The Great British Retirement Survey 2023

Contents

Executive summary

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Since we published our first Great British Retirement Survey in October 2019, we have had one General Election, three British Prime Ministers, a global pandemic, stock market turbulence, rampant inflation, 14 interest rate hikes, and the spectre of recession.

As we look ahead to next month's Autumn Statement, and an impending General Election, it's no surprise that what comes through loud and clear is a general sense of collective exhaustion.

Tiredness shows. Economic participation continues to fall among those nearest to traditional retirement age. Over the past year, the number considering themselves retired in this older 61-65 age group has risen from 45% to 49%, while the number working full-time has reduced by six percentage points.

The relentless rise of the state pension age is also contributing to an overriding sense of fatigue. Over a quarter of people think there should be no more increases in the state pension age, and most doubt the state pension will be there at all when today's young retire.

Inheritance may be easing retirement finances, but it is by no means forming the core. Respondents typically reported retiring 18 months earlier than those who did not receive an inheritance.

But while a comfortable retirement increasingly rests on the individual, the threads of love and care that bind generations together are strong. The impulse to pass on wealth and help those we love, regardless of financial circumstances, is also palpable.

This year, we have also looked at "living inheritances", something that is particularly pertinent given the generational wealth gap, allowing older generations to see younger beneficiaries get on the housing ladder, cover school or university fees, or help in other ways.

A tenth of respondents aged over 40 said they had given what they considered to be a living inheritance in the past three years, and a further 16% plan to gift money during the next three years.

With inheritance tax dominating much of the 'noise' in the run up to this year's Autumn Statement, it will be interesting to see how any changes, if any are made, impact the intergenerational balance.

Whether helping loved ones or not, three pressing concerns dominate the nations retirement concerns, and all are interrelated: the rising cost of living, running out of money, and not saving enough.

While confidence in managing our own retirement finances increases with age, on average only 57% say they feel either very or quite confident. Members of the interactive investor community were found to be more assured, with 90% feeling either 'very' or 'quite' confident.

We want everyone to feel comfortable managing their retirement finances. If we can change the culture around pensions and make it something everyone can actively engage with rather than passively accept, we may well be able to break at least some of that sense of overwhelming fatigue.

We have launched a range of great value subscription plans this year to suit a broad range of financial circumstances, have slashed our trading fees, and we continue to develop our tools, content, and educational insights to help people take charge of their financial future.

But to have true engagement, the State needs to be front-and-centre. We may well need to look again at contribution levels, and we are crying out for a joined up financial education strategy in the UK, more of which in our policy recommendations.

We should not forget that good pension outcomes rely on three things: state pension to provide a basic income, combined with workplace and private pensions, boosted by pension tax relief. To rebuild confidence and energise the nations pensions savings, the integrity of those three things remains key in an ever-changing world.

Introduction

Alice Guy

Head of Pensions and Savings

interactive investor

This is the fifth year we have produced this study. And what a five years! Each seems to have brought a different crisis. The past year has seen the return of the Lord Voldemort of the financial world – inflation. For so long we thought inflation was defeated. It is back. Along with rising interest rates, it is haunting the nation's finances, eroding the value of our wealth, sucking up our capacity to save and harming the mental wellbeing of millions.

The opening two chapters of this study focus on how the cost-of-living crisis is undermining retirement futures. It is strangling retirement savings. It is forcing people to postpone their retirement dreams. And it is causing many savers – whether retired or not – to look anxiously at their pensions and savings, worrying if they will be enough.

Most of us are being affected in some way. For some groups the crisis only exacerbates their problems. But in our third chapter we look at the groups most vulnerable to retirement poverty – women, those who are disabled, part-time workers and the self-employed. For self-employed workers there may need to be different solutions in retirement, and private and Self Invested Personal Pensions (SIPPs) form part of that picture.

One theme running through much of this report is the generational gap. Although there are many exceptions, in general, older people appear to have been less affected by the cost-of-living crisis than younger generations. Most have paid off their mortgages, many have built decent retirement savings pots, and they all enjoy the benefit of the triple lock on the state pension element of their retirement income.

It is a different story for the under-40s. Many are struggling with high house prices, rising mortgage costs and soaring bills. They are saving less or even not at all. With many people expecting the state pension to have disappeared or to have been seriously eroded by the time they reach their 60s and 70s, the picture looks bleak.

Our research shows that, far from being a generational battle, we are all on the same side, with many parents and grandparents making sacrifices to help the next generation and giving generous – "living inheritances" to their loved ones. I find this encouraging, but the lack of hope expressed by some younger people worries me, as with no hope there's a huge risk young people give up on their retirement dreams. If there is no hope then the result is self-fulfilling prophecy, with pension savings neglected: a generation without the means to retire, doomed to work or struggle in old age.

Many of our policy recommendations are focused on this challenge. There are no easy answers. For the fortunate, parents and grandparents can do their bit to rebalance the inequalities, but it takes public policy action, too.

I want to end on a positive note. Yes, times are hard. And yes, some people are struggling more than others. But people are saving. Nearly eight out of 10 now have a pension, and more than nine out of 10 of us who are working full-time have pensions. That is in part the result of auto-enrolment, and it demonstrates the decisive role governments can have in shaping retirement futures.

We hope this report helps raise pensions and retirement expectations up the political agenda and encourages families of all ages to think carefully about the implications. To all those who have filled in the survey and shared their experiences so powerfully with us, I would like to express my sincere thanks.

A note about the research sample

In all, we have surveyed 9,000 people, using the award winning, strategic insight consultancy Opinium Research between 18 May 2023 - 17 July 2023. These responses were split between Opinium's nationally representative sample of 4,801 adults (weighted to be nationally representative, on age, gender & education status, region, employment status and ethnicity) with the rest coming from our own interactive investor community (a combination of customers and other highly engaged consumers who are signed up to our newsletters). We have reported the findings separately, with some interesting comparisons and contrasts between the two groups. Unless expressed stated, our report refers primarily to the nationally representative sample.

Where we do not specifically reference private investors/ ii customers in this report, we are referring to the general population sample, but the comparisons are thought provoking.

Key findings

The cost-of-living crisis and its impacts

The ongoing cost of living crisis is undermining retirement futures and causing stress

- **More than half of our respondents are cutting back to make ends meet, with many dipping into savings or pensions:** 28% have had to access their savings or pensions earlier than planned because of the cost of living, and 27% have been cutting back to make ends meet rather than using savings.
- **Many people are too worried to even think about saving:** Just making ends meet is currently the biggest worry for most. Asked about their most pressing financial concerns, most of our respondents (57%) cited the rising cost of living – by far the biggest worry across all age groups.
- **Financial stress is affecting mental health:** 41% of respondents identified finances as the external factor most impacting their mental wellbeing. This rose to 49% of people aged 40 or under.
- **Rising debts are capsizing pension plans:** More people have unsecured debt, including credit cards, personal loans and buy now pay later loans, but excluding mortgages and other secured debts, (39% – up from 36% last year), and this is likely to impact their ability to pay into their pensions. Nearly one in four working-age people want to save more into their pensions but cannot afford to because of debts. 51% of under 40s now have unsecured debt, compared to 47% last year.
- **Younger people especially are struggling:** The proportion of those not yet retired under 66-years old who have had to stop saving or are saving less is 58%. The proportion of those retired under 66-years old whose savings have been impacted has reduced from 52% to 47%.

Inflation is souring retirement dreams

- **Private investors are pushing back retirement plans:** On average, interactive investor customers aged between 41 and 55 have added nearly 18 months to their planned retirement age.
- **Inflation has increased pension worries and motivation to supplement income:** Many people are concerned about inflation's effect on the value of their pension pots. One in four of those working while retired do so solely because they need the money – up from one in five last year.
- **More people are relying on lump sums for debt and everyday costs:** While the proportion of over-55s taking lump sums has remained similar, at 31%, more people are putting the money in bank accounts where it can be easily accessed when needed (up from 33% to 39%) or repaying debts (up from 22% to 25%).
- **Expectations of future pension income are stagnant:** The average expectation of £21,500 in pension income is virtually the same as last year, even though household incomes in our sample have gone up 7% this year. This indicates that people are either not thinking about

Other core issues

the impact of inflation when planning retirement finances or are adjusting their expectations.

Mind the pension gaps

- **Women have significantly lower pension provision than men:** Women are 14 percentage points less likely to have any pension pots than men (72% of women of working age, compared with 86% of men). They expect £8,000 less in pension income (£17,200, versus men's expectation of £25,200).
- **Disability significantly impacts participation in pensions:** Only 58% of people who say they have a disability that affects them a lot have any pension pots, compared with 82% of non-disabled people of working age.
- **Part-time work reduces pension income expectations by £9,100 compared with full-time work:** The expected income of those working full-time is £25,700, but for those working part-time it is £16,600. Only 78% of part-time workers have a pension, compared with 93% of full-time workers.
- **Few self-employed people are actively saving into a pension:** Only 18% of self-employed workers are actively saving into a private pension or a SIPP today.
- **There are large differences in pension and investment participation by region:** 73% of working-age people in London have a pension or other investment product, compared with only 57% in Northern Ireland and 56% in Wales. Londoners also expect much higher pension incomes, at £30,300, compared with £16,800 in Northern Ireland.

Family crises, health and scams – the life events that threaten our retirement plans

- **Financial setbacks are testing the resilience of young people especially:** One in three of those aged 40 or under have experienced a life event that negatively affected their finances in the past three years. Life events with the most serious negative financial consequences have affected one in 10 working-age people and 6% of retired people in the past three years. The most likely such event for all ages is illness – whether personal or of a family member – followed by redundancy or an increase in caring responsibilities.
- **Younger people are vulnerable to losing money in financial scams:** One in 12 respondents of all ages (8%) have lost money due to financial scams in the past three years, with the figure significantly higher among people aged 40 or under (15%). Investment scams were the most frequently cited form of fraud.

The big retirement decisions

- **The "silver exodus" is not over yet:** The "silver exodus" of over-50s from the workforce due to the effects of the pandemic has stabilised overall, but those in their early 60s are continuing to retire in greater numbers – 49% are retired today, compared with 45% last year.
- **People in their late 50s are more likely to label themselves retired:**

The one in three who are not working are more likely to say they are retired (27% – up from 22% last year) rather than using another label such as "homemaking". This implies they are less likely to be thinking of returning to work.

- **Annuities are still unappealing, despite improvements in rates:** Even though rates have increased and sales are rising nationally, the proportion of retired respondents using annuities dropped from 19% to 17%. By contrast, pension drawdown rose from 35% to 48%.
- **Fewer retired people have an interest-only mortgage:** The proportion of retired people with a mortgage stayed relatively stable, at 7%. However, with rising debt costs causing borrowers to pay off loans, the proportion of these with an interest-only mortgage dropped from 38% to 23%.
- **Buying a house is seen as a higher priority for young people than saving into a pension:** 41% of all our respondents – and 47% of those aged 40 or under – said buying a property should come first. 31% identified pensions savings as more important.

Families are recognising and addressing generational inequality

- **Wealth inequality between generations is making "living inheritances" popular:** 15% of people aged over 65 have given what they consider to be a living inheritance in the past three years, primarily to their children. 16% of people over 40 plan to do so in the next three years.
- **Most people doubt whether the state pension will exist for today's young when they retire:** Only 23% believe the state pension will survive that long. 22% said it probably would, while 23% said they did not know. Nearly one in three (31%) said it would not.
- **If it does still exist, most people think the state pension will be only for those over 70:** Two out of three respondents who said the state pension would survive also said it would not start before the age of 70, and 73% expected it to be less generous.

People are not currently relying on inheritance to fund retirement

- **An inheritance eases retirement finances but does not usually form their core:** Those who receive an inheritance typically retire 18 months earlier than those who do not. But inheritance forms the main retirement income source for only 3%.
- **Expecting an inheritance does little to change behaviour:** Those expecting an inheritance think their pension income will be slightly higher (£22,500, compared with £20,00 for those with no expectation), but levels of participation in pensions and investment products are

similar.

- **Expectations of receiving an inheritance tend to be realistic, although the amount may be overestimated:** Overall, 54% of people have received or expect to receive an inheritance.

Some good news – how people are saving and learning about pensions

- **Pension participation is rising:** 78% of all working-age respondents – and 93% of those working full-time – reported having at least one pension pot. But more needs to be done – 22% reported having no pension savings at all.
- **Trust in the pension system needs to be built:** We asked respondents what should be done to build public trust in pensions. 26% said there should be no more increases in the state pension age, 12% said there should be no more changes to pension rules, and 12% called for a crackdown on pensions scams.
- **Younger generations are gradually getting better financial education:** Only 16% of respondents said they had received any financial education, and around half of these said it was not sufficient. Yet only 5% aged 66 or over reported receiving any such education – compared with 27% of those aged 40 or under.
- **Many people feel confident about managing their own retirement finances:** 57% of respondents reported confidence in their own ability to manage their retirement finances, with older respondents the most confident of all.
- **Financial advice improves confidence, but access to advice is limited:** 51% of respondents said they had never taken any financial advice. 89% of those who had seen an advisor reported feeling more confident afterwards with one in three (33%) feeling much more confident. Only 5% of responders reported seeing a financial adviser regularly.
- **Social media is continuing its rise as a useful source of pension information among the working population**: 30% now see social media as a useful information source – up from 26% last year.
- **More of us are talking about money.** 52% of respondents now openly discuss retirement and savings with their family, compared to 47% last year. Likewise, 37% of respondents openly discuss money with their friends, compared with 34% last year.

Chapter 1

Savings and how the cost-of-living crisis has undermined retirement futures

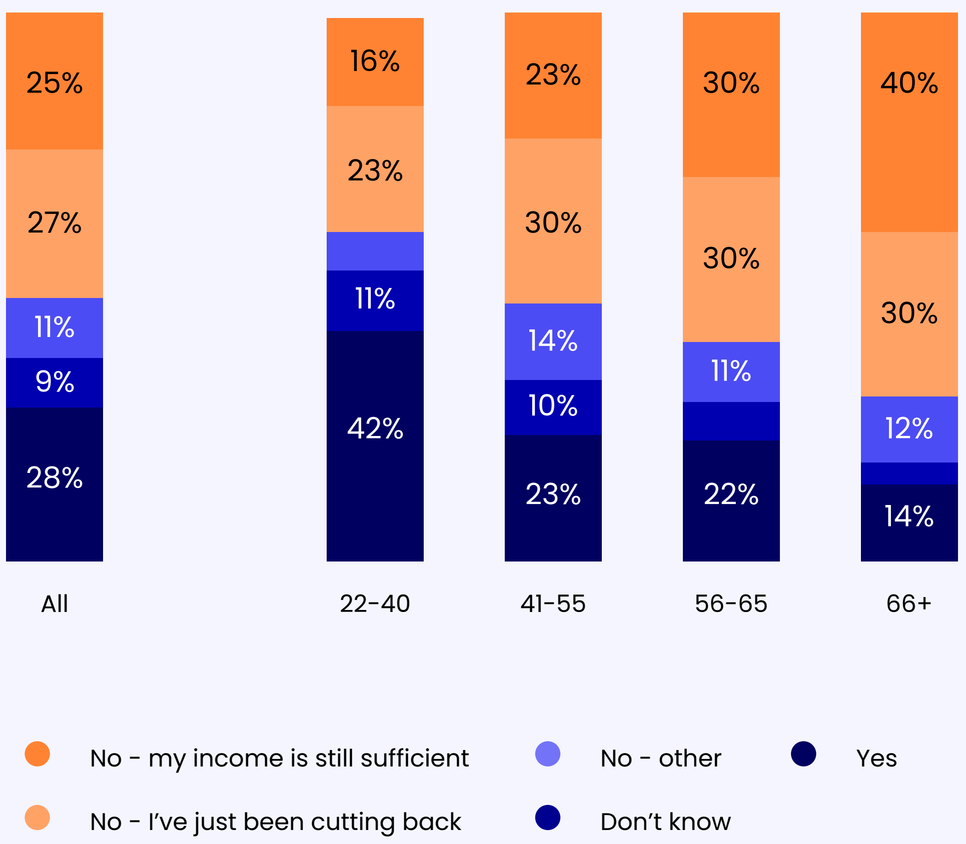
Cutting back to make ends meet and dipping into savings

Just making ends meet has become a challenge for many people. More than a quarter of us (28%) have had to cut back to avoid dipping into savings, and another quarter have not even managed that – 27% of our respondents have had to access their savings or pensions sooner than planned to help manage current outgoings.

The numbers of those falling back on savings is higher among younger people (42% of those aged 40 or under). The situation is not so tough for pensioners, perhaps because many have been protected by the triple-lock state pension. Only 14% of those aged 66 or over have had to dip into their savings.

Only 25% of all respondents described their income as still sufficient in the current economic situation.

Has the cost of living crisis forced you to access your savings or pension quicker/earlier than planned?



"The cost-of-living increases have meant... we will start drawdown about three years earlier than expected."

Half of those who had dipped into their savings or pensions earlier than planned used the funds to cover household expenditure. 29% used savings or pensions to go on holiday, 25% used them to cover an unexpected drop in income, and 18% used them to cover health costs.

Too worried to even think about saving

More than half of our respondents (57%) cited the rising cost of living as a major financial concern. It emerged as by far the biggest worry across all age groups. Running out of money was a major concern for 38% of respondents, dropping to 24% of people of pension age.

Not saving enough for retirement was the third-biggest worry, with one in four (26%) citing this concern. This anxiety peaked among the 41-to-55 age group – that is, those edging closer to retirement.

More than one in three members of the interactive investor community (34%) cited a stock market crisis as one of their principal concerns.

Top three financial worries

We asked our respondents which external factors most affected their mental health. Finances and physical health came joint top, cited by 41%. While physical health was a concern across all age groups, finances were particularly worrying for people aged 40 or under. By contrast, only 22% of those of retirement age cited their financial situation as having the greatest impact on their mental wellbeing.

What are your biggest financial concerns?

	Total	22-40	41-55	56-65	66+
The rising cost of living	57%	56%	60%	58%	54%
Running out of money	38%	39%	47%	38%	24%
Not saving enough for retirement	26%	29%	36%	27%	8%

Which, if any, of these external factors affects your mental health the most?

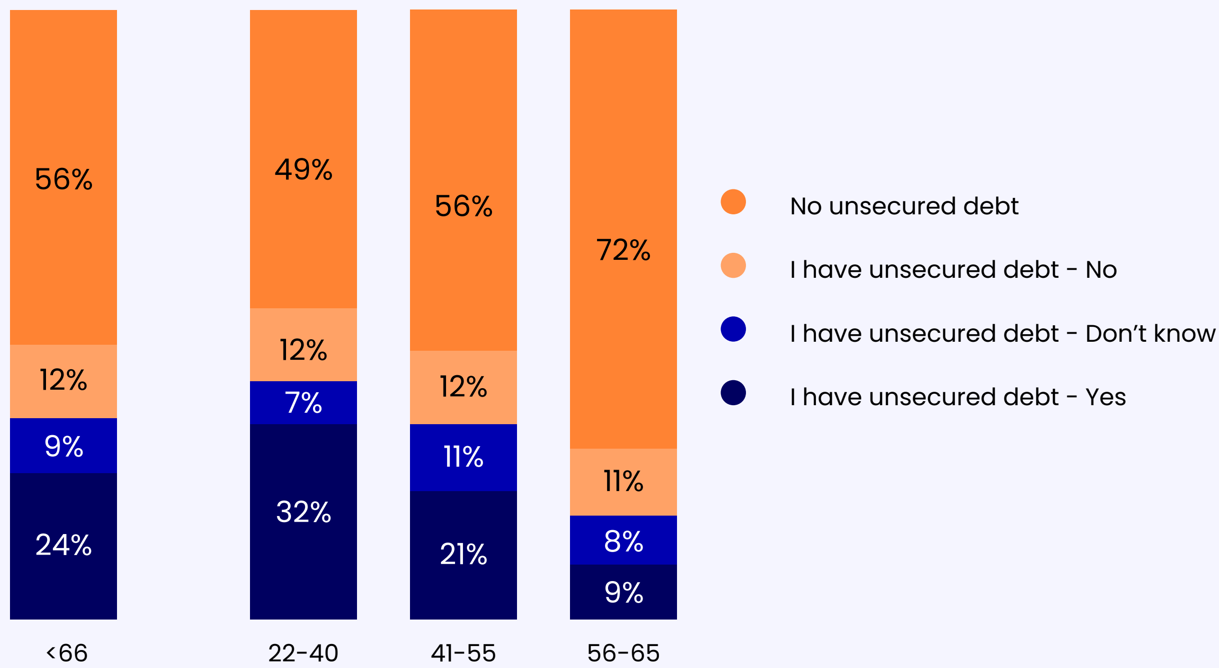
	Total	22-40	41-55	55-65	66+	ii community
Physical health	41%	38%	44%	45%	39%	47%
Financial situation	41%	49%	45%	41%	22%	32%
Relationships	38%	43%	41%	37%	26%	46%
Work	30%	42%	37%	23%	5%	27%

Rising debts capsizing pension plans

The proportion of people with unsecured debt rose from 36% last year to 39% this year. Most often this is credit card debt (27%), followed by a personal loan (14%). Among those aged 40 and younger, levels of unsecured debt are even higher, rising to 51%, from 47% last year.

This year a significantly higher proportion of people with debt said it was affecting their ability to pay into a pension. The proportion of those under 66 saying they would choose to pay more into their pensions if they did not have debts rose from 14% to 24% – nearly one in four working-age people. The figure is even higher among under-40s, rising from 22% last year to 32% to this year.

Would you chose to pay more into your pension if you didn't have debt to repay?



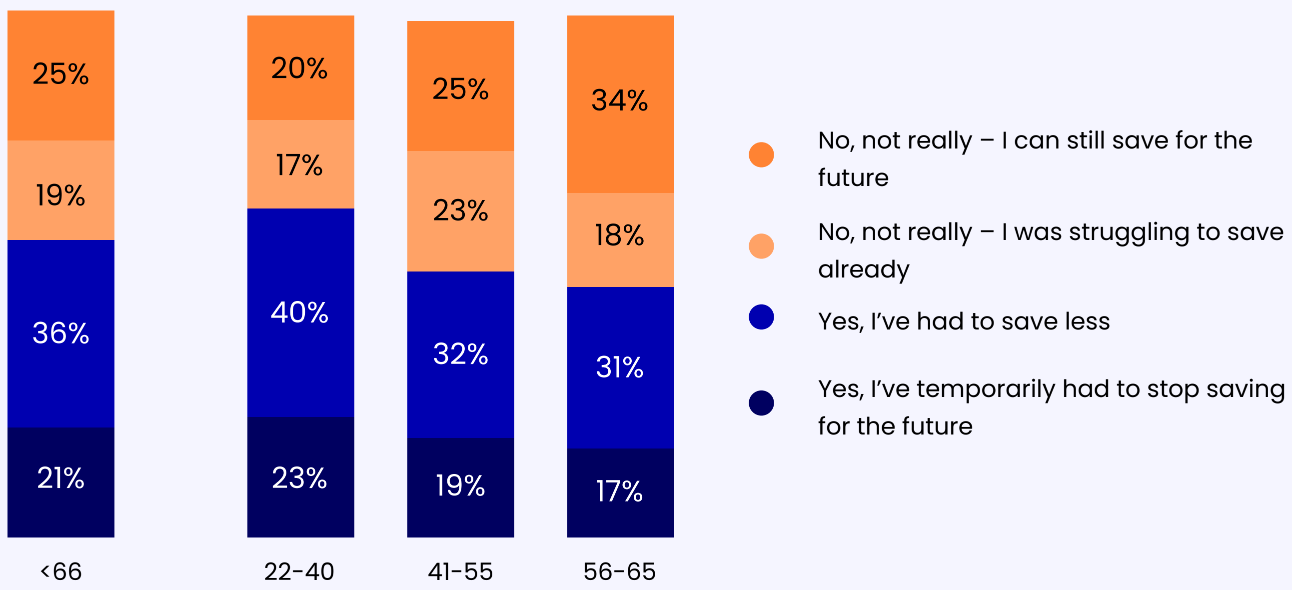
"I think it will be impossible for my generation to retire, due to the cost-of-living crisis."

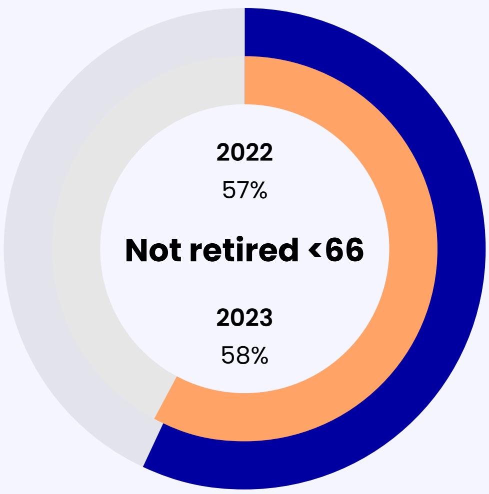
Younger people especially struggling

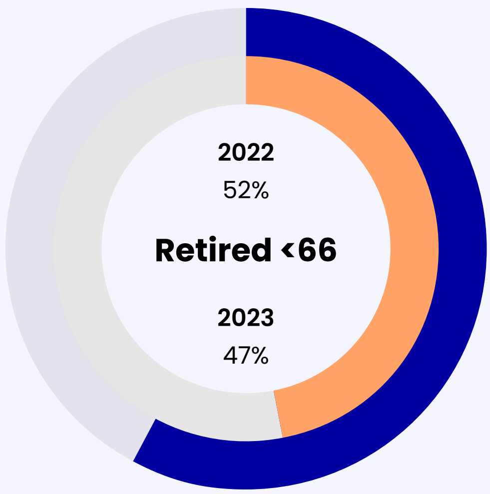
The cost of living is hitting non-retired people's savings more than those of retired people. The proportion of those under 66-years-old and not yet retired who have had to stop saving or are saving less increased from its already high level of 57% last year to 58% this year, whereas the proportion of those retired under 66-years-old and whose saving has been impacted reduced from 52% to 47%.

This inability to save is generating a fear among younger working people that they might never be able to retire. One respondent, aged in their early forties, said: "I think it will be impossible for my generation to retire, due to the cost-of-living crisis." Another, aged 30, highlighted the difficulty of prioritising pension payments for the future when current bills are so high: "Retirement seems so far away and so uncertain for many people. With the cost of living today, the idea of not working seems impossible. Saving into a pension pot steals money needed now to buy food and heat the home... I think many younger people will stop paying towards their retirement to live comfortable in the now."

Has the cost of living crisis affected your ability to save for the future?







Chapter 2

"It's a very difficult time to retire – the stock market is difficult to predict."

How inflation is souring retirement dreams and making retirees nervous

Retirement dreams postponed

With inflation running at levels not seen for decades, some of those who are retired or thinking about retirement are looking anxiously at their savings pots and reassessing how long they may last.

The age at which our nationally representative sample dreams of retiring is unchanged, at 62. However, our interactive investor community – made up of knowledgeable savers – is pushing back retirement plans. On average, those in the 41-to-55 age group have added nearly 18 months to their planned retirement age – resulting in an average of just over 59 last year rising to nearer 61 this year.

Respondents commented how the current economic circumstances are affecting their plans:

"The cost of living and inflation will erode my pension pot. This has made me anxious about my retirement date. I'm concerned I will work too far into the future and not be healthy to enjoy my retirement."

"I may need to push out my retirement age by a few years, depending upon the economy and future costs."

Others mentioned how hard it is to plan when inflation is so high and markets are volatile:

"It's a very difficult time to retire – the stock market is difficult to predict."

Effects on retirement income

The past year has been a volitile one for markets. In combination with the current high level of inflation, this is a cause for concern for investors and pensioners. Those relying on annuities that do not include escalation linked to inflation could see their real incomes drop significantly. Those dependent on private pension pots for drawdown will be concerned that the value of their money will drop unless they can invest in a way that achieves growth equivalent to inflation.

Many respondents spoke about their worries. A respondent aged 60 and not yet retired said: "My biggest concern is inflation. Parts of my pension will only grow by a maximum of 2.5%." An early retiree in their late 50s said: "One year in, while retirement is going well, my main concern is inflation eating away my pot much quicker than I planned." A retired respondent in their late 60s who still does some part-time work said: "My biggest worry is inflation eroding the value of my fixed-rate annuity."

Our data showed a shift in motivations among the 13% of retired people still doing some work. One in four (25%) said they were working purely for the income, not because they enjoyed it – an increase from one in five (20%) last year. One respondent in this situation commented: "Inflation is the biggest single threat to current pensioners' defined contribution pensions and SIPPs. If you aren't earning any money then the value of your savings is eroded at a frightening speed."

"If you aren't earning any money then the value of your savings is eroded at a frightening speed."

*Over 55s putting pension lump sum in a bank account rose from **33%** in 2022 to **39%** in 2023*

More people relying on lump sums for debt and everyday costs

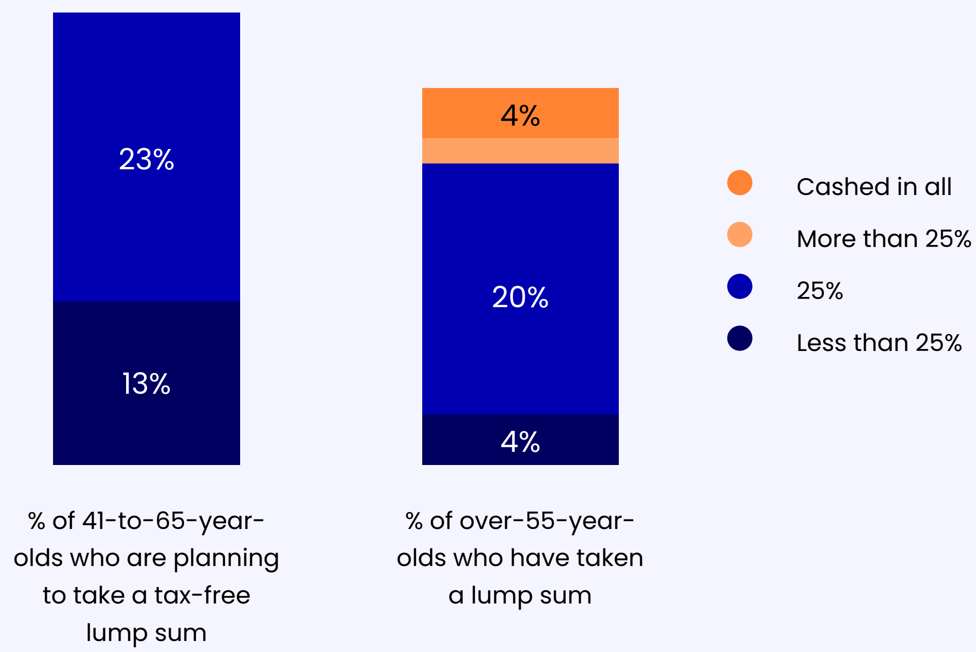
In an inflationary environment, taking tax-free lump sums from a pension pot and not reinvesting the money could put people's future pension finances at risk. Most do not reinvest the money, and we found these numbers increasing further.

While the proportion of over-55s taking lump sums remained similar, at 31%, more people are now putting the money in bank accounts where they can access it easily when needed (up from 33% to 39%). This strategy could see sums fail to keep up with inflation over the long term. The proportion using lump sums to repay debts rose from 22% to 25%.

Many respondents reported spending the money on current needs. 12% took the cash to help their children (a topic we examine in more detail later), 12% spent it on day-to-day living costs, and 7% spent it on luxury items.

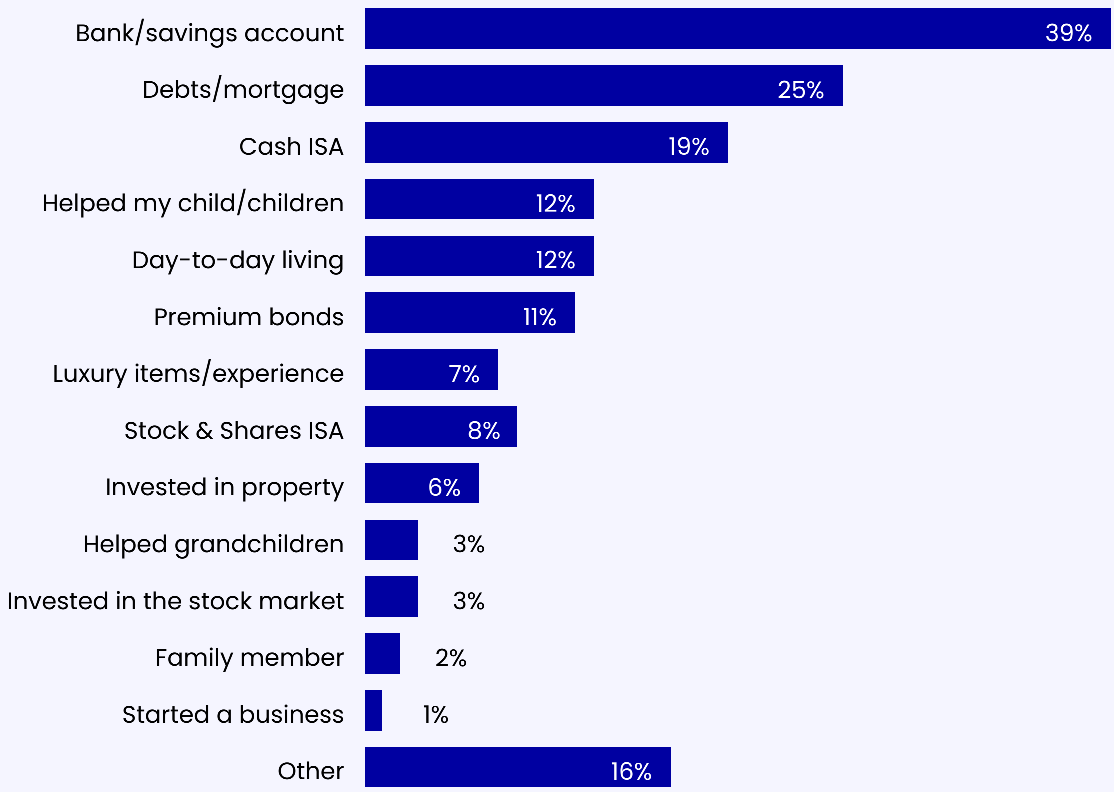
More than one in three people aged 41 to 65 (36%) plan to take a tax-free lump sum from a pension in the future.

Cashing in lump sums from pensions



	2022	2023
Over 55s taking lump sum from their pension	31%	31%
Of these:		
Proportion putting money into bank accounts	33%	39%
Proportion using lump sums to repay debts	22%	25%

When you cashed in a lump sum from your pension, what did you do with the money? (Age 55+)



Expectations of future pension income stagnant

The task of working out how much retirement income you will need and how much you need to save to generate that income is further complicated by high inflation rates.

In last year's GBRS report we highlighted that people tended to be overoptimistic about their likely retirement income. This has continued, with an expectation of £21,500 – compared with the actual average retirement income of £17,100 among current retired people.

Current household incomes among our nationally representative respondents have gone up 7%. However, non-retired people's expectation of their future personal pension income has stayed static. People are either not thinking about the impact of inflation when planning retirement finances or are adjusting their real-income expectations downwards.

In January 2023, in light of rising prices, the Pensions and Lifetime Savings Association raised the amount needed for a moderate living standard in retirement by 12% to £23,300 for a single retiree – up from £20,800 the year before.

Chapter 3

Mind the pension gaps

We analysed our survey responses to identify the people most vulnerable to retirement poverty. We measured the gaps in pension participation and pension expectation by gender, disability, working status and ethnicity. We also looked at regional disparities.

	Has at least one pension pot	Gap in participation	Expected pension income	Gap in expectation
All aged <66	78%		£21,500	
Male	86%	8%	£25,200	£3,700
Female	72%	-6%	£17,200	-£4,300
Not disabled	82%	4%	£23,200	£1,700
Disabled - all	70%	-8%	£18,400	-£3,100
Disabled and affected a lot	58%	-20%	£19,100	-£2,400
Working full time (30+ hours per week)	93%	15%	£25,700	£4,200
Working part time	78%	0%	£16,600	-£4,900
Self-employed	56%	-22%	£18,000	-£3,500
Homemaker	44%	-34%	£13,400	-£8,100

*In 2023, **53%** of men aged 41-65 have no idea what their retirement income will be, compared to **61%** for women.*

Gender pension gap

Women's pension assets are affected by the fact that women are more likely than men to spend time outside the labour market or be in part-time employment to undertake unpaid caring for young children or relatives. The gender pay gap feeds through to a pension gap, becasue woman are more likely to be in part-time or low-paid employement. Fewer women will qualify for schemes such as auto-enrolment. The treatment of pensions in divorce proceedings can also affect men and women differently.

According to the ONS Wealth and Assets Survey[2], the average amount accumulated by men who have private pension savings by the age of 55 to 64 is £228,200 – 50% higher than that accumulated by the average woman with private pension wealth at the same life stage (£152,600). This is further compounded by the fact that a smaller proportion of women have any private pension wealth at all.

Within our data, woman are more likely to have no pension pots/savings than men – 72% for women versus 82% for men. They also have much lower expectations for retirement income – £17,200 for women versus £25,200 for men.

Many respondents commented on the disadvantages that exist for women in saving for a pension:

"A lot of advice presumes that maximum income and pension contributions come later in life, but this is often not the case for women who cut down on work because of childcare and caring responsibilities. If funds are available from elsewhere to pay into a partner or spouse's pension pot whilst they have caring responsibilities then this could help to top up what is lost with lack of income."

"I was raising my children while my husband worked. He has a big pension, but I had no income or pension as a stay-at-home mother – even though I worked extremely hard. But the government thinks it has made women 'equal' to men by making us retire at the same age."

Disability pension gap

There is a 12% point gap in pension participation between people who have a disability and those who do not – 70% versus 82%. Only 58% of those who are disabled and are most affected in their day-to-day lives have a pension pot.

Pension expectations are lower as well. These go down from £23,200 for non-disabled people to £18,400 among all with a disability.

"As a disabled woman on state benefits, working 19 hours a day as an unpaid carer for my severely disabled adult son, I am very aware that I won't get a pension. This is an appalling gap in the pension provision."

[2] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/pensionwealthwealthingreatbritain

Working hours pension gap

Part-time work reduces pension income expectations by £9,100 compared with full-time workers. The expected income of those working full-time is £25,700, but for those working part-time it is £16,600.

78% of those working part-time have a pension, compared with 93% of those working full-time.

One respondant commented, *"if income is below the £12k threshold then nopension contribution is given by an employer, even if the employee opts in to paying into a pension. Lower [often part-time] earners lose out. It is not always possible to work full-time, but people still want to try to save something towards retirement – even if it is a small amount."*

"It is important for the government to reassess its approach to pensions for the self-employed, including top-ups if earnings are below a certain amount."

Pension prospects of the self-employed

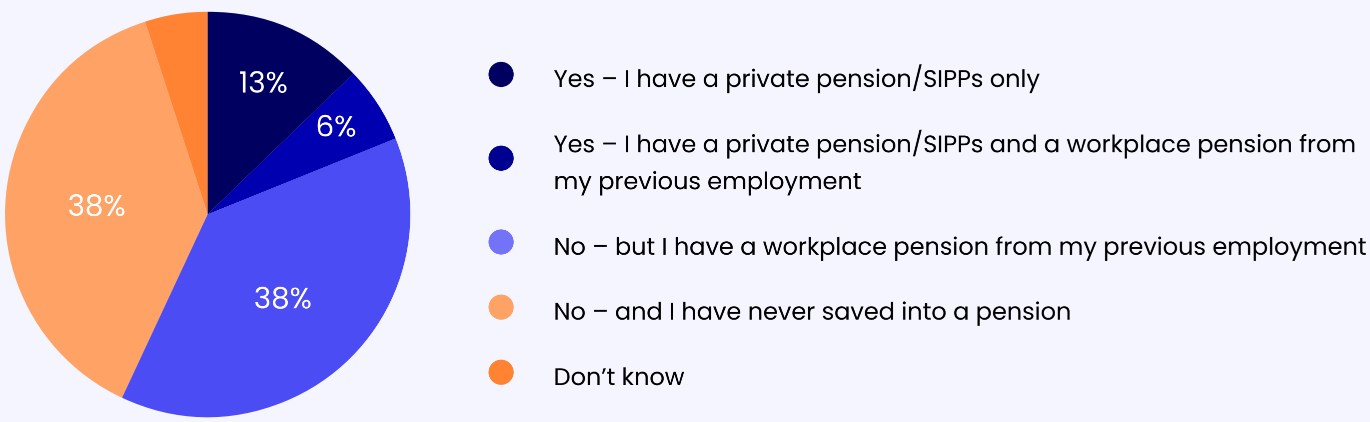
According to government labour market statistics, there were 4.4 million people working in a self-employed capacity between March and May 2023. Although still below the peak of five million before the pandemic, this represented a year-on-year rise of 3.5%.

In previous GBRS reports we have highlighted the vulnerability of self-employed people when it comes to saving for retirement. Members of this significant proportion of the working population (13%, according to ONS figures) need to actively provide for their own pension saving rather than being auto-enrolled into workplace schemes.

56% of self-employed people surveyed for this year's GBRS reported having at least one pension pot. But only 18% said they were actively saving into a private pension or SIPP.

In total, 76% of self-employed workers are not currently saving into a pension and 38% have never saved into a pension.

Self-employed: Do you actively save into a pension?



But despite many self-employed workers not saving into a pension, they only expect a slightly lower income in retirement, £22,100 on average compared to £23,500 for employees. (Self-employed includes sole traders, company owners, freelancers and those working in the gig economy as well as those describing themselves as self-employed).

Self-employed workers expect their income to come from different sources in retirement to employees, with only 18% expecting income from a workplace pension compared to 55% of employees.

In contrast, self-employed workers expect higher levels of income than employees in retirement from a range of other sources - 35% expect to get income in retirement from savings, 22% from a private pension or SIPP,

Where will your retirement income will come from?

	Self-employed*	Employee
State pension	38%	44%
Workplace pension	18%	55%
Savings	35%	33%
Private pension or SIPP	22%	17%
Inheritance	15%	11%
ISAs	14%	12%
Property	20%	9%
Other investments	11%	6%
Family support	10%	5%
No idea	10%	9%

20% from property, 15% from inheritance, 11% from other investments and 10% from family support.

45% of self-employed workers have had their finances impacted by a major life event in the last 3 years, compared to 29% for employees.

Of those self-employed affected by a major life event, the most common for the self-employed are illness (31%), illnesses of a family member (20%) and divorce or death of a partner (20%).

Self-employed workers are also more likely to have dipped into their savings to pay for living costs. 48% of self-employed workers have accessed their savings or pension earlier than planned due to the cost of living crisis, compared to 31% of employees, 18% needing to access their savings due to an expected drop in income.

*Self-employed includes sole traders, company owners, freelancers and those working in the gig economy as well as those describing themselves as self-employed

Has a major life event in the last 3 years changed your financial plans for retirement		
	Self-employed*	Employee
Yes – severe negative consequences	12%	9%
Yes – some negative consequences	20%	10%
Yes – minor negative consequences	10%	6%
Yes – a life event had positive consequences	3%	5%
No	55%	71%
Total Yes	45%	29%

*Self-employed includes sole traders, company owners, freelancers and those working in the gig economy as well as those describing themselves as self-employed

Regional differences

There are regional differences in the number of people who have at least one pension pot. The regions with the highest participation rates are the North West, at 83%, and London, where 81% of working-age people have at least one pension pot. The regions with the lowest participation are Northern Ireland (72%), Scotland (74%) and Yorkshire and Humberside (74%).

Londoners also expect much higher pension incomes, at £30,300. The lowest expectation is in Northern Ireland, at just £16,800. The West Midlands, at £22,600, is the only region outside London where people expect more than the national average.

Most likely to		
Scotland	To be renting social housing	19%
Northern Ireland	To be worried about running out of money	46%
North East	To have helped adult children onto the property ladder	34%
North West	To be able to retire early due to savings	45%
Yorkshire and Humberside	To retire earlier than the state pension age	82%
East Midlands	To have downsized	22%
West Midlands	To have liked to have retired earlier	43%
Wales	To be cautious about investment risk	78%
East of England	To have no unsecured debt	69%
London	To have given away a living inheritance in the last 3 years	35%
South East	To wish they had received financial education at school	63%
South West	To want to volunteer in retirement	30%

Chapter 4

Family crises, health and scams – the life events that threaten our retirement plans

The issues that undermine our financial resilience

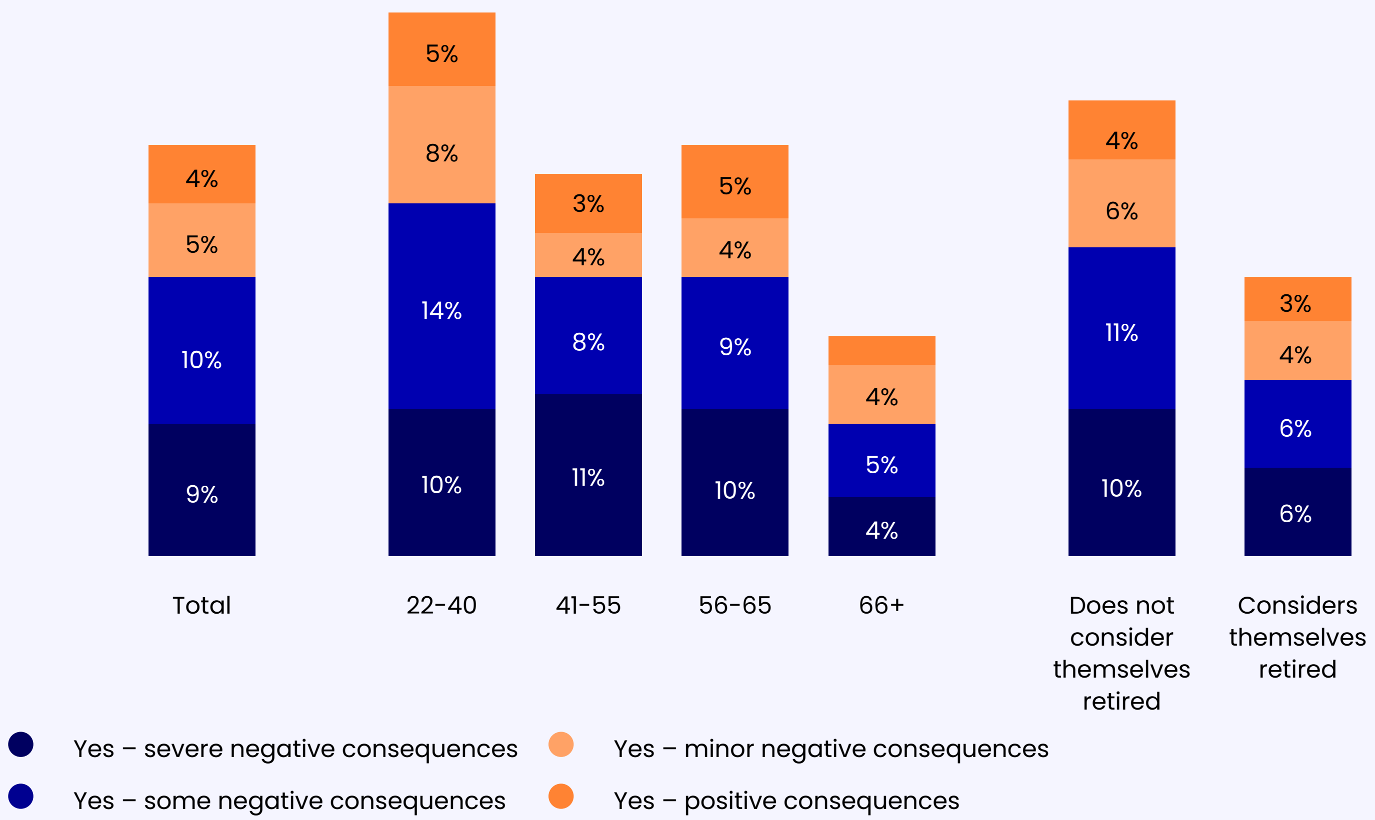
With the impact of the rise in the cost of living and inflation affecting everyone, financial resilience becomes even more vital – especially if people are to maintain their level of saving towards their retirement.

A major life event can have a significant impact on finances. These are circumstances that mostly cannot be predicted or prevented and so require a level of resilience within existing finances.

We asked whether people had experienced a major life event in the past three years which had changed their financial plans for retirement or their current finances if they were already in retirement. More than one in four of all respondents (28%) had, with 9% feeling severe negative consequences in their finances, 10% suffering some negative consequences and 5% suffering only minor consequences. Only a few – 4% – reported experiencing an event that had a positive effect on their finances.

Major life events that affected retirement finances were more prevalent among those aged 40 or under (38%) and less likely for those aged over 65. This is possibly a reflection of the relative stability of older people's retirement finances, whereas pension saving may be more vulnerable in younger age groups with other commitments.

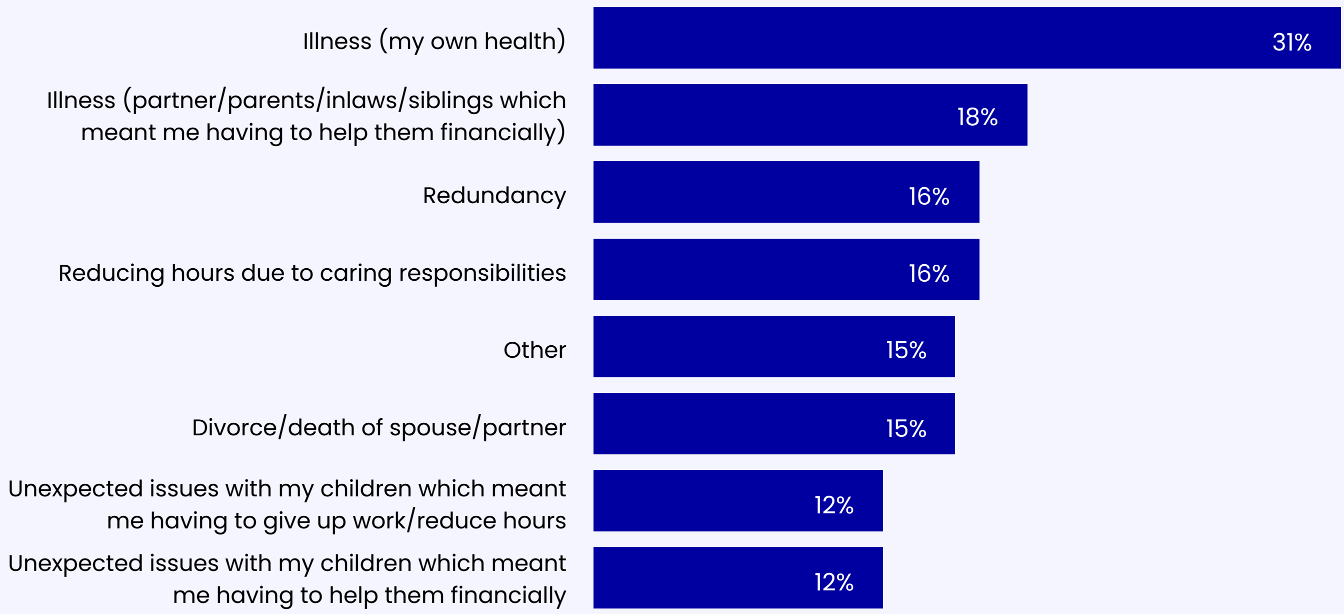
Has a major life event in the last 3 years changed your financial plans for retirement/ current finances in retirement?



The negative event cited most frequently was a respondent's own ill health, with nearly one in three of those suffering negative consequences saying this had occurred. The next most likely event was illness of someone else (18%), followed by redundancy (16%) and reduced work hours due to caring responsibilities (16%).

Young people are more likely to be affected by redundancy, the need to reduce hours due to caring responsibilities or unexpected issues with children. Older people are more likely to be affected by the loss of a partner.

You said that a major life event had a negative impact on your financial plans for retirement/ current retirement finances. What life event(s) had this impact on your retirement?



"During and after the Covid pandemic the contract work I was involved with dried up, so I retired earlier than I wanted to."

Other events cited included the effects of the Covid pandemic. One respondent said: "Covid caused retirement, as I needed to shield a family member." Another said: "During and after the Covid pandemic the contract work I was involved with dried up, so I retired earlier than I wanted to."

The current cost-of-living crisis was also cited as a major impact on many people's finances. One respondent said: "The cost of living means we can't even afford a home of our own, let alone saving for retirement. Since I'm a stay-at-home mum and we live on one wage, we have moved in with family."

Many people also mentioned significant hits to their investments. One respondent remarked: "My pension pot lost a large amount due to Covid, the war in Ukraine and the cost-of-living crisis."

Chapter 5

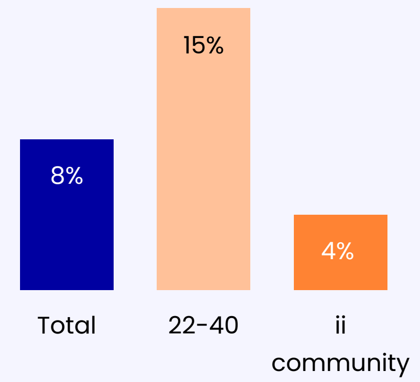
Financial scams

The crime that people are most likely to fall victim to is fraud. An estimated 3.7 million incidents of fraud made up 41% of all crime in the year to December 2022, according to ONS figures[4].

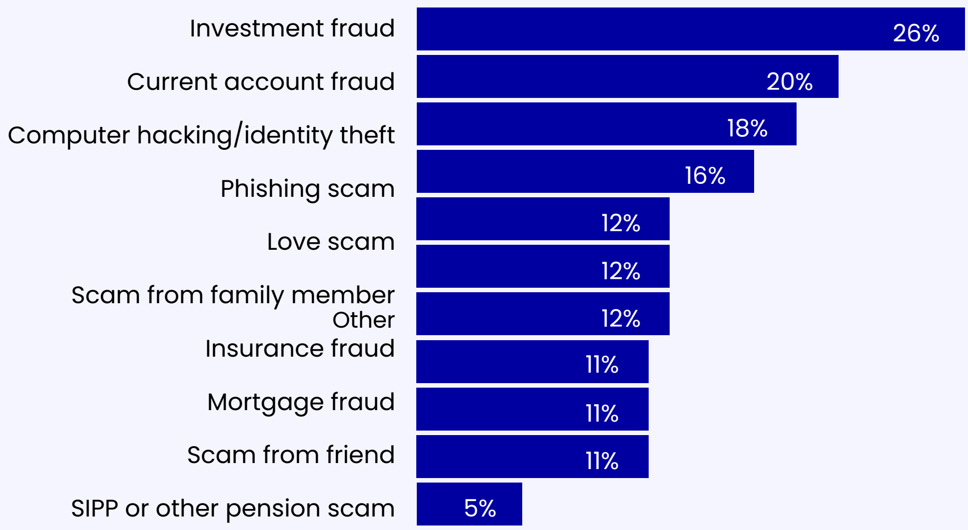
Our survey found 8% of our nationally representative sample had lost money to a financial scam in the past three years. Younger people were more likely to be victims, with 15% of respondents aged 40 or under losing money during that period. This is counter to the traditional image of elderly, vulnerable people being most likely to fall victim and may be a reflection of the younger generation's greater use of technology.

The most frequent financial scam in our sample was investment fraud (26%), followed by current account fraud (20%) and computer hacking/identity theft (18%). Frequent mentions in the "other" category included cryptocurrency scams and online shopping scams in which goods or services were paid for but never received.

Have you lost money due to a financial scam in the last 3 years?



You said you have experienced a financial scam in the last 3 years. What type?



This level of investment scam is concerning – and not only because the sums lost can cause significant harm. The prevalence of scams has the potential to make other people scared to invest their money in legitimate products that would benefit them. As one of our respondents said: "I never took out a pension, as there were a lot of scams at the time."

Others commented that more should be done to protect consumers:

"It would be helpful when transferring/consolidating pensions that your existing pension provider should check you are not transferring to a scam."

[4] https://www.gov.uk/government/publications/fraud-strategy/fraud-strategy-stopping-scams-and-protecting-the-public#fn:14

The big retirement decisions

"Silver exodus" not over yet

In last year's GBRS we highlighted the loss of older workers from the workforce, with over-50s leaving employment in the so-called "silver exodus". As the effects of the Covid pandemic recede and inflation bites, are older workers now returning?

The latest figures from the ONS Labour Force Survey[5] show the economic activity rate for 50 to 64-year-olds has barely changed over the past 12 months.

However, our finer breakdown of these figures suggests economic participation is falling even further among those nearest to traditional retirement age – that is, between 61 and 65 years old. While those in their 50s have maintained a similar level of employment over the past year, those aged between 61 and 65 are even less likely to be working full-time. The number considering themselves retired in this older age group rose from 45% to 49%, while the number working full-time reduced even further – from 29% to 23%.

People in late 50s more likely to label themselves retired

Additionally, those aged in their late 50s – from 55 to 60 – appear more comfortable with labelling themselves retired. While the proportion working in any capacity has remained similar, at 68%, more than one in four (26%) consider themselves retired – up from 22% last year. More are using the "retirement" label rather than another – for example, "homemaking" – implying that more members of this age group are settling into retirement and not thinking they may go back to work.

	50-54	55-65	61-65
Not retired: working full-time	52%	41%	23%
Not retired: working part-time or self-emp	17%	24%	19%
Not retired: unemployed or homemaker	17%	9%	8%
Retired: still doing some work	1%	3%	7%
Retired: not working	13%	23%	42%

We asked those aged 55-65 who have reduced their hours the reasons why. The majority said it was so they could wind down (47%), with 22% saying it was due to ill health.

[5]ONS Labour Market Statistics

55-65: Why have you reduced the amount of hours you work?	
Winding down	47%
Ill health	22%
Don't need as much money	16%
Caring responsibilities	15%
Can't find enough work	11%
Made redundant or lost full time job	8%
Other	8%

We asked the reasons people were able to retire earlier than the state pension age. The most popular reasons were savings (33%), defined benefit pension (25%), partner's income (25%) and defined contribution pension (19%). Only 14% said it was due to an inheritance.

Annuities still unappealing, despite improvements in rates

The financial products that older people choose to use might bolster or reduce their financial resilience over the longer term.

Annuities offer certainty in income. However, due to low rates, they have not been popular. According to the ABI[6] , there has been a recent resurgence in take-up of annuities, with high interest rates making them more attractive (sales increased by 22% in the first quarter of 2023). But this is not reflected in our survey responses. The proportion of retired people in our nationally representative sample managing their retirement income using annuities dropped from 19% last year to 17% this year. Use of annuities among interactive investor customers dropped from 29% to 25%, with use of pension drawdown rising from 35% to 38%.

Retired ditching interest-only mortgages

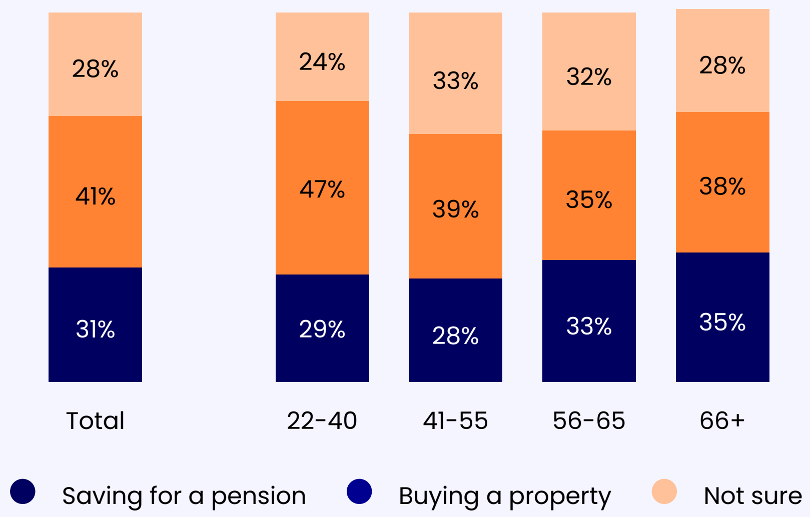
While a similar proportion of those who consider themselves retired are still paying mortgages (7%, compared with 8% last year), there is a trend for fewer retired people to have interest-only mortgages. With rising debt costs causing borrowers to revisit decisions made many years ago and pay off loans, the proportion with this type of mortgage has dropped from 38% of mortgaged retirees to 23%.

This means there is a reduced number of retired people who are at risk of not being able to pay off a mortgage at the end of its term.

However, within this group of mortgaged retirees, 36% think they will never pay off their mortgage. 32% think they will pay it off while they are in their 60s, while 18% think they will be over 70.

[6] ABI annuity data - Published May 2023

Which of the following do you believe should be the primary financial focus for young people?



The mortgage-or-pension focus

It is not just older people who are making big decisions that will affect their retirement outcomes. One of the key dilemmas for younger people is whether to focus on buying a property or saving for a pension.

One respondent, aged in their mid-20s, summed up the problem: "Given the housing crisis and cost-of-living crisis, most people my age are not even able to afford a place to live. So saving for a retirement that may never be possible is not a priority for many."

41% of all respondents said buying a property should be the most important objective for young people. 31% identified saving for a pension as more important, while 28% were unsure. The proportion prioritising property ownership rose to nearly half of those aged 40 or under.

A number of younger respondents described disillusionment with pensions as a factor in deciding whether to prioritise pension savings. Some were even more bleak. One said: "[It's] all going to be destroyed by the climate crisis by the time I retire, and the retirement age will be something stupid like 90. So what is the point when young people can't even afford to live now?"

One respondent, aged in their late 30s, had weighed up the benefits and commented: "I've taken the approach that, as someone with a very low income now, not paying rent in retirement is worth more to me than only slightly increased income. So I'll put my focus into buying a house. The security of a roof over my head is a big one."

How did you manage to retire earlier than state pension age?	
Savings	33%
Significant defined benefit pension from work	25%
Partner's income	25%
Significant defined contribution pension from work	19%
Inheritance	14%
Other investments: Stocks and shares	8%
Other investments: property	7%
Other	25%

"I can 'comfortably' afford retirement, but I doubt that my children will be able to – the current generation is the first [for a long time] that expects to be worse off than their parents."

Many older people were also not optimistic for the younger generation. One said: "I can 'comfortably' afford retirement, but I doubt that my children will be able to – the current generation is the first [for a long time] that expects to be worse off than their parents."

The anxiety of older people for their children's and grandchildren's generations is something we turn to in more detail next.

Chapter 6

Families are recognising and addressing generational inequality

The rise of "living inheritances"

Released in 2022, figures from the ONS[7] show household wealth has increased over the past two decades but wealth inequality has remained high. Households where the head was retired were wealthier than any other economic status group and also had lower expenditure and a more stable primary income source.

This is not an isolated piece of research. A 2022 report from the Resolution Foundation[8] showed the share of total wealth owned by those aged 65 or over rose from 42% in 2006-2008 to 51% in 2018-2020, with younger cohorts accumulating wealth at a much slower rate than older age groups did at the same age.

Last year we highlighted how many parents were helping their children with deposits for housing. We also discussed how this was not restricted to wealthy households. This trend has continued, with 27% of this year's respondents reporting they have helped – 20% with a gift, 5% with a loan and 2% as a guarantor.

This year we have broadened our focus to include "living inheritances". These are situations in which individuals pass on significant sums to family while still alive. This becomes especially relevant when there is a generational wealth gap. Giving this way enables the older generation to see younger beneficiaries enjoy the money – perhaps helping them on to the housing ladder, paying for private schooling for grandchildren or assisting in other ways. Gifting money can potentially help with Inheritance Tax (IHT) planning, too, meaning more wealth can be given to children or grandchildren instead of the tax office.

Our survey shows this is becoming a significant consideration for older generations. A tenth of respondents aged over 40 said they had given what they considered to be a living inheritance in the past three years. This was higher among people aged over 65 (15%). Children were the most likely recipients (8%), followed by grandchildren (3%) and charities or others (2%).

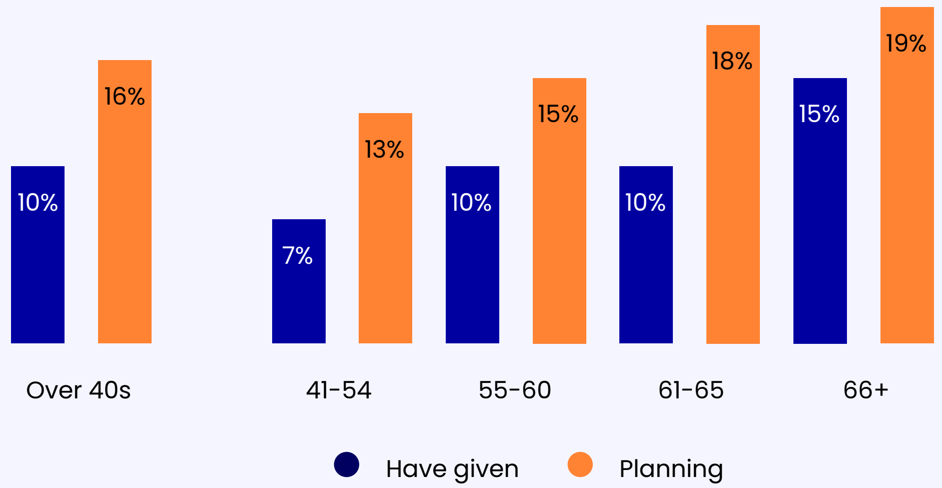
16% of respondents aged over 40 reported planning to gift money during the next three years – 12% to children, 5% to grandchildren and 3% to charities or others.

Figures for the interactive investor community were higher, with 28% having already given a living inheritance and 33% planning to do so.

[7]ONS people, population and community data - March 2020

[8]Resolution Foundation research - Published July 2022

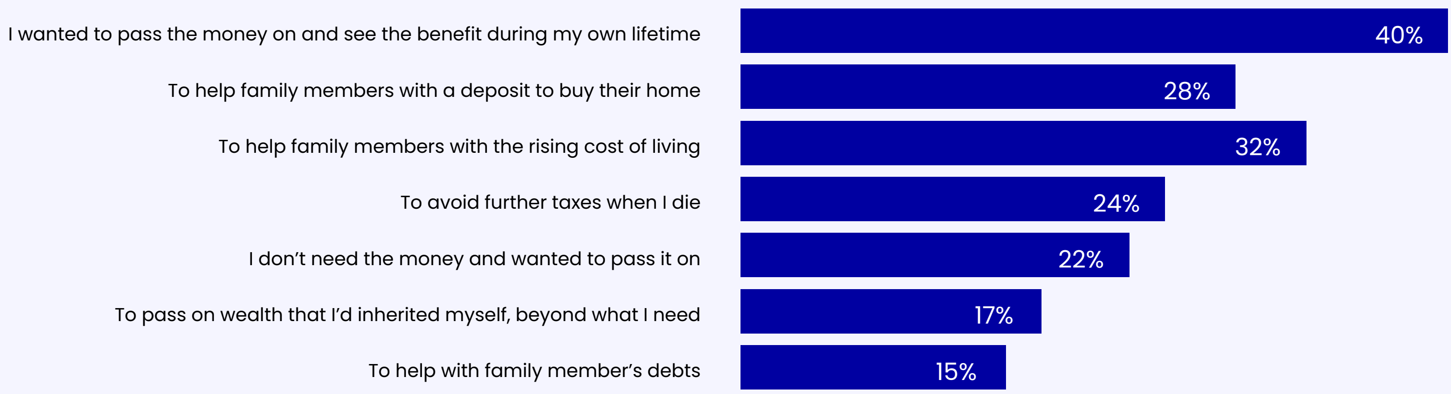
Living inheritances: Have you given in this way in the last 3 years or are you planning to in the next 3 years?



The needs of future generations emerged as a greater motivation than the incentive of reducing IHT. The reasons most often cited for a living inheritance were to see the benefits during a respondent's own lifetime (40% of those who had already gifted) and helping with either a deposit on a home (28%) or the rising cost of living (32%). As one respondent said: "I have already gifted sums to pass on money when they need it most – in mid-life." Specific reasons cited included school fees, university costs, house costs (either deposits or upsizing), contributing to pensions and generally giving grandchildren a good start in life. Motivations differed slightly by age group, with the oldest motivated by witnessing their own legacy (51% of those over 65 who had gifted) and younger groups motivated by the specific needs of the younger generation. Those aged 41 to 55 who had given a gift were most likely to have done so to help with the rising cost of living (35%), while those planning a gift were thinking most about home deposits (41%).

Avoiding further taxes at death featured as a prime motivation among members of the interactive investor community (44% of those who had gifted), as well as wanting to witness the benefits of giving.

Why have you gifted your children/grandchildren a living inheritance? (Over-40s)



Some respondents said they were passing on their money without thinking of it in terms of a living inheritance – for example, regularly giving up to the £3,000 IHT limit or putting money in children's and grandchildren's junior ISAs.

A number of respondents said they liked the concept but felt unsure, highlighting the difficulty for many of balancing their own future financial needs against those of the next generation. One said: "I could and would give a lot more help to young people in my family, were it not for my potential long-term care needs in my final years."

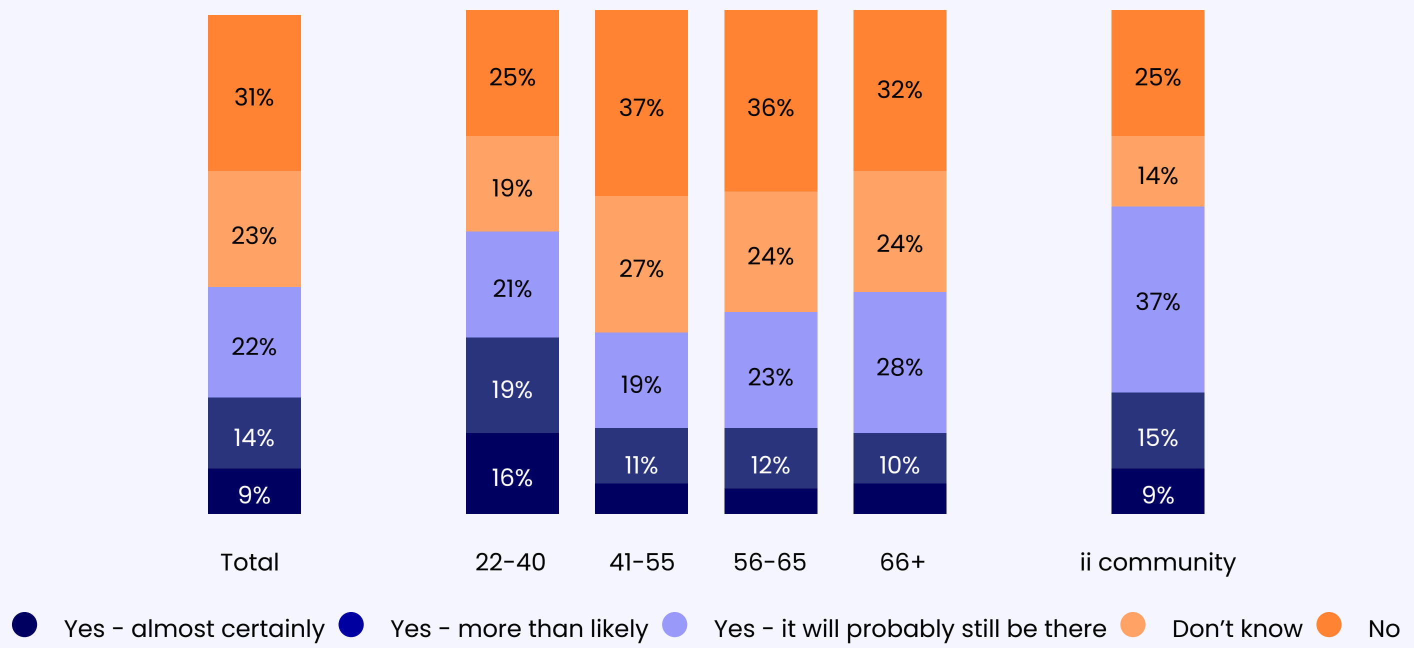
Future state of pensions for young people

The Pensions Acts of 1995, 2007, 2011 and 2014 legislated for a series of changes to the state pension age, increasing it from 60 for women and 65 for men to a universal 65, then 66 and 67 over a set timetable. The timing of the change to a pension age of 68 has been reviewed twice so far. How have these many changes affected expectations for the future of the state pension?

Less than half of our respondents (46%) thought the state pension would exist by the time those now in their 20s come to retire. This was split into only 9% who said it would almost certainly survive, 14% who said it would more than likely survive and 22% who said it would probably still exist. Nearly one in three (31%) said it would not exist at all.

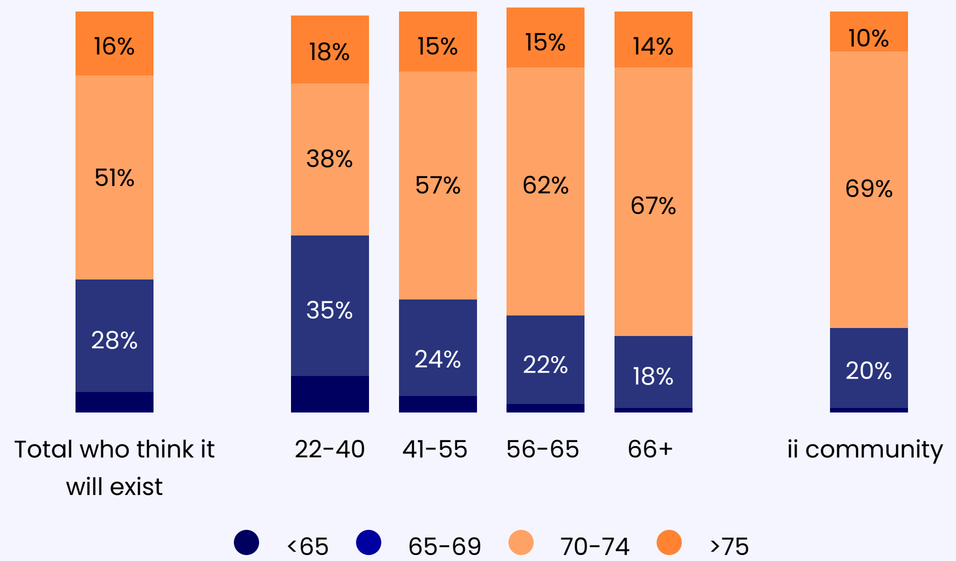
Young people themselves were slightly more optimistic, with 56% thinking it would still exist. Higher- income households and members of the interactive investor community were also more optimistic.

Do you think the state pension will still be there for those currently starting out in their career, by the time they reach retirement age?



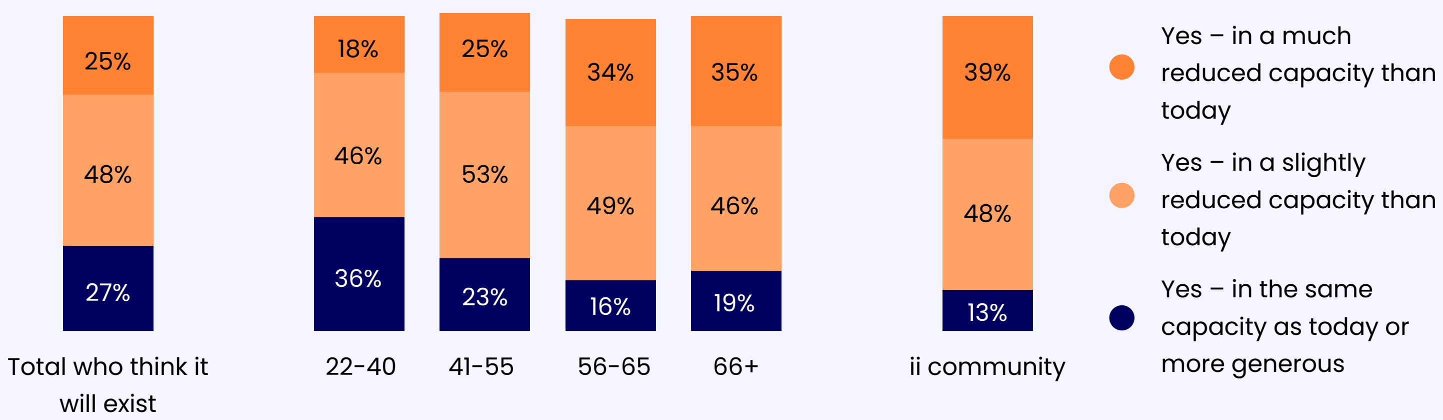
Most of those who said the state pension would still exist also said it would apply at a considerably older age than currently, citing an average age of 71. Most (51%) said it would first apply between the ages of 70 and 74, with 16% thinking it would not become available until the age of 75 or older. Again, younger people were slightly more optimistic.

What will the state pension age be by the time those currently starting out in their careers retire?



Nearly three quarters of those who said the state pension would still exist (73%) also thought the state pension would be available only in a reduced capacity compared with today. One in four (25%) said it would be much reduced, while half (48%) said it would be slightly reduced. Young people were a little more optimistic, with 64% saying it would be reduced. Members of the interactive investor community were more pessimistic, with 87% thinking it would be reduced.

Do you think the state pension will exist in the same capacity by the time those currently starting out in their careers come to retire?



Some respondents commented about their lack of confidence in the availability of the state pension in future:

"I encourage all friends my age and younger to save with the anticipation of the state pension being significantly delayed and no longer subject to the triple lock."

"I am sure the state pension will be means-tested in the future."

Chapter 7

How inheritance is shaping retirement decisions

An inheritance can have an impact on the timing of retirement and later-life finances. Many people know they have no prospect of inheritance or believe any parental wealth will be used up by their own needs. In the words of one of our respondents: "I don't expect to receive an inheritance, due to rising costs of care."

Yet others may think an inheritance is their best chance of a comfortable retirement. As one of our respondents said: "Without an inheritance I would struggle to be able to retire at all."

Others find themselves unexpectedly financially better off. One respondent told us: "Due, sadly, to inheritance from my mum and brother in the last five years, I am in a better situation than I had anticipated."

Early retirees whose early retirement was enabled by inheritance	14%
Retired people whose main income source is inheritance	3%
People who have received or expect to receive an inheritance	54%
People who expect inheritance to form part of retirement income	12%
Average retirement age of those who received an inheritance	61.5
Average retirement age of those without an inheritance	62.9
Effect of inheritance on retirement age	– 1.4 years
Effect of inheritance on retirement age of higher-income families	– 3 years
Effect of inheritance on retirement age of lower-income families	– 0.5 years

But how many are actually able to retire early because of an inheritance? Our survey showed that among current early retirees only a minority – 14% – had been able to do so as a result of an inheritance (19% of those aged 55 to 60 and retired; 13% of those aged 61 to 65 and retired).

By comparing the age at which retired people had stopped work, we found that, on average, receiving an inheritance brings forward retirement by nearly 18 months. Again on average, those who had received an inheritance retired at 61.5 years, while those who had not received an inheritance and had no expectation of one retired at 62.9.

This difference was more pronounced among higher-income families, where inheritance made a difference of three years, and less pronounced in lower-income households, where the difference was six months.

While it can clearly be a factor in the timing of retirement, inheritance forms the major part of retirement income for very few people. Only 3% of our retired respondents said most of their income came from an inheritance – the same proportion as for the overall population – underlining that the most significant components of retirement finances come from savings or pensions.

Only 12% of respondents yet to retire identified inheritance as an expected element of retirement income, even though 53% of respondents expected to receive an inheritance. This highlights that an inheritance is not necessarily seen as part of retirement income planning but may be envisaged as a way to pay off debt or a mortgage or to meet other significant expenditure.

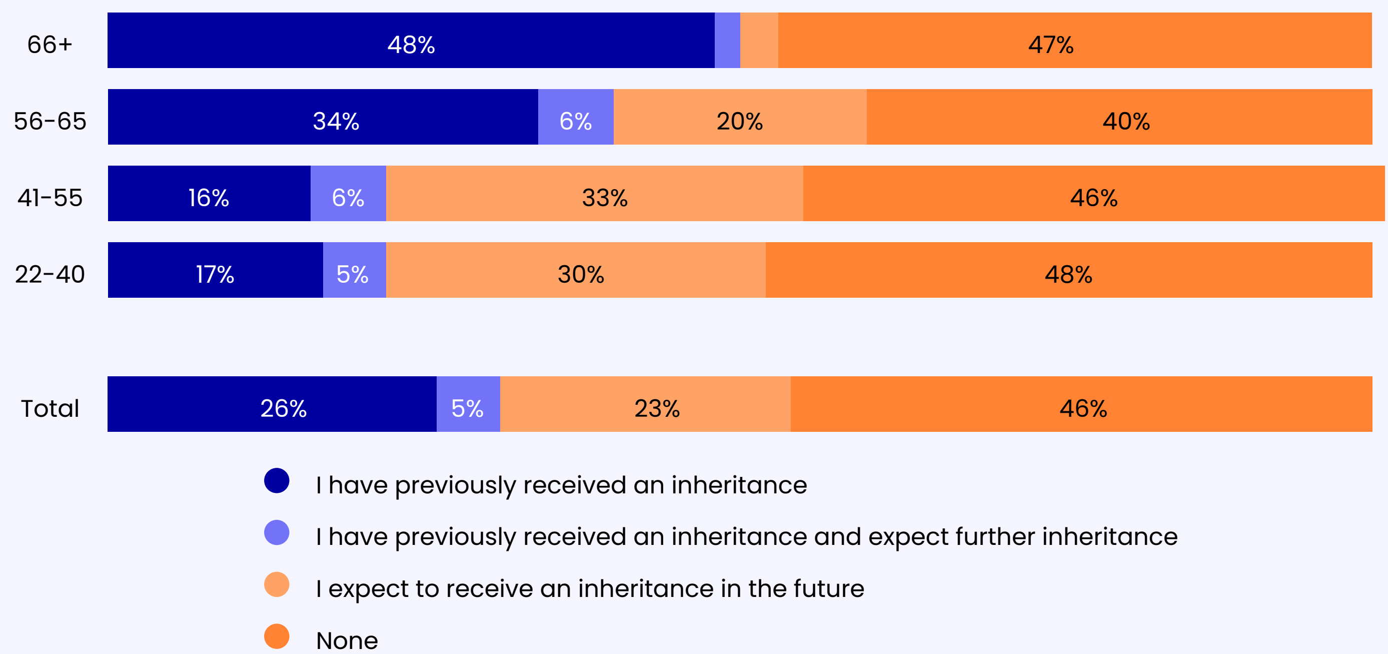
Expectations of inheritance

Does expecting to inherit impact on retirement plans? And are there differences in behaviour and attitudes between those who expect an inheritance and those who do not?

Among people aged under 66, those expecting an inheritance have higher expectations of pension income, thinking they will have £22,500 in income – compared with £20,000 among those who do not expect an inheritance. A higher number also associate retirement with financial freedom – 25%, compared with only 21% of those who do not expect a legacy.

Yet those expecting a legacy do not plan to retire earlier than those with no expectations. The two groups have similar levels of participation in workplace pensions, private pensions and investment products overall.

Which of the following apply in relation to receiving inheritances?



Are expectations of receiving an inheritance realistic?

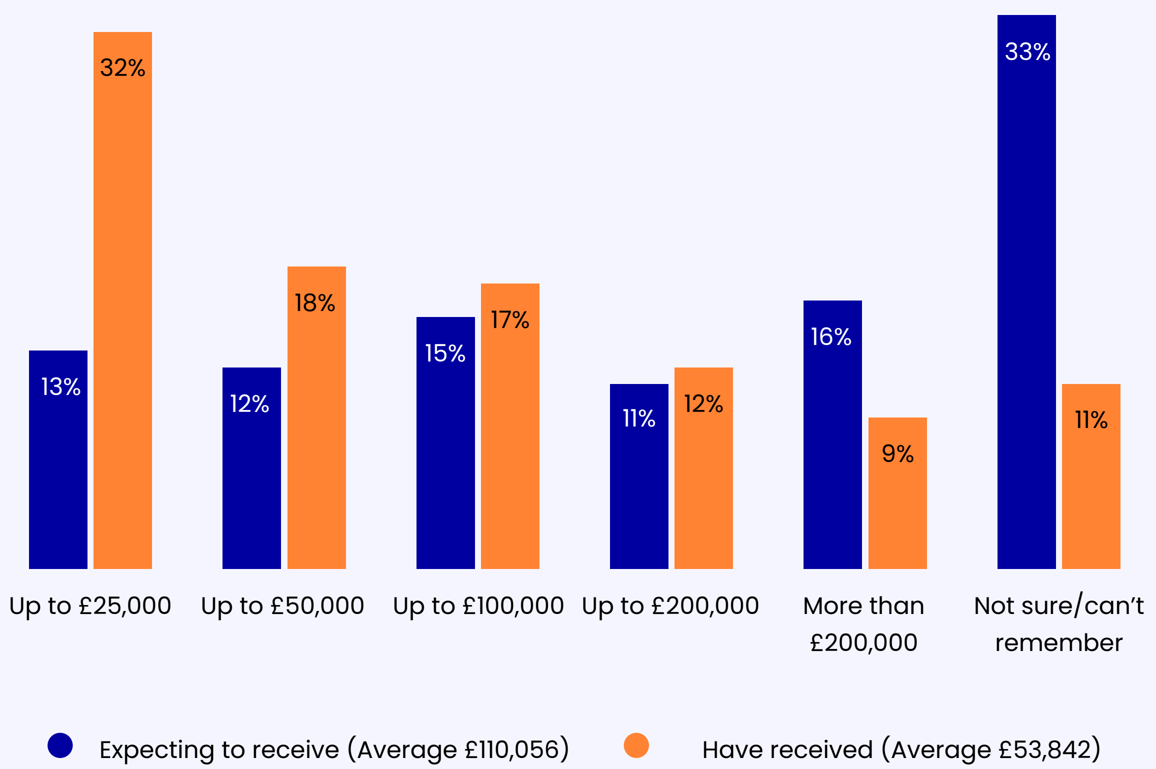
The overall number of people expecting an inheritance appears to correspond with the proportion eventually receiving one. While 54% have received or expect to receive an inheritance (31% have received, while 28% expect to receive; some are included in both categories), 50% of people have received an inheritance by the time they are aged 66 or over, with a further 3% still expecting to receive one.

At an individual level, though, this expectation will not always be fulfilled. For instance, caring costs might eat into a potential inheritance. This highlights the importance of not relying on an inheritance for pension finances.

It is also possible that expectations over the amount to be received may be overestimated. Excluding those who are not sure or who cannot remember, the average inheritance amount received by those who have had an inheritance is £54,000 – but the average amount expected in future by those anticipating a legacy is £110,000.

This comparison will be impacted by inflation, with legacies received some time ago not mirroring the current value of assets. But it could also indicate the size of legacies can be impacted by later-life costs, and this should always be taken into account when planning retirement finances based on potential inheritance.

How much do you personally expect to receive/have you received from inheritances?



Some good news – how people are saving and learning about pensions

More people now have a pension

Auto-enrolment has increased participation rates in workplace pension schemes since its introduction in 2012. Our figures show 78% of working-age people have at least one pension pot. 52% have a defined benefit pension, and 49% have a defined contribution scheme – with some people having both. 93% of those working full-time have a pension.

How many pension pots do you have? (Age <66)

0	22%
1	37%
2	25%
3	10%
4 or more	7%

However, more needs to be done. 22% of our working-age respondents reported having no pensions at all, with this proportion not varying significantly across age groups.

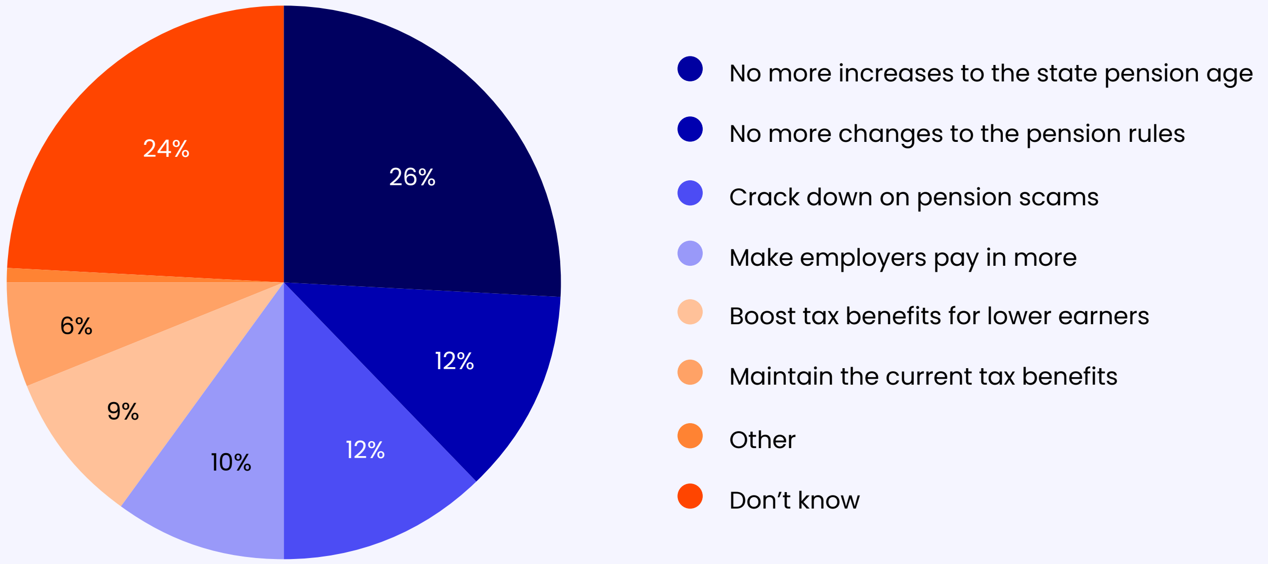
"I'm saving hard to provide a half-decent standard of living in retirement. I'm shocked by most people around me who think that somehow things will be okay and spend their money on expensive cars, holidays and home improvements. It seems there is a huge disconnect, either due to lack of education or pure denial."

Building trust in the pension system

While engagement with pensions has clearly improved in the past decade, there is still a significant proportion of people who either cannot afford to save into a pension or do not feel it is the right use of their spare money.

We asked our respondents what they thought most essential to generate public trust in pensions. The most cited factor was that there should be no more increases in the state pension age – an option chosen by more than a quarter of respondents.

What do you think is most essential to public trust in pensions?



Many respondents showed a lack of trust in pensions and the tax system, often in response to the many changes that have been made to pension rules:

"We make long-term decisions over a generational time span based on current tax policies for pensions, savings and investments... but policies change every five to 10 years. We need consistency."

"You can lock up money in your 20s and 30s to try to do the right thing, but the government will switch the rules 20 years later – totally outside your control. As a result, my advice to my children will be not to bother with a pension – use other savings methods."

"The meddling and uncertainty on pensions tax and rules is a huge disincentive to what is the longest-term financial product of all. There should be a Royal Commission to look at the whole subject again."

A number of comments specifically referenced changes to Lifetime Allowance (LTA) rules:

"Changes in pension tax rules make it impossible to make sensible decisions. For instance, do I need to crystallise all pensions before the next election in case Labour bring back the LTA charge?"

"There should not be an LTA at all, and the tax-free lump sum should be reinstated at 25% of the total fund to incentivise saving for your own retirement funding."

The role of advice and education in building understanding and confidence

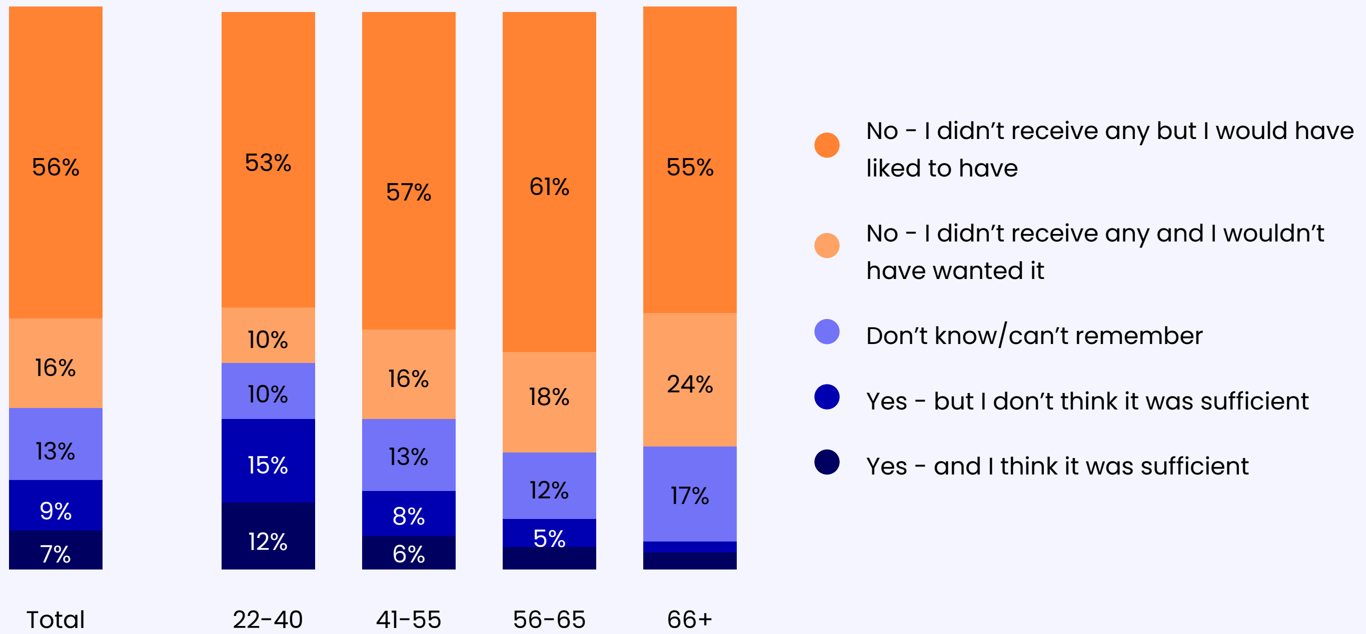
Many feel that pensions are too complicated and that the level of understanding about them is too low. In the words of one respondent: "It needs to be simplified. It is just too complicated and confusing. I believe it puts people off investing, as they don't understand it fully." Another said: "I think pensions are a minefield which is difficult to understand. More education and assistance is needed."

We asked about school-age financial literary education around budgeting, money and investments. More than half of our respondents (56%) said they did not receive any but would have liked to. A further 9% said they did receive some but did not think it was sufficient.

Only 7% said they had received what they felt was sufficient financial education at school.

However, looking across age groups, we can see there has been some improvement over the years. Only 5% of those aged 66 or over received any financial education, yet the figure shoots up to 27% of those aged 40 or under.

Did you receive financial literacy education at school about budgeting, money and investments?



Many respondents commented on the need for education from a variety of sources:

"GCSE on financial matters should be made compulsory at schools."

"I just wish someone had talked to me about this when I was younger. No-one educated me about personal finances. I educated myself – but only in my 40s. Such a shame."

"Education, education, education… I wish employers would educate new staff about the benefits of investing early and as much as possible."

Talking more about money

We asked respondents if they regularly discuss retirement and savings with their family and friends. Overall, 52% said they talk regularly to their family, compared to 47% last year. Likewise, 37% said they talk regularly to their friends, compared to 34% last year.

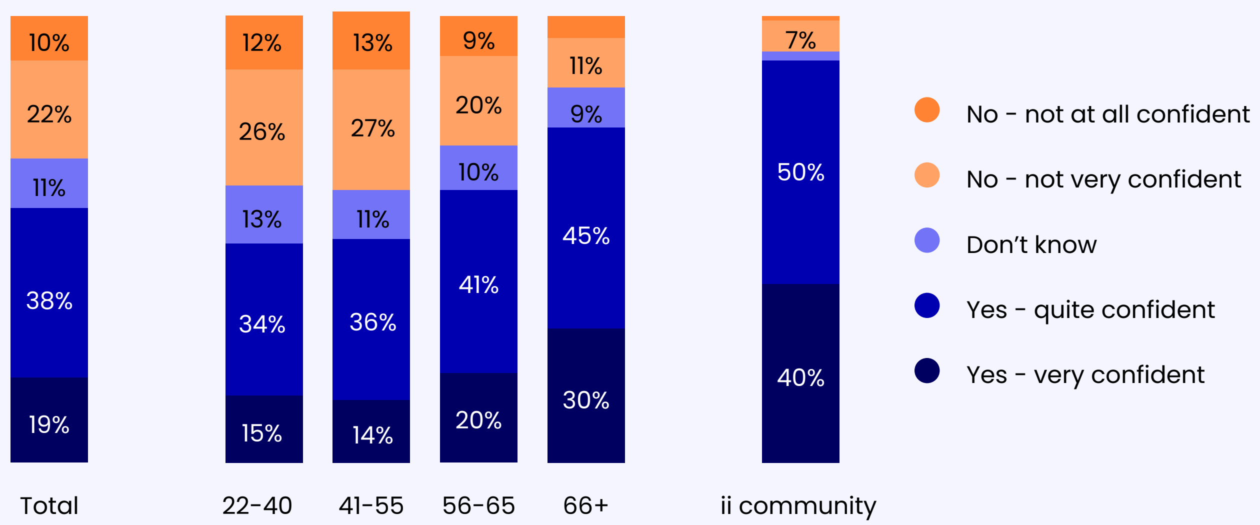
Under 40s are even more open discussing their finances, with 56% saying they talk regularly to their family about retirement and savings, and 47% talking regularly to friends, an increase from 50% and 43% last year.

Confidence in managing pensions

We asked our respondents about their confidence in managing their own retirement finances, 57% said they felt either very or quite confident. This rose with age, from 49% of those aged 40 or under to 75% of those aged 66 or over. Members of the interactive investor community were found to be more assured, with 90% saving they felt either very or quite confident.

Overall, this still means 43% cannot say they are confident in managing their retirement finances.

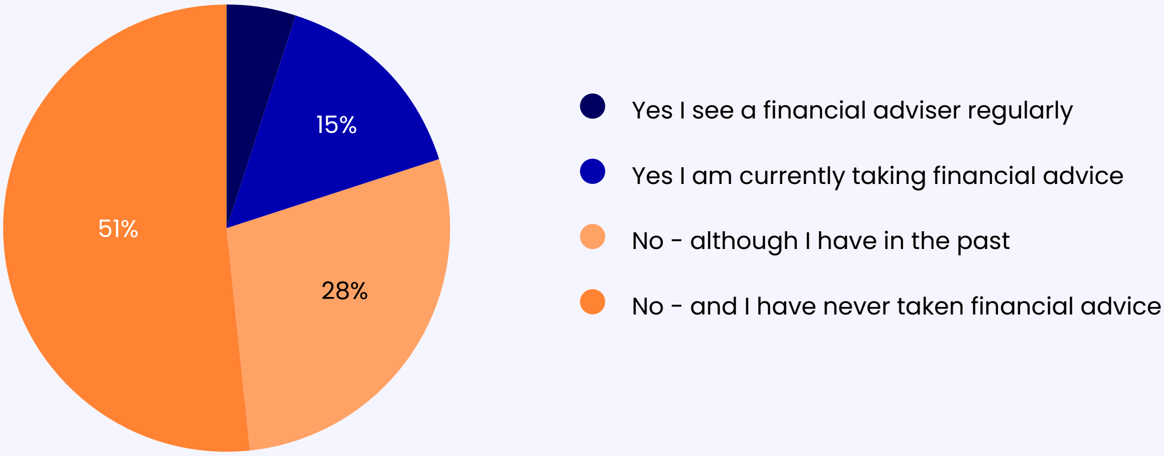
Do you feel confident about the idea of managing your own retirement finances?



Financial advice improves confidence

More than half of our respondents (51%) have never taken financial advice. One in five in total are currently receiving financial advice, but only 5% reported regularly seeing a financial adviser for a variety of financial needs.

Are you currently taking financial advice from a financial advisor?



89% of those who have taken advice reported feeling at least some increase in confidence, with 33% feeling much more confident.

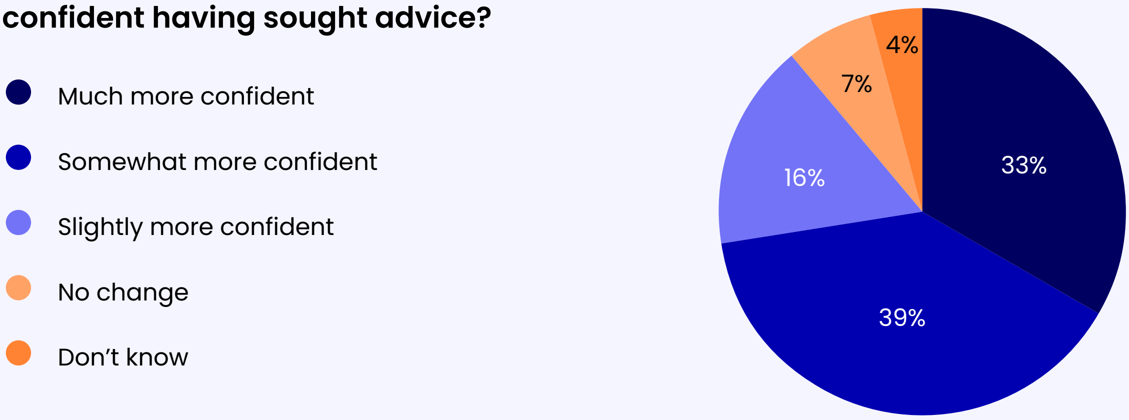
Many respondents described good advice as essential, but some noted how charges can be an issue. One said: "Financial advisers are out of reach within reasonable fees." Another remarked: "I worry that financial advisers charge too much money – especially in portfolio management fees – for sub-optimal advice."

It can be difficult to find financial advice. As one respondent observed: "Financial advisers are expensive, and it's hard to identify who to trust/select."

Others suggested routes they had found useful. One respondent said: "The financial environment is very complex. Get advice from Pension Wise." Another said: "A free Moneywise interview helped me make decisions about taking early retirement. Highly recommended."

Some respondents highlighted negative experiences of advisers. One cautioned: "Avoid financial advisers. Look at the on-going costs". Another said: "You shouldn't have to pay a financial adviser simply to access your own money in a defined benefit pension. I paid a fortune for financial advice which I neither wanted nor benefitted from."

Did you feel confident having sought advice?



Expanding sources of information

Social media is continuing its rise as a useful source of pension information among the working population. 30% now see it as useful – up from 26% last year.

Its appeal is especially strong among those aged 40 or under. 44% of our respondents in this age group said it was useful and 16% identified it as their biggest influence in learning about retirement and pensions – up from 14% last year.

One respondent said: "Financial education is essential. Investment platforms would do well to infiltrate TikTok etc via prominent and popular influencers to provide an honest and balanced nudge."

Facebook is still the top choice among those who think social media is a good source of information, although it has fallen from 59% to 47% in the past year. Reddit has risen from 9% to 13%.

Which forms of social media do you think are a good source of information about retirement and pensions?

Facebook	47%
Youtube	46%
Instagram	34%
Twitter	34%
LinkedIn	19%
TikTok	20%
Reddit	13%
Snapchat	8%
Other	8%

While we have reservations about the quality of guidance that can be found on social media, we also see that it can be a force for good. The challenge for consumers is applying quality control and there's no question that investment platforms have a role to play here in producing high quality content across a range of channels. And clearly, social media has to be a key tool. This is a medium that is not going away, and it is clearly a valuable channel for reaching and educating people about pensions.

We increasingly see informed experts engaging with social media to teach. This is a welcome move. More people are investing in pensions – and, slowly but surely, more people are being educated about them. It is nice to end our study on a positive note!

GBRS 2023

Key points to consider for policymakers

In an ongoing cost-of-living crisis, making the right policy decisions is crucially important for both existing and future pensioners. Below, ii sets out where it believes policy changes can make a real difference to the financial resilience of our pension savers. With an aging population and finances under increasing pressure, pension freedoms provide essential flexibility, so pension savers have choice about how to access their money.

There are many challenges ahead and no easy answers, but we hope our research provides further insight on these crucial issues and we can inspire debate and protect the financial resilience of future generations.

Protecting retired incomes benefits health

This year's survey reveals many are facing a financially precarious situation, needing to dip into pensions or savings to fund everyday costs.

With pension savings under threat, it's crucial that older workers have financial certainty when it comes to the state pension. Committing to maintaining the integrity state pension triple lock should be a key policy focus of policy makers, especially when the state pension still lags £12,800 needed for a minimum standard of living in retirement, according to the PLSA Retirement Living Standards. Keeping the triple lock but reforming the way it is applied, to a smoothed measure, rather than focusing discussions on its removal, could have knock on benefits to trust in the state pension and pensions in general.

With more people retiring early and the average healthy life expectancy only 63, we think the Government should also consider introducing earlier state pension entitlement for those with age-related health problems.

Raising the minimum pension contributions

With many of us retiring long before the state pension age, and life-expectancies rising, it's crucial that pension savings are fit for purpose and enough to last for a potentially long retirement.

In a potentially lower-growth world, we think it's time to look at minimum pension contribution levels again and consider increasing minimum level of above 8% to around 12% overall contributions, with the ambition to rise to 15% in the future. We wrote about this in our "Is 12% the new 8%" paper with LCP partners.

Fewer changes

Our research shows that pension changes are undermining public trust in pensions, particularly the rising state pension age and changes to pension rules.

It's important to recognise the profound impact of regional health inequalities on the state pension. Those in poorer areas are more likely to be battling ill-health in their 60s, and more likely to die young, meaning they are disproportionately impacted by a rising state pension age.

Life expectancies are impacted by wealth and there are significant regional inequalities, with men in the most deprived areas living nearly

10 years less than men in wealth areas and a gap of nearly 8 years for women, according to ONS data. This regional inequality leads to a state pension postcode lottery, with any further age increases meaning many will completely miss out on the state pension completely.

And regional health inequalities affect not only life expectancies, but the healthy years people can expect to enjoy, with women in affluent areas living over 19 years longer in good health, than the most deprived areas, and men in wealthy areas living over 18 years longer in good health. These regional health differences mean that many in poorer areas will struggle to work until the state pension age and will be unfairly impacted by any state pension age increases.

Constant speculation on the state pension age is hampering people's ability to plan for the future and undermining their confidence in the pensions system, with many believing there will be no state pension in the future. This needs to change, and policymakers need to work together to rebuild trust in the pensions system. The pension tax system also needs to remain consistent, so people can plan ahead for their retirement.

Financial and pension education

More than ten-years on from the introduction of auto-enrolment, more people are saving into a workplace pension than ever before. More people are now relying on defined contribution pensions in retirement and the cost-of-living crisis has pushed many to use their pensions to cover everyday costs.

ii remains frustrated by the clear lack of financial capability in the UK. With financial resources running low, there is a desperate need to give people with the financial tools and literacy to build their financial resilience and make the most of their often-limited financial resources.

- Pension education should form part of the personal finance curriculum. Having an understanding of the state pension, workplace pensions, tax relief, investments and risk at an earlier age could make a big difference to retirement outcomes. Education should also cover scams and what to watch out for when watching social media influencers.
- There should be a public education campaign on retirement, focusing on key retirement decisions like how long a pension needs to last and the impact of withdrawing too much from your pension.
- ii continually campaigns for clear language and less jargon when it comes to pensions and investment, this needs to remain a focus as the FCA implements consumer duty rules.
- Wake-up packs should be distributed at intervals or 'key life stages' like starting work, the birth of a first child and age 40, age 50 and also at key retirement dates. There could then be age and stage appropriate information to help people make the best decisions for their future
- Wake-up packs should include a one-page summary document, setting out the options for people, such as moving between funds, consolidating or increasing contributions, at different stages of their retirement journey.

Inheritance tax and capital gains tax

The Bank of Mum and Dad, and Grandma and Grandad, is alive and well, with many aware of generational inequalities and passing on wealth to help their younger family members build financial resilience. But frozen tax allowances actively discourage gift giving, by severely limiting the amount people can give away without potentially triggering capital gains tax. The inheritance tax limits on gift also discourage gifts of more than £3,000, which could become taxable if the giver dies within 7 years of the gift.

These tax changes could make a meaningful difference to millions of families, helping them to pass on wealth without incurred punitive tax charges.

- Increase the £3,000 annual limit on giving away gifts – this limit has been the same since 1981 and would now be worth £11,000 if it had gone up with inflation.
- Increase inheritance tax nil rate band in line with inflation, allowing all families including those with no children and renters, a bigger tax-free amount. The residence nil rate band only helps homeowners and those with lineal descendants.
- Introduce a higher capital gains tax annual exemption on gifts, to encourage and allow older people to pass on wealth.

If you have any questions about the research, please contact alice.guy@ii.co.uk