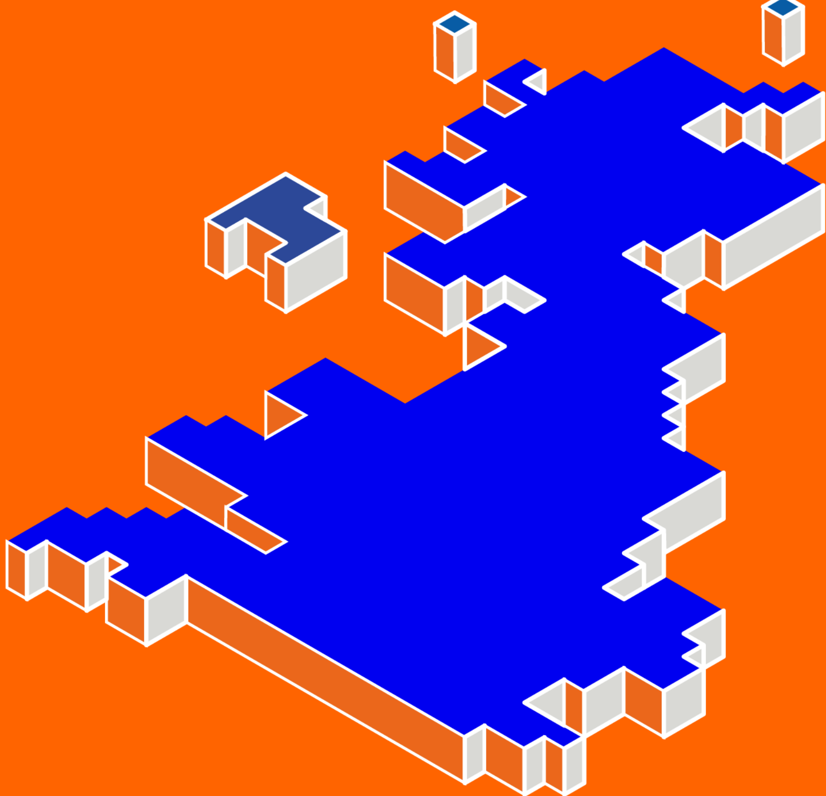
October 2019

The Great British Retirement Survey 2019



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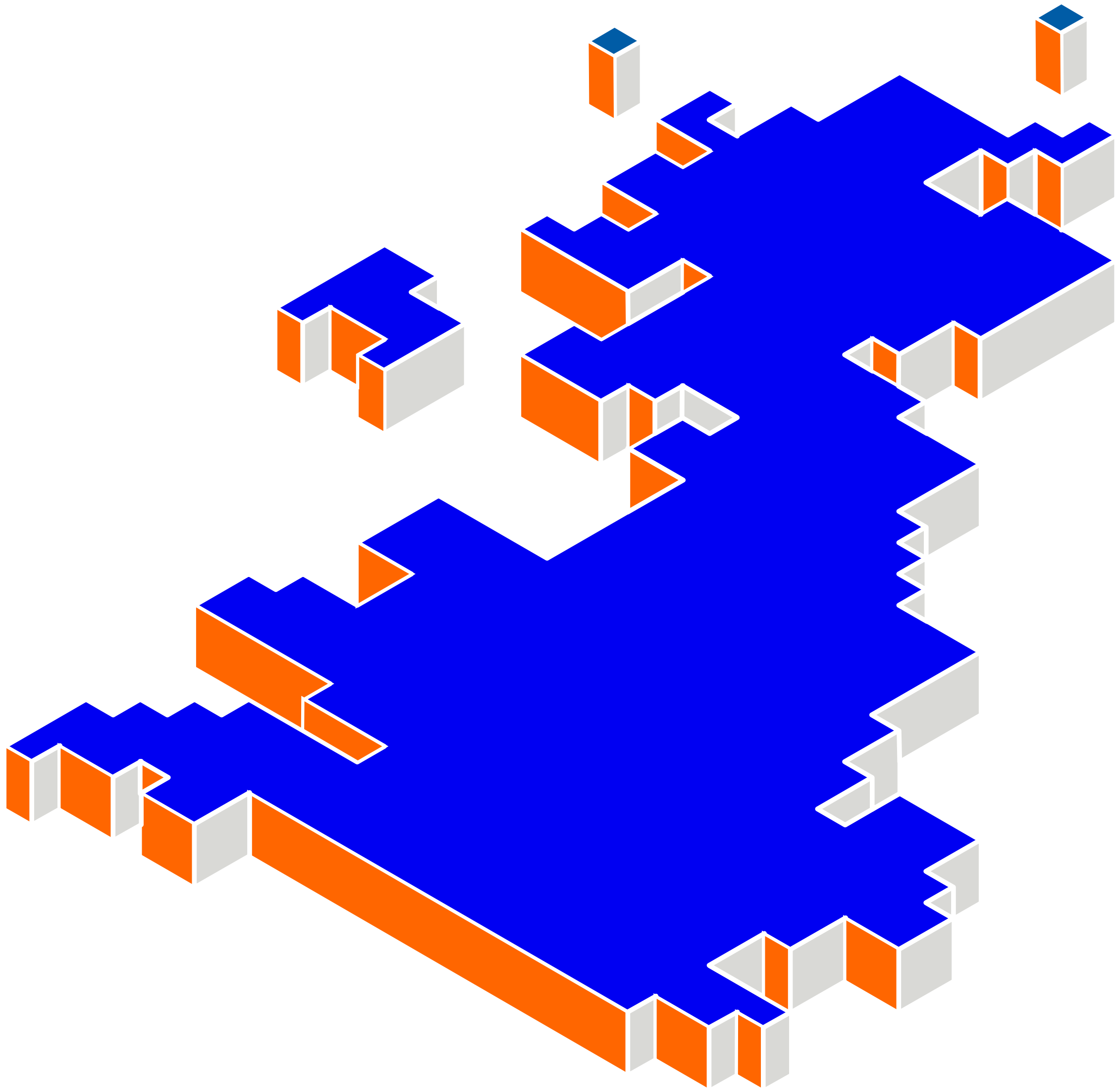


Foreword

Images of retirement frequently verge on the cliché. Tanned, silver-haired couples smile at us from golf courses and cruise ships, promoting everything from over-50s life insurance to dental adhesives. But talk to real people and retirement will not always look so polished.

Whether it is wealth, health, relationships or leisure, the interactive investor Great British Retirement Survey 2019 paints a more nuanced – and realistic – picture. It is sobering to think that while 40% of respondents do have that aspirational view of retirement as a lifetime of pleasure, almost two-thirds (60%) disagree. Even more women (67%) than men (56%) do not have this brochure-style perception of retirement.

The differences are not just between the financial haves and have-nots. Women, for example, have vastly different expectations about retirement than men. And who would have predicted that, on average, men expect to live longer than women? This alone can lead to incorrect planning, with a quarter of respondents admitting they have no idea what their income would be in retirement.

Other results are even more sobering. One constant in our research is money worries, which dominates the list of concerns about retirement among pre-retirees. However, while less than a third of men (30%) are confident they will be able to maintain their standard of living when they retire, this compares with even fewer women - just 17%.

Retirement might seem like a time to take the foot off the pedal, but the transition from working life to retirement is not always easy. You could struggle to fill your time, realise your money is not enough to meet your retirement goals, or that much of your identity was associated with your job.

But many of us have no plans for a complete life of leisure. Our research found that more than half (52%) of non-retirees plan to keep working into retirement, either part time or through self-employment. Men are almost twice as likely to work for the enjoyment of it than women, and women are more than twice as likely to work because of financial necessity.

There is also the question of how your relationship with your significant other might change. After decades of work and refined routines, suddenly finding each other in the house every day can be difficult.

This is just a taste of the stark reality many will face at retirement – and there is no respite for the next generation. The responsibility for preparing for retirement is shifting from governments and employers to individuals, with increases in the state pension age and a decline in final salary schemes offering inflation-linked income for life.

While it was hoped automatic enrolment and pension freedoms would lead to greater interest in pension saving, there is still clearly more that needs to be done.

Our Great British Retirement Survey provides greater insight into attitudes towards retirement and what determines any change in outlook.

We are grateful to the thousands of people who spared so much of their time to complete it. That they were so eager to share their hopes, fears and aspirations in such detail highlights just how untapped real pension attitudes are.

How so many of us view retirement is a world away from those clichés we grew up with. We are proud to share this illuminating research and hope it prompts some policy debate.

Richard Wilson, CEO, interactive investor

Introduction and executive summary

Among the many challenges savers face on the road to retirement is knowing exactly how much to save to ensure a comfortable lifestyle. But the concept of preparing for life after work, no matter how far off it is, continues to evolve.

The 2015 pension freedoms were a game changer, vastly widening the options available to most UK savers at retirement. This has all been for the good but, once again, the situation is nuanced. We are not taught in school how to save and invest, and are ill-prepared to understand the associated risks versus rewards. Many of us are not even confident articulating our goals, financial or otherwise. And now, our pension is our problem. Our risk.

Meanwhile, demographic shifts, changes in workplace pensions and the advent of automatic enrolment have affected each generation differently. The fact we are living longer means subsequent generations of retirees are required to accumulate ample savings that will see them through a bumper lifespan, including long-term care costs that may arise in later life.

Put simply, baby boomers, generation x-ers and millennials lead very different lives with different expectations and resources at their disposal come retirement. Each will have different financial needs as a result. A better understanding of what these needs are is crucial to help everyone plan for life after work. And that comes to policymakers too.

For the Great British Retirement Survey, interactive investor worked in collaboration with global market research consultancy CoreData. We have received responses from 10,000 UK adults at different stages of their retirement journey, including those new to the workforce, those approaching retirement as well as people that have already retired.

We have broken the findings down into five sections: Women and investing; Emotional health and aspirations; Financial regrets and the intergenerational divide; Life in retirement; and the Passing on of wealth.

The focus of this report is to identify savers' hopes, fears, expectations and experiences surrounding retirement, and the barriers preventing them from achieving their retirement goals. From our findings, we have several recommendations to help promote better outcomes at retirement.

Key findings

Women's attitudes to finances are a key barrier to good retirement outcomes

Statistically speaking, women live longer than men, meaning there is an even greater burden on them to plan for retirement income that comfortably tides them over for life. But we found that women are less optimistic about their life expectancy than men.

Optimism – or rather lack of, compared with men – is a theme that plays out throughout the survey. More than twice as many women than men are not confident that they possess the required knowledge to manage their own finances (44% versus 21%).

A major barrier is a sense that money management is boring: More than a third of women (34%) describe money management as a chore, although 21% said it gives them a sense of satisfaction. Men are more likely to have a higher boredom threshold in this regard – only 15% said they find it a chore, and 40% actively enjoy managing their money.

There are financial consequences to this apathy – 36% of non-retired women regret not saving enough, while 33% have no idea what their income will be in retirement. As for men, 28% of the non-retired regret not putting enough money away, with 19% unsure of what they will have to live on after they give up work.

Women do, however, know enough to not overestimate, with 12% expecting a total household income below £10,000. That is compared with just 3% of men – although 19% of men expect an income of more than £50,000, compared with 8% of women.

When it comes to supplementing income among the non-retired, again men are more than twice as likely to have a nest egg to draw on. Almost half (48%) will or already do derive some of their income from stocks and shares ISAs, compared with just 18% of women. Of those in retirement now, 73% of men have an income from other savings and investments, compared with 51% of women. Retired women are more than twice as likely to say they are just getting by, while 58% have money left at the end of the month, compared with 70% of retired men.

These attitudes alongside assumptions that women, by nature, are more risk-averse than men, have less spare cash to invest because of lower salaries and take career breaks to raise children, has fuelled the so-called gender pensions gap. But the reality of unequal retirement outcomes and expectations between sexes can often be more nuanced. Our customer base reveals that although women are less likely to invest, when they do they take the same amount of risk as men.

Women are less confident than men about lifestyle and relationship prospects at retirement

Hugely concerning was the very different expectations and aspirations when it comes to retirement. Just less than a third (30%) of men are very confident they will be able to maintain their standard of living when they retire, compared with just 17% of women. Some 37% of women and 18% of men say they will need to make major lifestyle changes to maintain their standard of living. But while just 7% of men believe their lifestyle will worsen, nearly double the number of women (13%) expect it to.

It is not all doom and gloom. More than half (57%) of respondents think their relationships with a spouse or partner have or will stay the same, and 34% believe they will or already have improved. But more women than men fear their relationship with their partner will worsen (6% versus 4%) yet say their relationships with family will improve (35% versus 33%).

Women are even more optimistic about relationships with their friends. Some 39% expect their relationships with friends to improve, compared with 31% of men, suggesting they are looking forward to having more leisure time to spend with friends.

Respondents are generally confident that they understand their partner's financial position (69%), but men are less confident about this (67% versus 72% for women). Statistically speaking, they may have good reason to be less confident: While both appear to be honest about their finances, women seem more likely to admit to lying about the price of things (11% compared with 4% of men). It is the non-retired who are most likely to admit to lying about the price of things (8% versus 5%).

Having guaranteed income is linked to peace of mind at retirement

The most common priority when it comes to pension income is enjoyment (31%) – having enough money to enjoy life while still healthy.

Peace of mind came in second for a quarter of respondents (25%), particularly the knowledge that they would not run out of money. The UK's employment pension landscape is shifting from inflation-linked final salary pensions to individualised defined contribution (DC) schemes, which provide flexibility but little security.

Those with a final salary pension are more likely to be in a position of knowledge when it comes to pension income. Two thirds (66%) of people without a final salary pension scheme have either a vague or no idea about what their income in retirement will be, compared with 44% of those who hold one.

When it comes to lifestyle in retirement, 57% of those with a final salary pension said their lifestyle has or will improve compared with 49% of those without.

Meanwhile, 98% of pensioners do not regret buying an annuity despite pension freedoms bringing the flexibility to access income at retirement. Again, peace of mind counts for a lot.

Both non-retired and retired individuals shun financial advisers and prefer a DIY approach for retirement guidance

The relaxation in 2015 of rules governing how pensions can be taken has come at a high price for many less experienced investors struggling to make good decisions in a complicated market. But only 19% of non-retirees opted to hire a financial adviser for retirement guidance, with most favouring a DIY approach. This included online research (42%), reading the financial press (28%), using a government-sponsored guidance service such as Pension Wise (23%), and consulting with family and friends (20%). Only seeking assistance from their employer ranked lower than taking financial advice.

Retirees, meanwhile, give greater credence to professional finance advice, with 29% paying a financial adviser on an ongoing basis. But this still ranks behind DIY online research (44%) and the financial press (34%), while only 11% look to family and friends.

That said, respondents were overwhelmingly either customers of interactive investor, or readers of Money Observer and Moneywise magazines. While these factors and employing a financial adviser are not mutually exclusive, there is likely to be some skew towards self-directing investors.

Half of older generations believe younger generations have it tougher than they did when it comes to finances

Half (51%) of respondents said that when it comes to money, younger generations have a tougher time than they did, although 29% think the opposite. This falls to 49% in the 66-70 and 71-75 age range and 44% among people aged 76 or over – these groups will remember double-digit interest rates, crippling for mortgage holders. A further 20% are not sure who had, or has, it tougher.

Far from "avocado shaming", the research shows a mix of feelings about which generation has had it tougher. A perceived move towards short-term work contracts, the increased cost of housing and more relationship breakdowns were among reasons cited for younger generations having it tougher.

Some respondents, such as these, were conflicted in their own minds:

"[Younger generations] do [have it harder] because of house prices, but many of them spend a lot of money on things we could never have dreamed of when we were starting out."

(Survey participant 5,731, retired)

"It is harder for them housing wise but they seem to have more disposable income."

(Survey participant 5,732, retired)

As explored above, the move away from final salary to DC pensions and increases in the state pension age means the onus to build a pot to bankroll retirement increasingly falls on the shoulders of individuals. This means younger generations are increasingly responsible for building a nest egg that lasts a lifetime.

More than half of workers envisage some form of transition to retirement in which they continue working – and voluntary work and caring for grandchildren feature strongly

Our research found that more than half (52%) of non-retirees plan on working into retirement – part-time or in self-employment – with a fifth (20%) anticipating this will be purely due to the need to bolster finances. The same number say they will keep working because they like it. Men are more likely to work for enjoyment (34% versus 14%) and women more likely to do so for the money (41% versus 20%).

There was also a significant appetite among respondents to do their bit for charities and communities through voluntary work. Some 52% of respondents said they will do voluntary work for their local community when they retire and 35% of retirees said they do unpaid voluntary work whilst 18% say they look after grandchildren and count this as unpaid work.

Almost two-thirds of pre-retirees anticipate relying on their spouse's money at retirement

Some 64% of pre-retirees believe they will rely on their spouse for money in retirement. This can leave women particularly at risk. Household break-ups – divorce in particular – can scupper retirement plans. Several respondents admitted to facilitating the growth of their ex-partner's pension savings instead of focusing on their own and found themselves in a financially precarious position following the split.

Savers are underprepared when it comes to estate planning

While most respondents expressed an explicit desire to leave some form of inheritance to their children, many have dithered around practical estate planning. A quarter (25%) admitted to not having drafted a will (compared with 12% of those retired), while 26% said they have one written but that it requires reviewing (similar to those retired at 27%).

Additionally, 78% of respondents admit to not registering a lasting power of attorney, which allows an elected individual to act on their behalf if they become incapacitated or otherwise unable to handle their own affairs.

Healthcare is a key concern which rises with age yet few factor the cost of long-term care into their retirement plan

More than a third (36%) of retired people cite not being able to afford healthcare, should they need it in retirement, as their biggest concern. It becomes a greater worry with the advancement of age, rising to 38% among those age between 71 and 75, And 39% amongst those over 76.

Money worries dominate the list of retirement concerns

Savers who actively invest and engage with their pensions may not only be better off financially but also better off emotionally. For pre-retirees, running out of money in retirement is the primary concern (26%), ahead of the rising cost of living (23%) and not being able to pay for quality long-term care (10%).

For those currently in retirement, a stock market crisis is a big concern for 42%, ahead of running out of money (35%), tax issues (24%) and not been able to help younger family members with large expenses (24%).

This report reveals a gaping hole between people's retirement dreams and their reality. Overwhelmingly, we all want enough money to enjoy life and peace of mind to go with it. In today's world, where the onus and risk are increasingly on us to fund retirement, that is a tough nut to crack. We might not have all the answers but there are many questions that need asking. That is our starting point with this survey.

Moira O'Neill, Head of Personal Finance, interactive investor

Women and investing

Equality may be high on the global agenda but it is well-documented that women have lower levels of pension savings than men. Mercer[1] , the consultancy firm, estimates the disparity – known as the gender pensions gap – stands at about 40%. While we are not surprised our survey reflected this gap, more intriguing are the psychology and attitudes to money management behind it, and the hugely differing expectations and aspirations for retirement.

More than one in 10 (12%) of non-retired women predict receiving a household income of less than £10,000 a year, compared with 3% of non-retired men. And 8% anticipate a sum above £50,000 a year, compared with 19% of men.

Also worryingly, a third of women (33%) have no idea what their income will be in retirement. That is almost double the amount of men (19%) who are unsure about their retirement figures.

For those who plan to work into their retirement with part-time or self-employed work (52% of respondents), 32% of women say they will need, rather than want, to plug the income gap, compared with 11% of men. Only 13% of women say they will work into retirement for the love of it compared with 25% of men.

1 The Gender Pension Gap – From Awareness to Action, 2017

Key reasons behind the gender pensions gap include inequality in the average state pension awarded, the impact of women taking breaks from paid employment to look after children and the workplace gender pay gap. But the wider picture reveals that a difference in attitudes to investing and money management between the sexes is also a significant contributing factor.

Men are more confident that they are sufficiently well-versed to manage their finances than women (79% versus 56%) and tend to spend more time on money management. Women (30%) are twice as likely than men (14%) to spend less than an hour a month managing their finances.

In contrast, 29% of men said they dedicate up to six hours a month to managing their finances, compared with 12% of women. It seems likely that hands-on investors who actively trade their portfolios regularly will need to spend longer managing their finances. On average, one to two hours a month was the most common length of time people spend managing their finances (30%).

Fitting money management into their schedule seems to be more of an issue for women than men. Overall, most people think they have time to adequately take care of their own finances (87%) but almost a fifth of women (19%) said they do not, compared with 9% of men. Retirement makes a big difference – 97% of retirees said they have enough time compared with 75% of non-retired.

For one respondent, retirement meant:

"An opportunity to reduce costs by studying comparison sites and other expenditure, which I previously did not have time to do."

(Survey participant 1,215, retired)

Additionally, men take greater satisfaction in money management than women (40% versus 21%), with only 15% describing it as a chore, compared with 34% of women.

Perhaps as a result of that well-documented gender pensions gap, women (65%) are more likely to stick to a monthly budget than men (52%).

The culmination of the above factors does not bode well for the income potential for women at retirement. Our research found that almost half (48%) of non-retired men already do or plan to derive some of their retirement income from stocks and shares ISAs, compared with just 18% of women.

Equalisation of pension age

When it comes to the equalisation of the state pension age, it seems this has not just had ramifications for women. As one respondent commented:

"The Government changing the retirement age for my wife to 66 has affected us drastically. There is not enough time to readjust our finances."

(Survey participant 7,695, retired)

This, of course, was loudly echoed by women:

"I regret that the Government did not tell me it was increasing the state pension age. Now all my retirement savings go on day-to-day expenses. I have a small occupational pension but many women are really impoverished because of these changes. If I had known I would have extended my critical illness plan, and because it finished at age 60 that went at the same time as my state pension. I planned to have a reasonable standard of living in retirement. That has all gone now."

(Survey participant 200, non-retired)

"...thousands of women have been left in poverty because of Government greed and incompetence. No, I do not have any spare money for fun things and treats. We are only just able to pay our bills and eat. Am I enjoying the retirement I planned and looked forward to? Not at all. It is stress all the way and my health is suffering."

(Survey participant 9,487, retired)

The gender pension gap is far from lost on men – as this comment highlights:

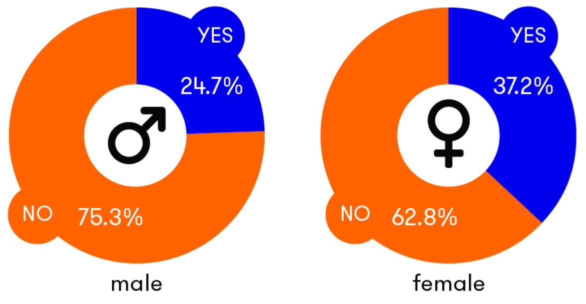
"Our retirement income (my wife's and my own) is 80% my income. This is because during our working lives, my wife gave up work to look after the children and supported my career. As a result, she has only a small occupational pension and a state pension. I look after all our finances and my strategy is to transfer all investments to my wife to provide her with an income if I should die first, which will supplement her loss of income from my pension. I also have a SIPP which I have crystallised to release the lump sum but which I do not draw down. It remains invested and will be transferred to my wife or as an inheritance for my children."

(Survey participant 4,464, retired)

Where do you go for retirement planning guidance?

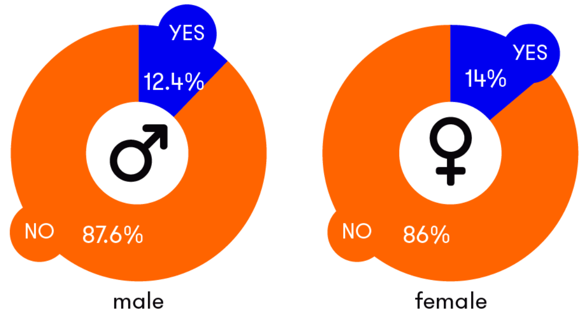
interactive investor

I haven't taken any guidance



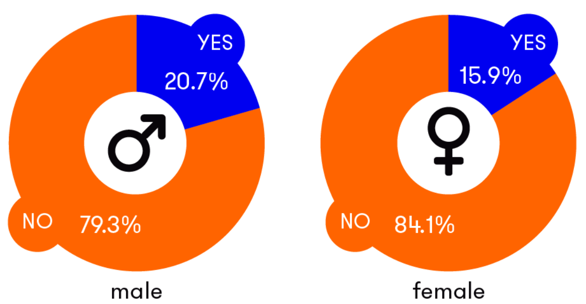
Overall YES: 30.3% NO: 69.7%

I get assistance from my employer



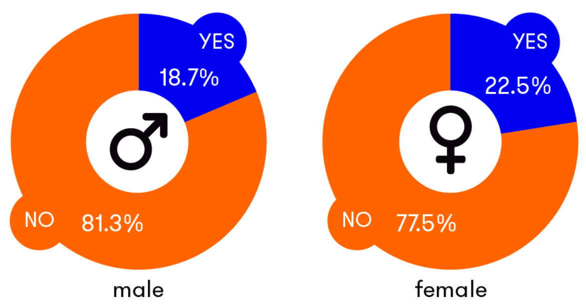
Overall YES: 13.1% NO: 86.9%

I pay a financial adviser



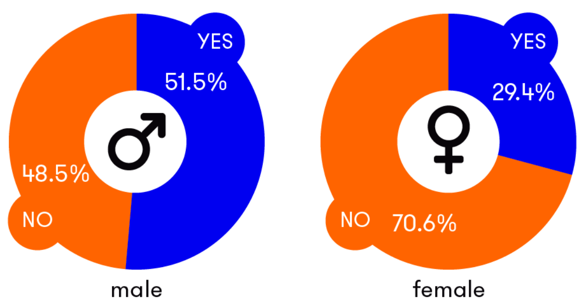
Overall YES: 18.5% NO: 81.5%

I talk to family and friends



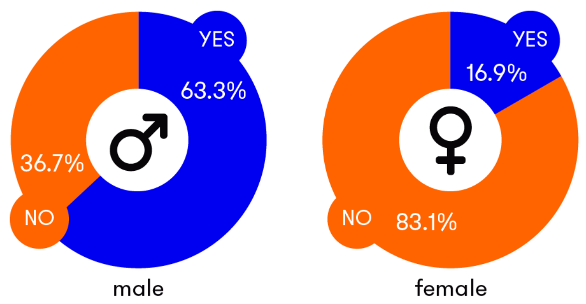
Overall YES: 20.4% NO:79.6%

My own online research



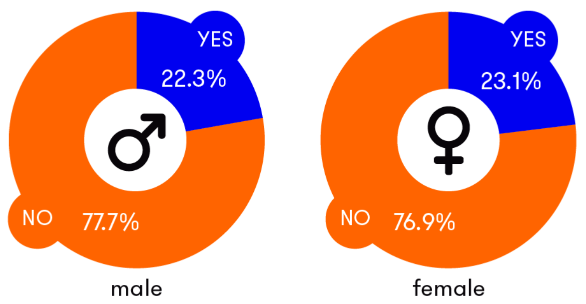
Overall YES: 41.8% NO: 58.2%

Reading the financial press



Overall YES: 28% NO: 72%

Services such as Pension Wise



Overall YES: 22.6% NO: 77.4%

Thanks to 2015's pension freedom reforms, more people can tailor when and how they use their pension pot after the age of 55. Previously, those of retirement age could take 25% in a tax-free lump sum, then buy an annuity with the rest, which provides regular income for life. Now people can choose not to buy an annuity and keep their pension invested or draw on it as they see fit.

But while that creates flexibility it also means that ordinary people must make difficult financial choices. Even so, both sexes are more likely to explore other avenues for retirement guidance than hire a professional financial adviser – only 29% said they use an IFA.

However, HMRC figures show that women hold far more cash ISAs while more men prefer to opt for a stocks and shares ISA[2].

"I regret hiring bad financial advisers who took a percentage from my pot to move it around then don't review holdings ever again."

(Survey participant 1,453, non-retired)

"Contacting a financial adviser just before my husband retired was one of the best things we did."

(Survey participant 8,768, retired)

Among the non-retired, women and men are similarly likely to talk to family and friends for retirement guidance (23% vs 19%). Men, however, prefer to take a DIY approach. More than half (52% vs 29% of women) conduct online research for retirement guidance, while 37% read the financial press for pointers compared with 17% of women.

Interestingly, both sexes have a similar appetite for government-sponsored pension guidance services such as Pension Wise (23% women versus 22% for men).

Those who are retired are less likely to rely on friends and family for retirement planning (11%), although retired women are more open to this (15% versus 9% of men). Retired men are almost twice as likely to use the financial press (39% compared with 21% of women).

Priorities

Holidays and travel are by far the most commonly cited priority for retirement. Women, however, place greater emphasis than men on spending more time with family, although when it comes to helping with children, men and women's priorities are aligned.

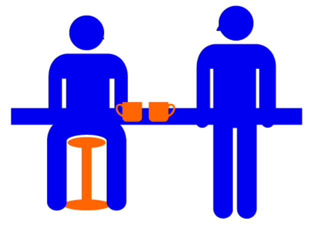
My priorities

Holidays and travel

Women 18.9%

Men 21.8%

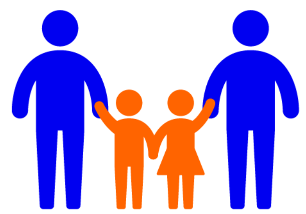
Spend more time with friends



Women 9%

Men 4.4%

Helping my children



Women 9%

Men 8.8%

[2] Individual Savings Account (ISA) Statistics
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797786/Full_ISA_Statistics_Release_April_2019.pdf

Divorce

Divorce throws a spanner in the works of a jointly financed retirement. During a marriage break-up, pension assets frequently get left out of settlements, often leading to one partner – often the woman – being made worse off than they could or should be in later life.

We came across numerous cases in the survey where divorce resulted in adverse financial consequences for individuals in or approaching retirement.

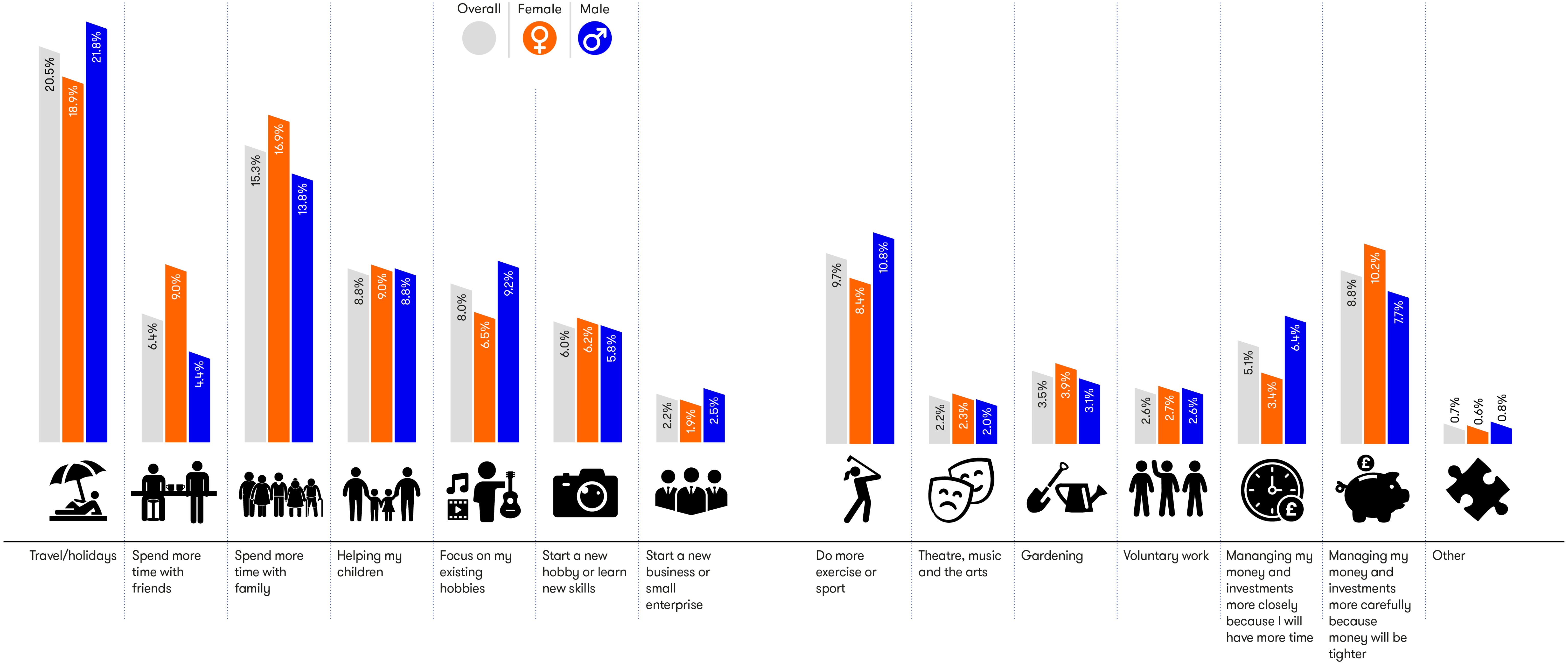
"I have not been in a position to have a private pension as I had to follow my first husband's job around the country. I then had to take on low-paid, part-time work to look after my children. Latterly I had to care for my parents, who were both terminally ill at the same time."

(Survey participant 218, retired)

"I have been married to three men who went through all my money and were not faithful. I paid the price in the divorces of sharing and losing everything as I was seen as the bread-winner. Now I have nothing, and my health is deteriorating. I have no other family, life is extremely hard and now the pension age is increased to 66, I have the Damocles sword over my head – will I be forced to try to work – which is an absolute joke but nevertheless a psychological pressure."

(Survey participant 240, retired)

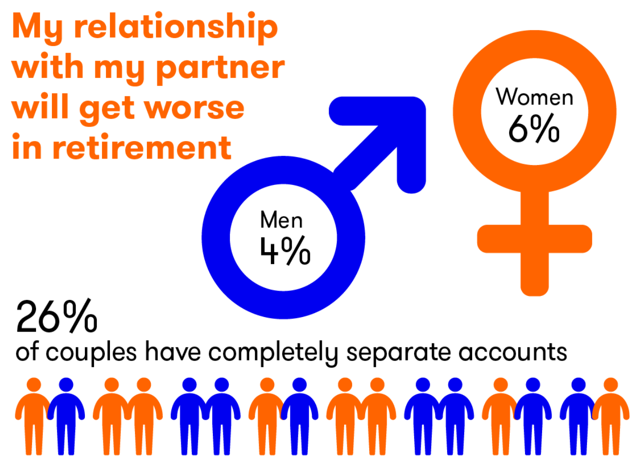
What are your priorities for your retirement?



Emotional health and aspirations

Going back to those countless posters and adverts about retirement depicting contented, silver-haired individuals, the Great British Retirement Survey paints a more nuanced picture. Retirement might have the potential to be a relaxing and fulfilling stage of life but as with any major life change, it presents a new set of challenges that fill many with worry. While 40% of respondents view retirement as a lifetime of pleasure, more than two-thirds (60%) disagree. Among women, even more disagree (67% versus 56% for men).

Almost a quarter (23%) of respondents said that the overriding meaning of retirement is uncertainty around their levels of wealth (rising to 32% among women but 17% for men). Although money worries count for a lot, other factors take some of the shine off retirement expectations. Some 22% of respondents see retirement primarily as a time of health uncertainty, and this is more pronounced among women (26% versus 20%). Retirement overwhelmingly meant isolation for 6% of women and 4% of men.



But there are some real positives. Far from seeing it as a time to take the foot off the pedal, 9% consider retirement as an opportunity to get back into studying, while 29% look at starting a new business or pursuing new hobbies.

"I will be going back to university to do a part-time degree in Art History over six years"

(Survey participant 2,780, non-retired)

"I visit the temple more and participate in more activities in our temple each week, including Gita study classes, yoga and meditation."

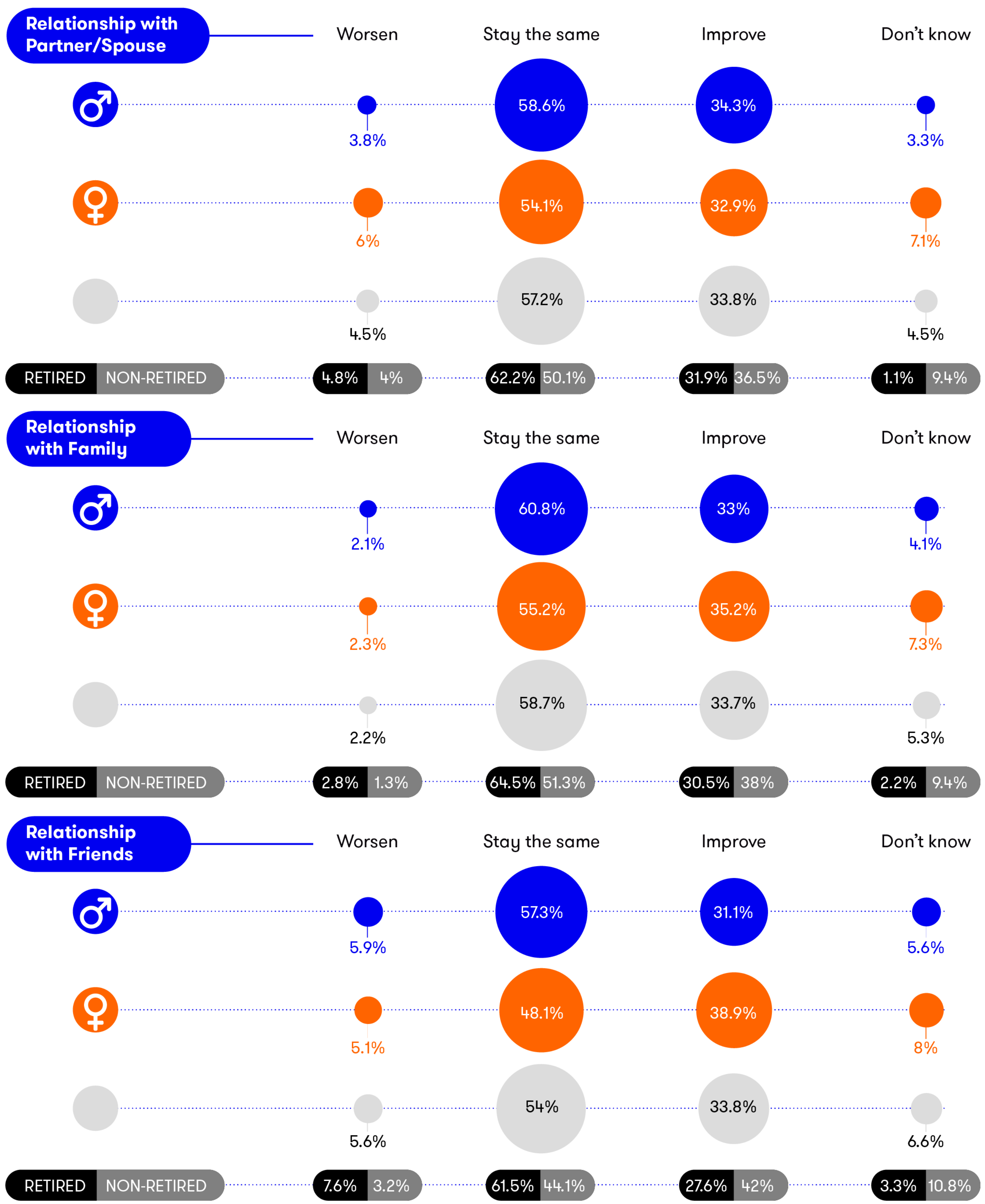
(Survey participant 3,798, retired)

As well as wealth, women are more likely to be pessimistic about the state of their relationship with their partner in retirement, with more likely to say it will worsen than men (6% versus 4%).

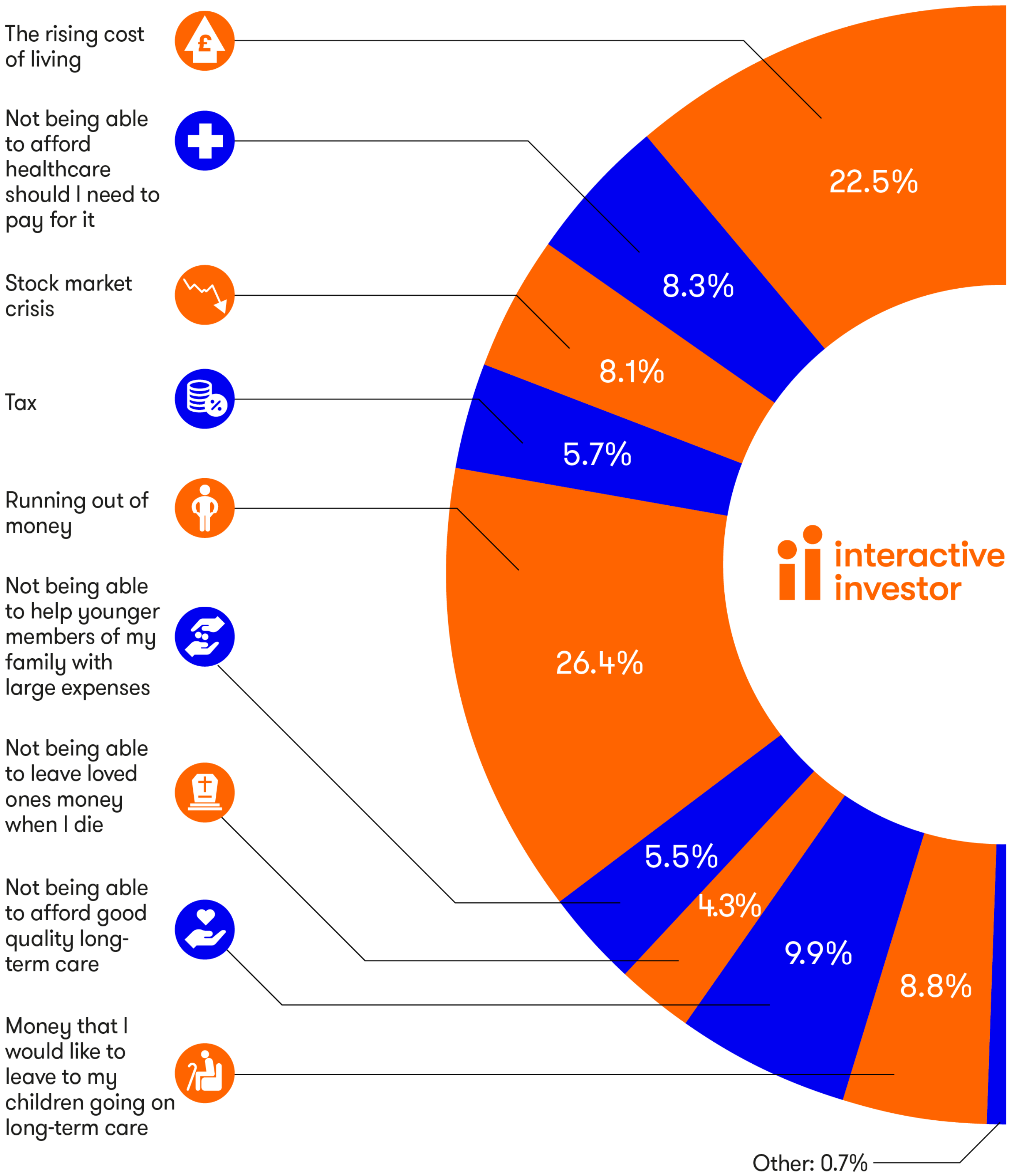
Relationships at Retirement

Do you think your relationships will improve, worsen, or stay the same when you retire (or has it worsened/stayed the same/improved)

Overall Female Male



What are your biggest financial concerns?
(Non-retired)



Income expectations at retirement

Knowledge of retirement income appears shaky among non-retirees, with 57% admitting to having no or a vague idea of what their household income will be. However, a quarter (26%) expect to have a household income of between £20,000 and £29,999, 17% between £30,000 and £39,999, 10% between £40,000 and £49,999 and 15% above £50,000. Meanwhile, 15% think £15,000- £19,999, 11% predict £10,000 - £14,999 while 6% predict less than £10,000.

Income expectations

32% of non-retirees have a vague idea what their income will be in retirement

25% of non-retirees have no idea what their income will be in retirement

26% expect total income between £20k and £29,999

15% expect £50k+

Once the maximum state pension – which is almost £8,800 a year (under the new flat-rate scheme for anyone reaching state pension age after April 2016) – is taken into consideration, there is a significant gap between income expectations at retirement and the income the state will provide.

The job of closing this gap rests on the individual and the shortfall will need to be made up from private income.

Sources of income

For many, their workplace pension will be their largest source of income in retirement and is, therefore, the most significant factor in the standard of living many get to enjoy in later life.

In the past, it was common for employers to offer generous final salary (or defined benefit) pensions which paid out a guaranteed income for life on retirement. The amount was based on a percentage of a worker's final salary multiplied by the number of years they were in the scheme. These pensions are widely considered "gold-plated" because they promise to pay a secure, index-linked income for life.

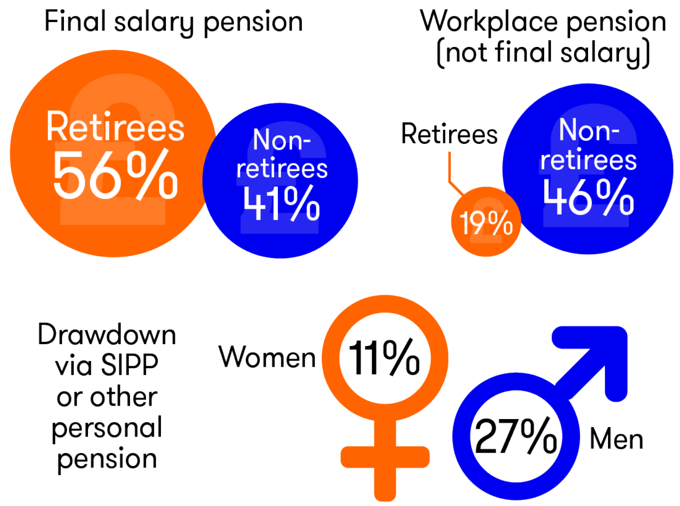
But many such schemes have been closed in recent years because increased life expectancy, poor investment returns and heightened regulatory burdens rendered them too costly to maintain.

Most company pension schemes have shifted to a defined contribution (DC) arrangement, where workers pay in money, have it topped up by their employer and tax relief, then invest it to build a pot for retirement.

It is therefore unsurprising that 56% of retirees hold a final salary scheme, compared with 41% of non-retirees.

Although pots are still relatively small for most current retirees and are often not their main source of retirement income, the decline of final salary schemes and the advent of automatic enrolment has increased the number of people saving into DC pots. As a result, the next generation of retirees will rely increasingly on DC pots as a major source of retirement.

Source of income



Some 22% of those retired said their income is from drawdown via a SIPP or other personal pension, although men (27%) are more than twice as likely to do this than women (11%).

"Savings outside ISA and pension. I will draw on State Pension, ISA and SIPP in due course"

(Survey participant 4,458, retired)

"I have a SIPP but have not drawn on it due to it being safe from Inheritance tax."

(Survey participant 4,714, retired)

"Although I had a varied working life, I made an active effort to put money into pensions, investment accounts and a buy-to-let property because I wanted to ensure I had sufficient income and savings to maintain my standard of living come retirement. My partner and I might have afforded a better standard of living then had we not saved as much, but as we are now financially secure in retirement, we both believe early sacrifices were worthwhile."

(Survey participant 9,597, retired)

Lack of appetite for equity release

Equity release is another option for retirees to supplement their income. The term refers to a range of products that allows homeowners over the age of 55 to access the equity (cash) tied up in their home.

But there appears to be little appetite for these solutions. Some 86% of retirees rule out equity release entirely, with half (51%) saying that they try to preserve the equity in their property, and 35% say they would not feel comfortable about releasing equity. Equally, whilst retirees want to preserve the value in their property, 12% said they might consider it in the future. Among the non-retired, 67% completely rule out equity release.

Debt at retirement

Tallying up the sources of income available at retirement is only one part of the equation to determine the amount that is required to live comfortably. The second part is to calculate expenses.

Car insurance, household bills and healthcare are among the common costs faced by pensioners in retirement. Mortgage is a hefty debt obligation that 85% of retired respondents were able to shift before retirement but this is not the case for many retirees. Some 9% of those retired said they are still paying off their mortgage. This could be because many homeowners approaching retirement have taken out an interest-only mortgage, where the capital is repaid at the end of the mortgage term. While 22% of all respondants said they had an interest-only mortgage, this figure doubles to 42% among those retired but still with a mortgage.

For younger generations, lifestyle changes such as divorce and the fact that people are taking longer to get on the property ladder, mean more people need to keep their loan going for longer.

Health and long-term care

The key retirement worries change with age. Healthcare, for example, becomes a more prominent concern as we get older. Not being able to afford good quality long-term care is the main fear among a quarter (24%) aged between 71 and 75 compared with 12% of under 50's.

Money worries frequently dominate unease over retirement – even among those who have budgeted and saved prudently for life.

While running out of money is the most common concern among pre-retirees (26%), above rising living costs (23%), health and long-term care also dominate, with the inability to pay for good quality long-term care a primary concern for 10%. Being unable to afford healthcare should they need it and having to spend inheritance earmarked for children on long-term care fees, are primary worries for 8% and 9% of respondents respectively.

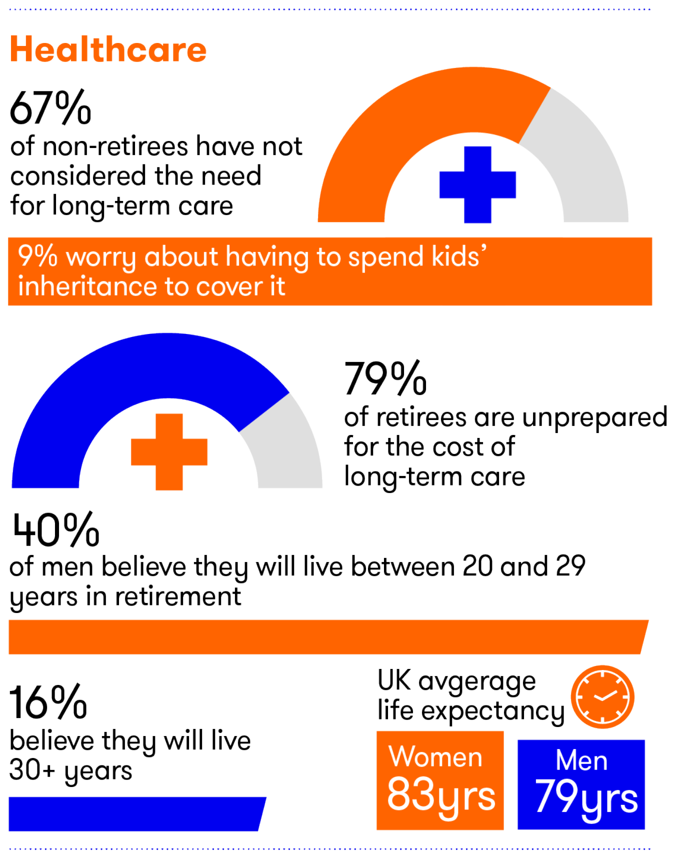
More people are living longer but greater longevity brings several challenges, not least how to fund any long-term care that might be required.

Unlike death and taxes, long-term care is far from one of life's certainties, but it is a possibility we all face and some 79% of retirees admit to being unprepared to meet these costs should they need it and when it comes to healthcare costs, not being able to afford these is the biggest financial concern among 36% of them.

Men are more optimistic about their life expectancy than women, even though statistically, women tend to live longer. Some 40% of men and 33% of women believe they will live between 20 and 29 years in retirement, with 16% thinking they will live for 30 years or more (14% women). In reality, men live to 79 on average, while women live to 83, according to Office for National Statistics (ONS) data for 2017, published in September 2018. A quarter (25%) of women don't even want to speculate on their mortality, compared with 16% of men.

The same number of men and women (67%) admit to not having considered the need for long-term care and how they will pay for it and almost half (49%) of people with private medical insurance – which covers the cost of private healthcare – plan on dropping the cover once they reach retirement.

Some 57% of respondents say their health either has or will stay the same post retirement, 6% say it has or will worsen, but 27% say it has or will improve.



Final salary pensioners have greater peace of mind

There is much to be said for final salary pensions, as they offer guaranteed income for life that is not affected by the stock market. The amount should go up each year to help meet the rising cost of living, and there will even be something for a surviving spouse.

Our study identifies a direct link with these benefits and greater peace of mind at retirement. Two thirds (66%) of those without a final salary pension have a vague or no idea about what their income in retirement will be, compared with 44% of those with a final salary pension. Some 31% of those without a final salary pension say they will need to make lifestyle changes to maintain their standard of living in retirement compared with 19% of those with a final salary pension.

In addition, when it comes to wellbeing at retirement, 57% of those with a final salary pension said their lifestyle has or will improve in retirement, compared with 49% of those without.

Many people still retire with some form of final salary pension but with every year that passes, a greater share of the nation's retirement finances depend on a DC pension pot that has been built up. This suggests future generations of retirees are more likely face financial uncertainty unless they plan ahead.

Peace of mind

Final regrets and the intergenerational divide

Our respondents had varied financial regrets, from starting to save too late to walking away from relationships empty handed. Overwhelmingly, few respondents regret giving money to their children. Half believe younger generations have it tougher than they did, with particular sympathy for the price of housing and student debt. Amongst the retired, only 3% said they regretted helping their children too much financially which was similar to non-retired.

Respondents, especially those who are retired, were keen to comment on intergenerational differences, with many acknowledging that they had it tough, too.

"I started part-time home working at the age of 12, part-time in the economy at the age of 15, had part-time jobs through university, was working three jobs a day and doing part-time study from 1979 to 1981 and went almost two years without any income during the 1990s recession. However, youngsters from poorer backgrounds have even less chance of getting on the housing ladder in the South East than I had. Furthermore, the peer pressure to conform to the idea of buying designer clothes, mobile phones, etc, was non-existent in my youth (I was brought up on a council housing estate where everybody was poor). When I had no money, I went without. There seems to be an expectation today that nobody should go without, but there seem to be fewer jobs for youngsters to pick up some extra money."

(Survey participant 3,276, retired)

"I don't think the younger generation take enough care with money. They spend today and don't worry about debt or tomorrow."

(Survey participant 5,679, retired)

"They have awful pressure from a combination of repaying university costs, starting pension contributions, getting a deposit together for a first property, and relationship problems seem far more common these days and can prove expensive."

(Survey participant 676, retired)

"They do have it harder because of house price costs, but lots of them spend a lot on money on things we could never have dreamed of when we were starting out."

(Survey participant 5,680, retired)

"I do not believe that younger people will have the sort of retirement that my wife and I have had or for as long, as I don't think it will be affordable in the future. Younger people will have to work much longer and will not benefit from the final salary pension schemes."

(Survey participant 4,447, retired)

"It is harder for them housing wise. They seem to have more disposable income"

(Survey participant 5,681, retired)

"Jobs aren't so easy to come by and are more likely to be short-term contracts rather than permanent. Neither of my two children could have afforded to move into a house of their own without our help."

(Survey participant 5,686, retired)

"In some ways they have it tougher, but in others easier. Young people expect a higher standard of living and aren't as frugal as my generation was, and often don't seem as keen to save. On the other hand, property prices are much higher now proportionately than average earnings, although offset to a small amount by mortgage interest rates being very much lower and more stable than in my day. They rose to 15% at one time."

(Survey participant 8,418, retired)

"Although property prices are much higher, I had to cope with negative equity, which meant I couldn't move for years. We also had high interest rates (10-15%). The younger generation have to have it all, they want all the latest tech and think nothing of paying for the latest iPhones. They have to have an active social life, spending lots of money on going out for meals, cinema, holidays, etc. I have only bought items that I can afford. Although I have credit cards, they are paid off each month.

"They moan about paying university fees, but remember when I was at school, only the top 15% went to university to study proper academic subjects, so the government of the day was able to pay grants. Many younger people are not clever enough to study 'proper subjects' that will get them decent jobs, but take ridiculous subjects such as media, theatre studies, etc. Why should we pay a grant to people who take subjects that are no benefit to society?"

(Survey participant 214, retired)

"We benefited from having university fees and receiving non-repayable grants, so I sympathise with those who do not now receive these benefits. However, we think younger people in general seem to think it is OK to spend their incomes on enjoying life without saving for their old age."

(Survey participant 4,506, retired)

"I think the younger generation will have to work longer and are likely to get comparatively less pension. The cost of housing is higher now and it is likely that the low interest rates will not last for much longer, making payments higher for the next generation."

(Survey participant 878 – retired)

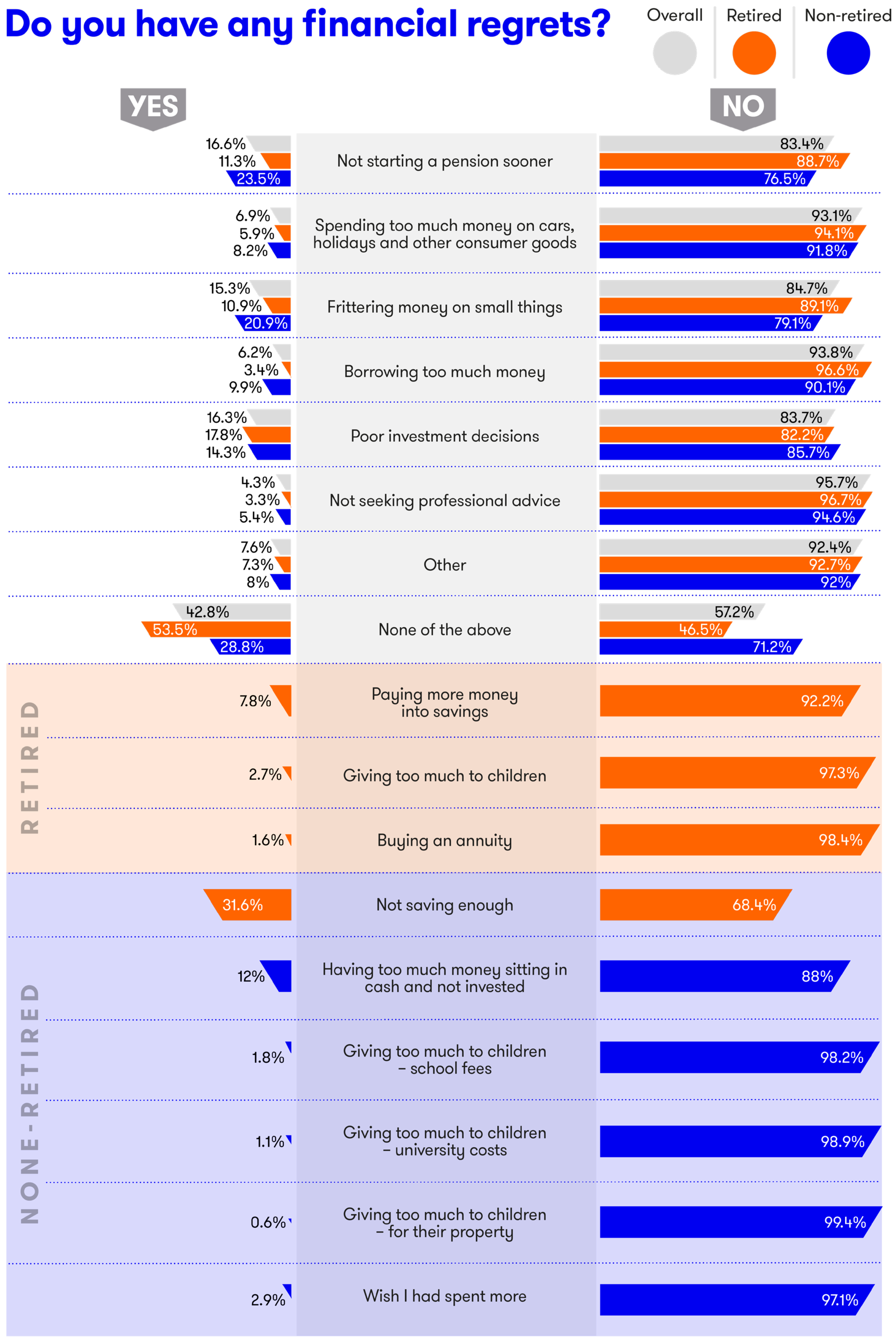
"Yes and no. Some costs such as university, housing etc have massively increased but on the other hand, it's my impression that younger women are not going to accept the gender pay gap for much longer."

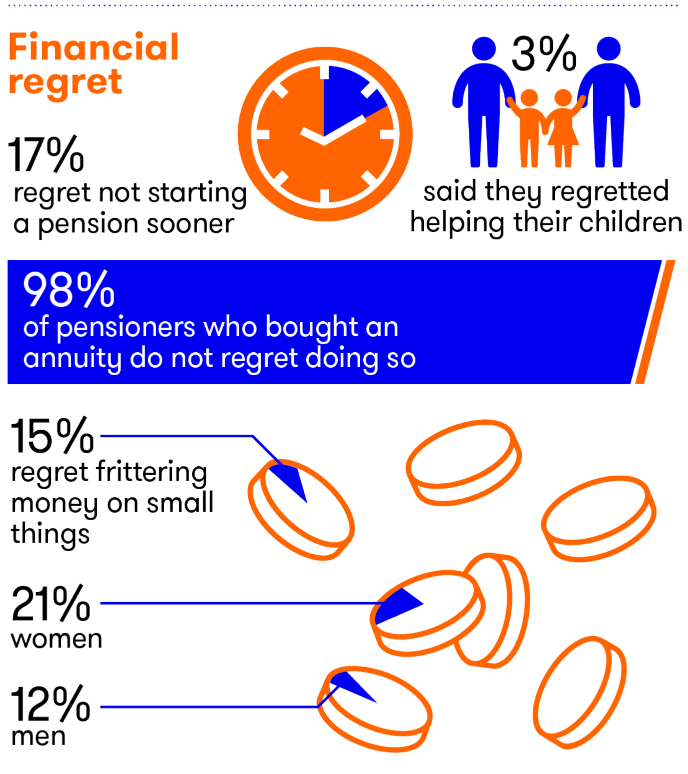
(Survey participant 7,648, non retired)

Regret not starting a pension sooner

Overall, not starting a pension sooner is the biggest financial regret among (17%). This increases to 28% of those aged below 50 but steps down with age. Around a third (32%) of non-retirees rue not saving enough more generally and 12% feel the opportunity cost and regret sitting on too much cash and not being invested in the stock market.

Do you have any financial regrets?





Interestingly, 98% of pensioners who bought an annuity do not regret doing so despite pension freedoms offering greater flexibility to access to income at retirement.

In all, not starting a pension sooner and poor investment decisions (17%) are the top financial regrets among respondents. Frittering money on small things (15%) is the third most common, although this rises to 21% among women versus 12% among men. Some 7% regret spending too much on holidays and cars, and 6% regret borrowing too much money.

Only 4% of respondents rue not seeking professional advice that could have helped them make better financial decisions. Half (50%) said that when it comes to money, younger generations have a tougher time than they did – a sentiment that seems to diminish with age.

When it comes to financial regrets, relationship break-ups feature heavily. Here is a broad range of some of the responses:

"My pension plans changed when I divorced. I relied on my husband's final salary pension and turned my pensions to cash to help with raising children."

(Survey participant 6,790, non-retired)

"I regret not investing in shares and property sooner"

(Survey participant 2,043, non-retired)

"I lost money to a past abusive relationship"

(Survey participant 6,198, retired)

"I regret losing property and money from relationships breaking down and just walking away."

(Survey participant 6,227, non-retired)

"Perhaps my only regret would be not having kept up old friendships of teenage years."

(Survey participant 8,159, retired)

"We regret using a financial adviser. The personal financial sector is awful."

(Survey participant 9,830, retired)

Talking about money

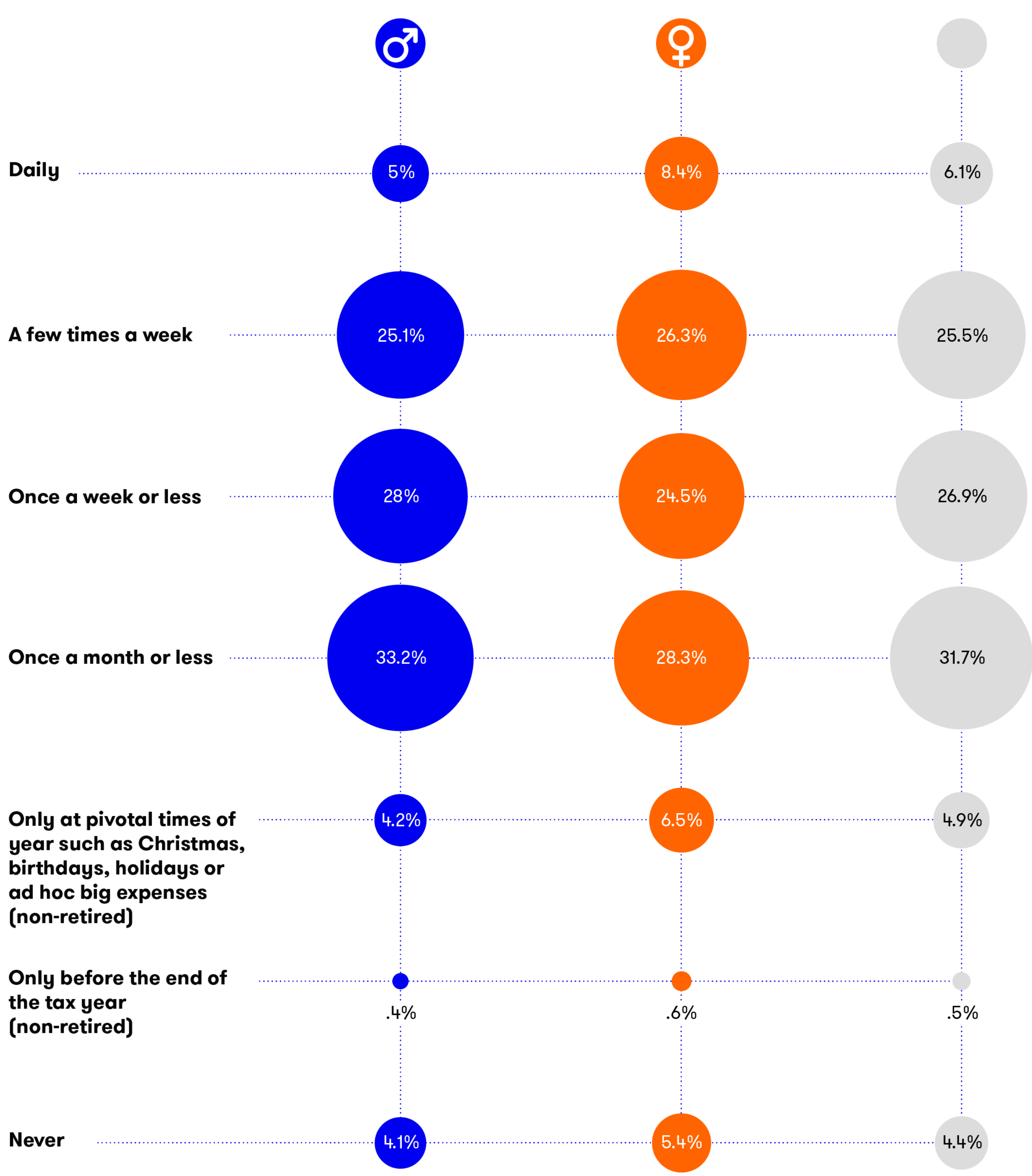
Talking about money to your partner can be tricky at the best of times, even more so when the goal is to come up with a plan that enables both to live comfortably at retirement. Couples who do not talk and make joint plans risk losing out on the pension saving tax relief available between them.

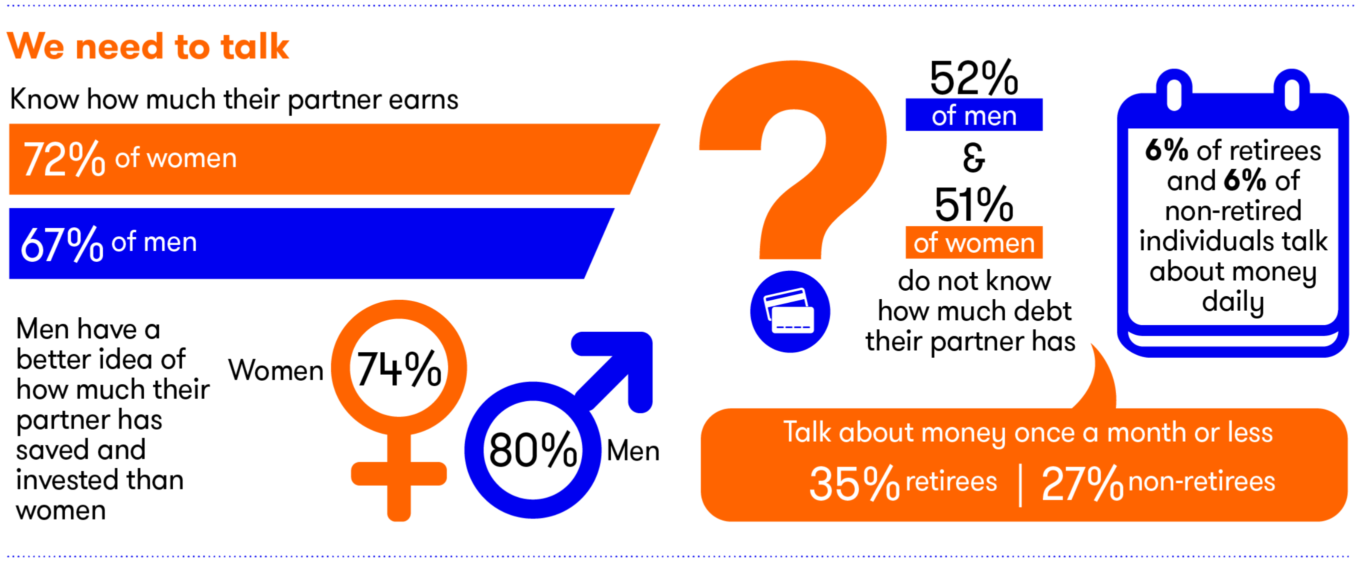
We found that almost a third (32%) of those in a relationship talk about money with their partner only once a month, or less. Those aged 66-70 and 71-75 are the worst culprits (36%), while 5% leave it until key events such as birthdays and Christmas to bring up money in conversation.

But talking about money is not taboo for everyone – 27% of couples talk about money once a week and 26% said they do so a few times a week. Another 6% said they discuss money daily.

Talking about money

How regularly do you talk to your partner about money?





Even so, 69% are confident they understand their partner's financial position. More women than men (72% vs 67%) know how much their partner earns but men have a better idea of how much their partner has in savings and investments (80% versus 74% of women). However, more than half of male (52%) and female (51%) respondents do not know how much debt their partner has.

Both sexes appear to be honest about their finances but women are more likely than men to admit to lying about the price of things they have bought (11% versus 4% of men).

Older couples know less than younger couples about their partner's earnings but are better informed about their savings, investments or any debt.

How often we talk about money is not particularly affected by whether we are retired or not – 6% of retirees and 6% of non-retired individuals talk about it daily. Meanwhile, 35% of retired people talk about money once a month or less, compared with 27% of those in work. The remainder is evenly split between a few times a week or once a week or less, while 4% of retired and 5% non-retired people said they never talk about money.

More than a quarter of couples have completely separate accounts (26%) and 18% only have a joint account. Most couples (56%) have a mixture of the two.

Life in retirement: Expectations vs reality

Current workers often have an expectation of what life will be like in retirement that is significantly different from the experience of current retirees. More than a third of non-retirees (35%) polled believed they will retire between 60-65 and 32% between 65-70 but more current pensioners (45%) retired before the age of 60. In contrast, amongst the non-retired, only 21% expect to retire before 60. A health challenge, a layoff, or the need to care for a loved one are among popular reasons why people retire early.

Men are more optimistic about their ability to retire early, with 26% predicting they will do so before age 60, compared with 16% of women.

When the time comes for pre-retirees to arrange retirement income, (31%) said they will prioritise having enough money to enjoy themselves while they are healthy. Having enough cash for life ranked second (25%).

Less than a quarter (24%) of non-retirees are confident they will be able to maintain their standard of living. Almost half (49%) said they will need to be more careful with their money to do so, while 26% expect they will need to make major changes in their lifestyle.

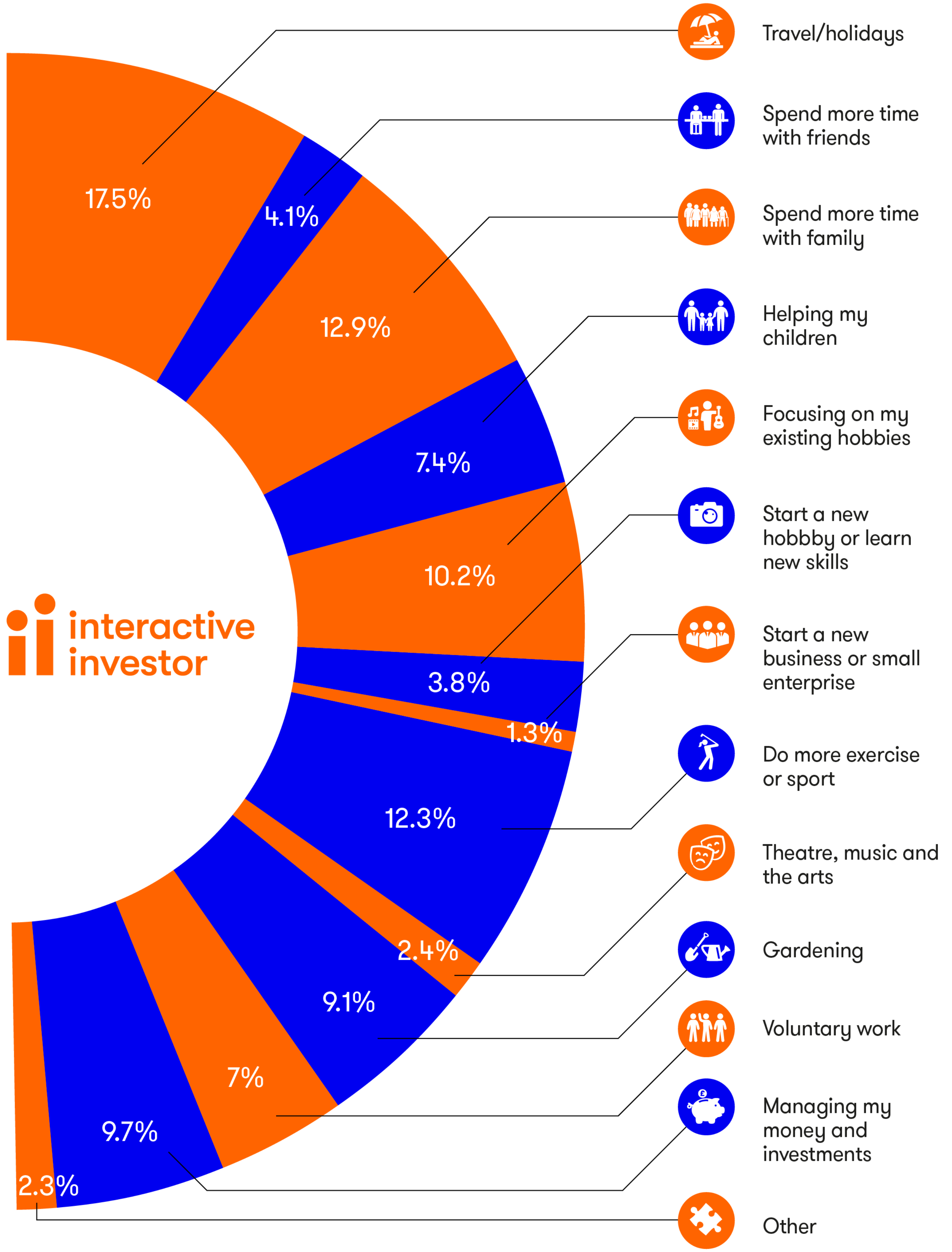
But 62% of retirees have maintained their standard of living, with another 31% claiming they have almost achieved this goal, albeit with some budget tightening. Only 7% have been required to make changes to their lifestyle. Two-thirds (66%) have money left at the end of the month, while 19% do not – although they can raid their savings if necessary. One in 10 has just enough to get by and 5% said they have specifically budgeted to take what they need from their pension.

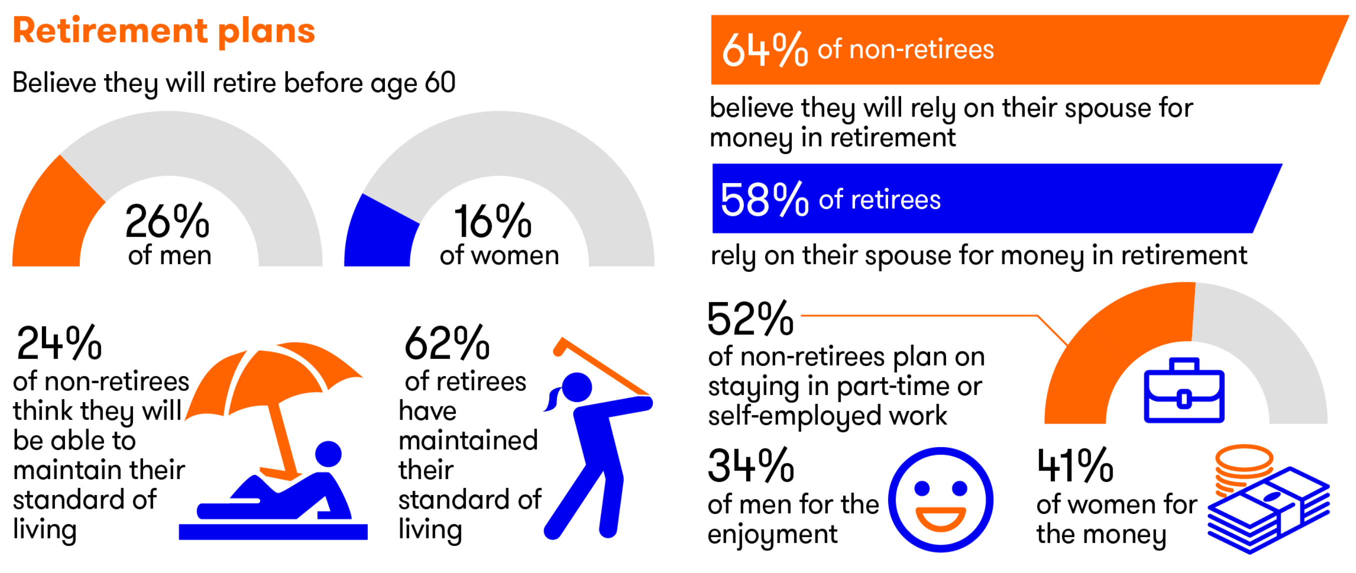
When it comes to borrowing, 89% of non-retirees expect to have no credit card or loan debts when they retire. This is far from the reality for current retirees, 19% of whom took credit cards or loan debts into retirement.

Some degree of income pooling and collaboration is therefore a necessity for many households. Almost two-thirds (64%) of pre-retirees believe they will rely on their spouse for money in retirement. This is the case for 58% of current retirees and generally increases with age.

Life at Retirement

How do you spend your time?





Among other notable findings include more than half (52%) of non-retirees plan on staying in work after retirement – be it part time or self-employment, with one in five (20%) anticipating needing to bolster finances. A similar number (20%) will continue working because they enjoy it and over half (54%) point to a combination of financial necessity and enjoyment.

In contrast, one in four (25%) of current retirees is in employment, 37% of whom do so for the enjoyment, compared with 11% who work to supplement their finances.

Retired men are more likely to work into retirement for the enjoyment of it (41% versus 26%) and women more likely to do it for the money (18% versus 8%).

As well as paid work, respondents expressed an appetite for doing their bit for charities and their communities by engaging in voluntary work. Some 35% of those retired say they do unpaid voluntary work – even more than those who say they look after grandchildren, and consider it unpaid work (18%). More pre-retirees plan to do voluntary work (52%) than look after their grandchildren (20%).

Passing on wealth

As well as providing income at retirement, pensions can be a tax-efficient way of passing on wealth. Both sexes are inclined to leave something behind for their children, with more than a third (35%) seeing this as a priority, while 42% said they would like to but only if they can afford to. All income groups want to leave an inheritance for their children, and nearly a quarter (23%) of those in the lowest household income bracket (under £10,000) said leaving money for their children's inheritance is a priority.

A quarter (25%) of respondents admitted to not having written a will to dictate how they would like their estate divided after their death. A similar amount said they already have one written but that it requires reviewing. Unsurprisingly, retired people are more organised – 61% have an up-to-date will compared with 35% of pre-retirees. In addition, 41% of pre-retirees do not have a will at all compared with 12% of retirees.

One of the more shocking statistics is that 70% of retired respondents admit to not registering a lasting power of attorney (88% among the non-retired).

Conclusion

Overwhelmingly people want enough money to lead a comfortable retirement and, with it, peace of mind. It seems so simple but as the Great British Retirement Survey suggests, it is anything but.

Whatever their aspirations for life after work, the key is having the income to make them a reality. Our report shows that while people have clear ambitions for their retirement, the real issue is whether they are taking the steps to achieve them.

Some lack confidence in personal finances, while others see managing their money as boring rather than crucial in giving them the chance to lead a thoroughly decadent retirement and leave enough for the kids. Because that is what most of us want – living the dream means passing on wealth and living life to the full.

Knowledge, or lack of, is another key theme. While many of our respondents do not have a clear picture of how much to expect from their retirement pot, they have a nagging suspicion it will not be much to write home about.

When it comes to saving for retirement, some things are out of our control: market performance, inflation and Government policy changes (the levelling of the state pension age is passionately addressed by our respondents). However, there are some big pieces in the retirement puzzle that are very much in our control and can make a major impact on meeting our goals.

Your route will be unique to your needs but saving more into a pension could help you achieve your retirement goal – be it travelling, taking up a new hobby, or living in greater comfort and security.

A good starting point is to save into your workplace pension above the minimum mandated contribution for extra "free" pension cash from your employer – perhaps in a SIPP (self-invested personal pension). When setting your retirement goals, you should also create a plan to track your progress and review it periodically to ensure it is still right for you. Having children or getting a divorce are among a litany of major potential life events that can render even the most meticulously retirement plan redundant.

Saving should be aspirational, and savers should put in the legwork as early as possible in the accumulation stage to help ensure they are not found wanting come retirement.

But if there is one rallying call from this research, it is the desperate need to address the gender pensions gap. The depth of our report puts some serious flesh on the bones of the issue and we need action, fast.

This is at the forefront of many of our recommendations below.

Policy recommendations

Make auto-enrolment work for everyone

Automatic enrolment has added more than 10 million employees to a workplace pension scheme since its introduction in 2012. Workers are contributing more than ever, following an increase in minimum contribution rates from 5% to 8% in April 2019, with the employee paying 5%. However, it is only compulsory for workers to be enrolled by their employer if they are at least 22 years old and earn a salary of at least £10,000.

We call on the Government to revise the eligibility criteria on both accounts.

We support the proposed reduction in the minimum age limit to 18, outlined by the Department for Work and Pensions in a 2017 review of auto-enrolment1. However, we feel the Government's ambition to implement the change in the mid-2020s is lethargic and risks leaving a whole generation of workers behind.

We believe that encouraging consistent savings behaviour from a young age will help more people build up a meaningful level of retirement savings. Those who are automatically enrolled at a younger age are also less likely to feel the loss of money later in life.

The DWP report calculates that 18-year-olds earn £10,738 on average on a full-time (35-hour) working week, which exceeds the current £10,000 threshold.

This neatly leads on to our next point of contention. The £10,000 earnings threshold applies only to a single employer, meaning people working for multiple employers often miss out. Research conducted by Citizens Advice in 20172 found that more than 100,000 workers in this position were frozen out of the retirement savings initiative as a result. Most of these (72,000) were women who may work several part-time jobs to help them manage commitments such as childcare. Let's fix this, making that £10,000 earnings threshold cover multiple jobs.

While many will be taxed on their combined income – above the personal allowance – they are not afforded immediate access to a workplace pension and therefore miss out on valuable employer contributions towards their retirement nest egg.

Do not let people sleep until 50 – wake-up packs for key life events

The advent of the pension freedoms has afforded greater flexibility and choice to most UK savers at retirement. But these freedoms are coming at a high price for many less experienced investors struggling to make good decisions in a complicated market.

However, as final salary schemes continue to delve deeper into the complex niches of workplace pensions, the next generation of retirees will be required to make more complicated decisions than ever before. Good communication is therefore vital to help savers make informed choices about their retirement.

Positive steps are already being taken. At present, pension providers are required to send clients wake-up packs a few months before their intended retirement date (including a reminder letter). From November 2019, however, this will change. Providers will be required to distribute an initial wake-up pack at age 50, and then one every five years until the client's pension pot is fully crystallised. These packs include a one-page headline document, setting out the options for people as they consider whether to access their retirement savings under the pension freedoms.

While the change is a step in the right direction, we argue that these packs should be distributed more widely to coincide with major life events that many people encounter earlier on, from the birth of a first child and beyond.

A wake-up pack could be invaluable for those going through divorce, for example, to help ensure both parties do not find themselves short-changed at retirement. It could also prove useful to young adults who have started their first job after finishing university, because the sooner you begin saving, the more time your money has to grow.

Woman in your 20s? Stick another £20 or £40 a month in your pension

Men and women are not on equal footing when it comes to investing for the future. Women are more likely to work for fewer years than men because many take career breaks to have and raise children. Women also live longer – statistically speaking.

The gender inequality in retirement outcomes is compounded by the disparity in the average level of state pension awarded to men and women and the gender pay gap. Despite efforts, these barriers are not likely to be fully addressed any time soon.

But several steps can be taken to mitigate their impact. We believe that no woman should lose out on employer contributions because they face financial hardship once they have become a mother. We therefore recommend that employer contributions continue in instances where employees on maternity leave have opted out of auto-enrolment because of financial hardship.

Our survey also revealed that women's attitudes to finance and money management may also be stifling their ability to save enough to live comfortably at retirement. Women tend to take less satisfaction in managing their finances than men, so it makes sense that they are also investing less.

We call for a concerted education campaign, led by the Government, to encourage women to save more into their pension. We have calculated that someone earning £20,000 and saving an additional £20 a month into their pension (topped up to £25 with tax relief) – on top of the minimum automatic enrolment contributions, straight through from the ages of 22 to 67, the state retirement age – could have £28,000 more in their pot than if they had not made the additional top-ups. This figure assumes a 3% annual return before inflation, and is for illustrative purposes (see table 1).

Table 1: £20,000 qualifying earnings, start investing from age 22 straight through to 67

Annual return	3%	5%	7%
8% auto-enrolment*	£150,752	£262,389	£474,355
8% auto enrolment with an extra £25 per month employee contribution	£179,018	£311,587	£563,297
8% auto enrolment with an extra £50 per month employee contribution	£207,283	£360,785	£652,238

Table does not consider inflation or pay increases and is for illustrative purposes only.
Figures are calculated based on assumed annual returns, with monthly contributions.

*8% auto-enrolment is based on a 3% employer contribution, 4% employee contribution and 1% tax relief.

Extra £25 per month contribution based on an additional £20 per month paid by employee and £5 tax relief. Extra £50 per month contribution based on £40 paid by employee and £10 tax relief.

Upping the contributions to £40 a month (topped up to £50 with tax relief) would mean finding an extra £480 a year to save but could bolster a pension pot by almost £57,000, swelling their retirement fund from £150,752 to £207,283, again assuming 3% annual growth. This shows that members of pension schemes – both men and women – could be significantly better off by increasing contributions to their workplace scheme. If that facility is not available, for example if the saver is self-employed, making contributions through a SIPP or ISA could also turbocharge savings.

We recommend that members of pension schemes be made aware that they could be better off by increasing contributions and, if unavailable, then to use a SIPP or ISA separately.

Although efforts have been made to allow parents to share the responsibility of childcare, most women still take on the bulk of these responsibilities. They end up bearing the consequences of the "motherhood penalty" in their subsequent careers, pay progression and retirement savings.

We found that someone who starts making the minimum auto-enrolment contributions from age 22, stops them at 30 – the average age of a first-time mum – then resumes a decade later at 40, could be more than £20,000 better off had she paid in an extra £20 a month into her pension (£25 with tax relief) during the period she worked. This assumes a 3% average annual return. Investing an extra £40 a month into their pension (£50 with tax relief) would have given her an extra £41,000 at retirement (see table 2).

Meanwhile, again based on a 3% annual average return, a woman who started her pension at 22 and stopped contributing altogether at 30, would have £8,093 more had she saved an extra £20 a month into her pension (£25 with tax relief) in the same period (see table 3). That would rise to £16,185 if saving an extra £40 a month into their pension (£50 with tax relief). Crucially, had she ramped up her risk profile and saved an extra £40 more (£50 with tax relief) between the ages of 22 and 30 and achieved 7% return a year, she would be even better off. The wonders of compounding would have given her a pot of £286,260 at retirement versus £43,160 had she generated 3% annual growth a year with no additional top-ups over the same period.

Our research also shows a need for more Government-led education about risk versus reward. Somebody saving straight through from 22 to 67 (see table 1) who adopts a relatively

Table 2: £20,000 qualifying earnings, start investing from age 22, stop age 30, start again at age 40 through to retirement at 67

Annual return	3%	5%	7%
8% auto-enrolment*	£109,349	£185,235	£331,835
8% auto enrolment with an extra £25 per month employee contribution	£129,852	£219,966	£394,054
8% auto enrolment with an extra £50 per month employee contribution	£150,355	£254,698	£456,273

Table does not consider inflation or pay increases and is for illustrative purposes only.
Figures are calculated based on assumed annual returns, with monthly contributions.

*8% auto-enrolment is based on a 3% employer contribution, 4% employee contribution and 1% tax relief.

Extra £25 per month contribution based on an additional £20 per month paid by employee and £5 tax relief.

Extra £50 per month contribution based on £40 paid by employee and £10 tax relief.

Table 3: £20,000 qualifying earnings, start investing from age 22, stop age 30 - value at retirement age 67

Annual return	3%	5%	7%
8% auto-enrolment*	£43,160	£95,413	£208,189
8% auto enrolment with an extra £25 per month employee contribution	£51,253	£113,303	£247,224
8% auto enrolment with an extra £50 per month employee contribution	£59,345	£131,193	£286,260

Table does not consider inflation or pay increases and is for illustrative purposes only.
Figures are calculated based on assumed annual returns, with monthly contributions.

*8% auto-enrolment is based on a 3% employer contribution, 4% employee contribution and 1% tax relief.

Extra £25 per month contribution based on an additional £20 per month paid by employee and £5 tax relief.
Extra £50 per month contribution based on £40 paid by employee and £10 tax relief.

cautious investment strategy for 3% annual growth, could be almost £112,000 worse off at 67 than if they adopted a riskier strategy yielding 5% a year (£150,752 versus £262,389).

With a 7% annual return, the difference is almost £324,000. But there is a risk-return trade-off: invested money can render higher profits only if the investor will accept a higher possibility of losses.

Somebody who contributes an extra £40 (£50 with tax relief) on top of their existing contributions from age 22 to 67, and achieves a 7% average annual return, could accrue a pension pot of more than £652,000. That is almost £445,000 more than someone who opted for a more cautious investment strategy averaging 3% a year.

Financial education is required at every stage of life

In all, greater financial education is needed to help savers better understand the actions they need to take for a comfortable retirement, and the risk/reward trade-off. We believe this education should start from primary school age to cultivate a greater savings culture.

Financial education was made a statutory part of the curriculum in England in September 2014 but remains on the periphery. It is often left jostling for space with many other topics in the "citizenship" programme in Key Stages 3 and 4 and is not compulsory in academies, private schools or faith schools.

We call on the Government to mandate time in the curriculum for financial education, and ensure teachers have the right guidance to teach it. This would be far more achievable if it was a standalone subject.

But the responsibility for financial education should not just be left to policymakers. All of us – parents, employers and the financial services sector – have a part to play.

And we need to talk about money more than we are doing. For many, money talks with friends are fraught and uncomfortable but that is because they are not the norm. It is important to have these conversations, as the more comfortable we are talking about money, the better we are at articulating our goals.

Financial education should also be delivered in the workplace to help employees understand the basics of money management, such as saving and budgeting, as well as the benefits of saving into a pension.

We believe employees would benefit from a mandatory briefing at the start of their employment exploring how pensions work, the changes to the retirement landscape, the options available through their workplace pension and how different contribution levels could result in vastly different outcomes.

A vital part of this education process is to help employees fully understand how much money is actually being paid into their pension – information that could provide them with the incentive to boost their own contributions.

Under auto-enrolment rules, minimum contribution rates are 8% (for the 2019/20 tax year). However, this is only 8% of 'qualifying earnings' rather than actual earnings.

The qualifying earnings band for the current tax year is between £6,136 and £50,000. As such employees' actual minimum pension contributions exclude all earnings below £6,136 and above £50,000.

An individual earning £20,000, for example, would have their pension contribution based on qualifying earnings of just £13,864.

While qualifying earnings rules reduce cost pressures on the lowest paid workers, who may not be able to afford to pay more into their pension, they can have a negative impact on higher paid staff who will see the total proportion of their income paid into their pension fall as their earnings rise – unless they top it up themselves.

Although some employers will pay more than the minimum contribution, it's vital all staff know what is being paid into their pot and know where to direct any questions they might have.

Pregnant women should also be offered the opportunity to discuss their concerns and entitlements through targeted briefings ahead of maternity leave. Preparing for sleepless nights and the emotional rollercoaster of being a new parent is stressful enough without having to factor in how a career break will impact your pension savings.

A note about the survey

This survey was conducted on behalf of interactive investor by Core Data, a global market research consultancy between February 2019 to June 2019. Some 9,966 respondents completed the survey, which took around 20 minutes to complete.

Special thanks go to Rachel Lacey, Special Projects Editor, Moneywise, co-author of the research questions with interactive investor and Rachel Rickard-Straus, Editor, Moneywise, who, along with Rachel Lacey, helped shape some of our policy ideas.

Thanks also to my team at interactive investor, Jemma Jackson and Myron Jobson – we do not know of any other survey that has been conducted on this scale and it has been a huge team effort to pull together.

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About interactive investor

interactive investor (ii) is the UK's number one flat-fee investment platform. ii offers a wealth of unbiased information, analysis, tools and expert ideas to help customers make better informed investment decisions. ii's award-winning trading platform provides access to an extensive choice of markets, instruments and currencies within Trading, ISA and SIPP accounts. This comprehensive investing service is underpinned by a strong focus on delivering great value for investors demonstrated through an innovative and competitive pricing model – featuring simple, flat fees and unique 'trading credits'. interactive investor is authorised and regulated by the Financial Conduct Authority.

1https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/668971/automatic-enrolment-review-2017-maintaining-the-momentum.PDF

2https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/people-missing-out-on-workplace-pensions/

The Great British Retirement Survey 2019