so I knew it would be a good idea to have a look at it. But I needed a little push from my husband before I booked the meeting – a decision I have certainly not regretted,« says Lene, who is in middle management in the pharmaceutical industry.

She had a meeting with pension advisor Henrik Egebjerg, who – like the rest of the team he is a part of – goes out every day to advise employees at their place of work or through online meetings. According to Lene, he was quick to understand her situation – and good at adapting the session to her needs.

»I was really taken by the hand and guided all the way. I got it all explained in easily understandable terms, and at the same time I felt that I got expert advice. He took the initiative to look at some things that I hadn't considered myself, so we found the best, overall solution. It was very valuable, and I felt 100 percent comfortable in the advice I received,« says Lene.

## From average interest rate to market rate

Henrik Egebjerg had noticed that she had an old pension scheme – a so-called average interest rate scheme with a yield guarantee that ensures an average annual rate of return of up to 4.5 percent. These are schemes that most pension companies want to get rid of because the schemes require pension companies to set aside money to pay the guaranteed yield when the employee retires. Therefore, pension companies are often willing to pay a bonus – also called a transfer supplement – to get the employee to waive the yield guarantee and instead opt for a market rate scheme.

How much money the pension company is willing to pay depends on:

- How much money the employee has saved
- How long he or she has until retirement age
- What interest rate is attached to the yield guarantee – from 0.0 to 4.5 percent
- Whether the employee's savings are placed in a capital pension, installment pension or lifetime annuity

Most pension companies run campaigns where they, for a limited period of time only, offer customers with average interest rates a bonus for waiving their yield guarantee, but at PFA, where Lene had her average interest rate scheme and her new pension scheme, it is usually always an option. Nevertheless, PFA initially refused to do it.

»I contacted Henrik on Friday and told him what PFA had said, and on Monday he came back and told me that it was fixed. That is extremely good service,« says Lene.

### Professional insight and constructive dialogue

Henrik Egebjerg was with PFA for five years before joining WTW and knows their rules inside and out. So, when he dug a little deeper into PFA's reason for initially rejecting Lene's request, it turned out that it was only a question of terminating a children's pension agreement that was attached to the pension scheme.

»We fixed this pretty quickly using the right constructive dialogue and critical approach,« says Henrik Egebjerg.

Lene received DKK 650,000 for waiving her yield guarantee – an amount she has chosen to invest in PFA Plus with risk profile D, which has the largest share of stocks and has historically given a significantly higher return than the up to 4.5 percent she had in yield guarantee in her average interest rate scheme.

She is thankful for the financial gain, but that is not the main reason why she is so happy with the counselling session.

»Henrik was incredibly thorough and made sure that we covered every angle. He concluded our session with a step by step description of what to do and when to do it, and that was exactly what I needed. It was a really good experience, and I have encouraged many of my colleagues to book a counselling session,« says Lene.

### Retirement ahead of time

She is 50 years old and will, according to the current rules, be eligible for state pension when she turns 69, but she does not have to wait that long to retire. Her pension scheme with average interest rate was set up before 1 May 2007, and therefore it can be paid out when she turns 60. And this also has implications for her new pension scheme.

»When you change your pension scheme from average interest rate to market rate in PFA, you also transfer the earliest possible time you can get your pension savings paid out. Therefore, it is not only the old savings that Lene can get paid out when she turns 60 – it is also her future savings. It is a very significant side effect when you pool your savings,« says Henrik Egebjerg, emphasizing that it always requires an individual analysis to assess whether it is a good idea to waiver your yield guarantee and/or pool your savings.

»We make a concrete comparison of the guaranteed pay-outs with the size of the transfer supplement in light of the client's investment horizon and risk appetite. This requires individual advice, and this is where impartial counselling makes a significant difference,« says Henrik Egebjerg.

13,920 employees were advised by WTW in 2021. 6,824 of them participated in a satisfaction survey showing an average satisfaction of 6.8 on a scale of 1 to 7, with 7 being the highest. That is the highest customer satisfaction ever.