

HARGREAVES  
LANSDOWN

# FINANCIAL RESILIENCE FOR HIGHER EARNERS

### **IMPORTANT INFORMATION**

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This guide is designed for employers and pension professionals, not individual investors. We provide information and support to help you and your workers make informed decisions, but this is not personal advice. Please seek advice if unsure of the suitability of any investment. May 2022.

# THERE'S MORE TO FINANCES THAN JUST SOMEONE'S SALARY

## How to bolster higher earner's financial resilience

A lot of people measure their financial success in terms of their salary. We usually associate earning more money with being better off and being able to enjoy a more comfortable lifestyle.

But earning more doesn't make your finances bulletproof.

Our landmark study has revealed that even higher earners might not be in a position to withstand changes in their circumstances or to keep up their lifestyle after work.

So even if someone has a good salary coming in, they shouldn't sit back and relax. By taking a look at their finances and planning ahead now, they can make sure that their hard-earned cash is set up to support them when they need it.

The information and tips we provide are useful rules of thumb that could help you understand how higher earners could improve their financial resilience, but it isn't personal advice.





A person is seen from the side, holding a black paddle with a red stripe, paddling a kayak on a calm body of water. In the background, there are large, rugged mountains under a clear sky. The scene is brightly lit, suggesting a sunny day.

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# HIGHER INCOME DOESN'T GUARANTEE GREATER WEALTH

It's not what they earn, it's what they save that matters

Even if their salary has increased over the years, if their spending has too, they might not have the wealth to show for it.

Even if they're not big spenders, they might be spending a large portion of their income on things like rent and bills. And with living costs on the rise, it's only going to get harder to save.

## OUR SAVINGS AND RESILIENCE COMPARISON TOOL

Lots of us won't know how resilient our finances are, or how this compares to everyone else.

See how different households compare across age, region and income.

[LEARN MORE](#)



Our **Financial Resilience Tool**, built in partnership with Oxford Economics, shows that higher earners may not be in a strong position to face financial challenges. We found that:

- ✓ **Higher earners tend to have more debt.** More debt as a percentage of income could mean more risk of not being able to pay it off should financial circumstances change.
- ✓ **Nearly half of families in the highest income quintile don't have enough life cover.** Not having sufficient life insurance in place or assets to fall back on could mean financial difficulties for their loved ones if they pass away.
- ✓ **Nearly 1 in 10 of the highest earners don't have enough cash for emergencies.** As a general rule, we suggest holding enough in instant access savings to cover at least three months' worth of essential outgoings.

# THEY MAY NOT BE ON TRACK FOR A COMFORTABLE RETIREMENT

## Simply having a pension may not be enough

According to the [Retirement Living Standards](#) provided by the Pensions and Lifetime Savings Association (PLSA) October 2021, a single person living outside of London will need around £20,800 each year for a moderate retirement.

But if you've got higher earners in your organisation, chances are that they'll need even more than this to continue their current lifestyle in retirement. For a comfortable retirement, with more financial freedom and some luxuries, they'll need to earn closer to £34,000 each year.

See what a comfortable retirement could look like on the [Retirement Living Standards website](#).

We'd all like to think our pension will be enough for us to afford a comfortable retirement. But our research suggests otherwise. We found that 3 out of 10 of the highest earning households don't have a pension that's on track to provide them with enough money to afford a moderate retirement, let alone a comfortable one.

### **Is retirement on the horizon for any of your employees?**

What an individual does with their pension at retirement is a decision that could impact how much money they have to live off.

For something so important, employers should encourage their employees to get guidance from [Pension Wise](#). This service is available from age 50. It's the government's free, impartial service to help people understand their options.





# HOW CAN YOU SUPPORT YOUR HIGHER EARNERS IN BUILDING THEIR FINANCIAL RESILIENCE?

When it comes to something as important as personal finances, sometimes it can be difficult to sit down and take stock of what options are out there.

At Hargreaves Lansdown, we want to provide you and in turn, your employees with the tools you need to prepare for the unexpected and the long term.

Our experts have put together 5 key building blocks to consider when attempting to improve financial security over the long term. We call this 5 to Thrive.

## 1 Control debt

If debt isn't managed properly, it can spiral out of control, becoming a real threat to someone's financial security

As households in the top 20% of earners take on more debt than any other income group, it can help to encourage your workforce to consider their debt before anything else.

## 2 Protect income

Protecting their income and any loved ones is of top priority when it comes to building financial resilience.

As an employer, offering protection insurance through your flexible benefits platform can go some way to encouraging your employees to have some financial protection if the worst happens.

## 3 Save a penny for a rainy day

It's impossible to predict when things could go wrong, and with 46% of those earning £90,000 - £100,000 having less than one month's savings, higher earners need to recognise the importance of building a cash buffer for unexpected emergencies

#### 4 Plan for later life

Supporting your higher earners with how to retire on their terms can help them build a picture of how they want their later life finances to look.

Remember to remind them about tax implications of being a high earner when it comes to their pension, such as the Lifetime Allowance or the Tapered Annual Allowance.

#### 5 Consider investing

Investing gives individuals the chance to make their money work harder.

Although this step might be considered the most exciting part, it's the last part of building financial resilience.

Once someone has the other four steps sorted, that's when focusing on how investing could improve future financial security comes in.

**LEARN MORE ABOUT  
5 TO THRIVE**





# ABOUT US

We're Hargreaves Lansdown – a secure, FTSE 100 company helping UK savers and investors for over 40 years.

HL Workplace is our solution for employers who want to help their employees save and invest with confidence.

**To learn more:**

Email us [workplace@hl.co.uk](mailto:workplace@hl.co.uk)

Sign up to our [mailing list](#)

or visit our website:

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