



Retirement Uncovered

A study of retirement experiences and what support people want to improve them

Britainthinks

A qualitative research project by BritainThinks

Executive Summary and Context

Many retirees can look forward to a footloose retirement where individuals have control over their time, are healthy enough to enjoy their time and crucially have enough money to support their lifestyle. But increasing numbers of people are working later (past State Pension Age (SPA)) and a significant minority are caring for someone in retirement.

This qualitative study undertaken by BritainThinks sought to understand the experiences of these different cohorts and what support needs they have for retirement planning.

Aviva commissioned this research to get under the skin of what people's experience of retirement is really like and we believe it draws out valuable lessons for how government, regulators as well as how the private sector engages and supports these important groups.

Participants in this study felt that their retirement finances were less generous than they had hoped for

- But the difference between expectations and actual retirement incomes was greater for those who were working later, or whose retirement featured a significant caring role.

All participants required additional support in two key areas to help improve their retirement finances:

- Support to engage with their pension from the start, and remain engaged through their working lives. In particular people wanted a savings plan, regular alerts on their progress and guidance on how to reach their target.
- An intervention in their early 50s to connect them with their pension, and provide guidance on how to get retirement savings back on track in the later years of working life.

People who are working later, whether through choice or from necessity – often struggle to balance earning income through work and drawing income from their pensions. Their concerns include confusion over tax implications, the value of deferring their pensions, and simply knowing when they have saved enough to retire. They identified the need for:

- Support that guides them through the choices and options around winding down their working life to help them make the most of their retirement savings.

People who are caring for someone in retirement are often overwhelmed with the logistics and emotional stress of that role. The impact of caring on their own finances at retirement is rarely considered.

- Support to prompt and help this cohort understand and plan for this could have a positive impact in the later years of their retirement.

Click on the speech bubbles throughout this study for people's views



Different Experiences

Footloose retirement

'Footloose' participants often experienced (or expected) a retirement that matched the 'ideal' in lots of ways:

- A great degree of control and freedom.
- Enough money to travel or pursue hobbies/passions.
- Relaxed, or busy without being stressful.

However, many were disappointed with their retirement income to some extent, and had scaled back their ambitions accordingly

- Fewer foreign holidays than planned, more domestic breaks.
- Less expensive pass-times and hobbies.
- Relaxed, or busy without being stressful.

For a minority, their finances had truly met their expectations,

- This was often the result of accident rather than design, with fortuitous financial decisions or an absence of 'derailing' events such as divorce, bereavement or illness.

Regardless of their financial outcomes, all footloose participants in this research expressed a clear need for support with financial planning

- In particular, many had realised in their late fifties that their pensions were unlikely to perform as hoped, but few took decisive action to remedy the situation.

62% 

of retirees consider themselves happy, compared with 42% of the unretired.

(Aviva Voice of New Retirement survey, 2016)

73% 

of retirees are content with time spent on leisure activities.

(Aviva Voice of New Retirement survey, 2016)

Different Experiences

Working later

Participants in our research offered a range of reasons for working in later life

- Sociability and keeping active.
- Enjoying their work, or taking the opportunity to 'do what they love'.

Most who work later have some financial motivation

- Some are proactively planning to work later in order to boost their retirement income when they do retire.
- Others are choosing to work later in order to maintain a certain lifestyle, rather than out of strict necessity.

However, many need to work past state pension age out of financial necessity

- Often because they didn't engage early enough with their retirement finances.
- But also often because 'life events' such as divorce, bereavement or redundancy derailed their plans.

Participants working later expressed a need for guidance in retiring from work (e.g. on tax implication, tapering down, pension freedoms).



2/3 of retirees who have not saved enough only realised their mistake after stopping work.

(HSBC, 2014)

1m+ 

people in work over age of 65 in 2014, (increasing to 10.1% from 8.6% in 2011).

(DWP, 2014)

Different Experiences

Caring for someone in retirement

Caring can have a significant impact on experiences of retirement – emotionally and financially

Caring for a partner or elderly relative:

- Uses up a significant amount of time.
- Derails retirement finances (by increasing costs, limiting time available for work, and possibly running down an inheritance).
- Can be a lonely and emotionally demanding experience.

Caring for grandchildren is much less disruptive, but still has downsides:

- Demands on your time.
- Being 'taken for granted'.
- Out of pocket expenses that feel 'too small' to raise, but do have impacts on your finances.

Participants who are caring for someone expressed a need for advice and emotional support relating specifically to their caring roles.

- Retirees caring for grandchildren did not express any unique support needs.

40% 

rise in the number of carers needed by 2037 – meaning the carer population in the UK would reach 9 million.

(Carers UK, 2014)

1 in 3 

(30%) carers had seen a drop of £20,000 or more a year in their household income as a result of caring.

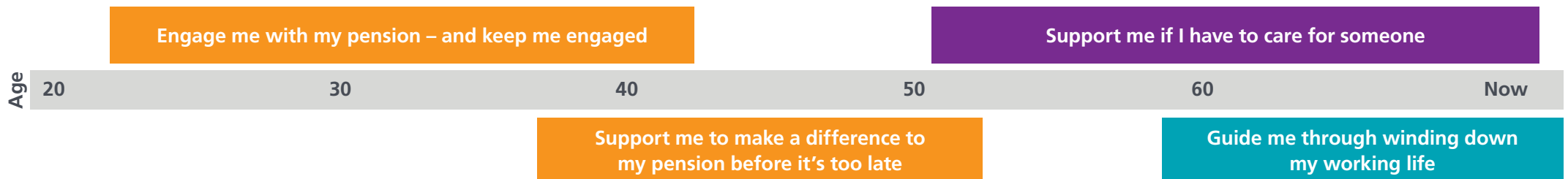
(Carers UK, 2014)

How could people be **better supported**?

Four clear support needs emerged from the research:



These needs require support at different times in people's lives:



Engage me early with my pension and keep me engaged

The need:

- While most had a personal or workplace pension, very few had engaged with it over most of their working lives.
- Many had never increased their contributions, or engaged to see how much they could expect in retirement.
- Participants wanted early guidance (e.g. starting a pension, increasing savings in line with salary, monitoring the performance of investments) but also wanted reminders to stay engaged.

What would help? Pension Plan Tracker

- On taking out a pension, savers would be prompted to develop a savings plan. Periodically an update would be issued of their progress against the plan; and provide broad guidance on how to stay on track (e.g. to keep increasing savings in line with income).

Participant Response:

Financial services organisations were thought well placed to deliver this service, and participants could also see this being delivered by an organisation such as Pension Wise.

- There would be challenges with delivering this service at the moment due to the regularity with which people change jobs and therefore pension providers.
- However the introduction of a Pensions Dashboard is being developed to show an individual's savings across all of their pension schemes. This could be developed, in time, to track progress against an overall target, issue alerts and nudges and also be used to deliver helpful guidance.

Other ideas Rules of Thumb

- A simple set of basic rules that savers can use to keep on track.
- Proportion of salary they should save.
- Approximate relationship between size of fund and likely pension income.
- How to make the most of employer pension contributions.

Other ideas Public Education Campaign

- A broader educational campaign to raise awareness and engage the wider public with retirement savings (e.g. advertising campaign, education at school and in the workplace).

2 Enable me to **make a difference** – before it's too late

The need:

- Participants often described only engaging properly with the state of their retirement finances in their 50s (or even early 60s).
- Many described shock at discovering their pensions and other arrangements were unlikely to fund the kind of retirement they had envisaged.
 - Very few responded by 'making a plan'.
 - If they did make any subsequent decisions, many were "distress purchases" or blindly following friends, rather than purposeful decisions, based on their personal situation.
 - Many simply 'buried their head in the sand' – either ignoring the problem, or adjusting their retirement expectations.

What would help? 50+ wake-up call

- An intervention targeted at people as they turn 50, encouraging them to address their retirement finances. This would be a 'wake up call', in the sense that it would emphasise the significance of acting/not acting, but would also be a positive message to enable savers to make a difference.
 - The intervention would offer clear guidance on actions and options available to improve retirement finances and the significant positive impact this could have on their retirement lifestyle.
 - Publicly available guidance was considered important to this intervention.

Participant Response:

- This idea was very popular with participants. Early 50s was seen to be the optimal age for delivery, as this is early enough to allow them to make a difference (and much earlier than many had actually begun to engage with their finances) but late enough for them to be receptive to the intervention.
- Using a diverse range of channels is important to the delivery of this intervention: some preferred a personalised letter, others a snappy, visual leaflet, and others still an email.
- Government and pension providers were both seen as playing a role in its delivery.

3 Guide me through winding down my working life

The need:

- Many participants believed it was likely they would work past SPA: some wanted to, others felt as if they had to
- However, few had planned their retirement proactively and most still felt very confused about the process and financial implications of retiring, with questions like:
 - How long do I need to keep working in order to retire comfortably?
 - Should I defer drawing down my state and personal pension?
 - Can I receive my pension and salary at the same time?
 - What happens to the tax I pay?

What would help? Guide to Stopping Working

- A guide to working later in life and winding down to help people with working later and to think through the retirement process.
- It would outline the different options open to older people approaching SPA (e.g. retiring fully, moving to part-time work, working past SPA, downsizing).
 - Either by using case studies as rough guides to show different ways of 'winding down'
 - Or by using an interactive tool that models different retirement scenarios based on alternative decisions
- Underpinning this intervention with guidance around the tax implications of different options and the impact of changing state pension ages is crucial.

Participant Response:

- This was a popular intervention among those research participants working past SPA (or planning to). In particular, many had questions around tax implications of taking advantage of "pensions freedoms" while continuing to work.
- Some preferred face-to-face interventions over an exclusively online approach.

4 Support me if I have to care for someone

The need:

- People with significant caring roles want guidance in preparing for retirement and in managing the impacts of their caring role on their finances.
- Because caring responsibilities are so time-consuming, few had stopped to consider the potential impact of caring on their retirement plans and finances.
- After retirement, carers still faced a number of challenges (including loneliness, navigating the legal system and accessing support).

What would help? Carers Network

- This idea is akin to a “MumsNet” for care: a network of carers offering opportunities to share experiences, hints and tips for those caring for elderly relatives.

Participant Response:

- This was a very popular idea among carers, both for the availability of relevant, personal and targeted support and for the opportunity to socialise and interact with others.
- While most were happy to use this as an online forum, it was suggested that an offline alternative could also be useful.
- It was felt that such a resource, would benefit most from being hosted by a recognised third sector brand (such as Age UK).

What would help? Guide to Caring

- This idea is the consolidation of information and advice around caring but with a particular emphasis on pension and financial guidance to encourage carers (and potential carers) to consider the financial impact of caring for an elderly relative on their own retirement.

Participant Response:

- This was well-received by participants who wanted it to be delivered by government or a charity in partnership with a financial services firm.



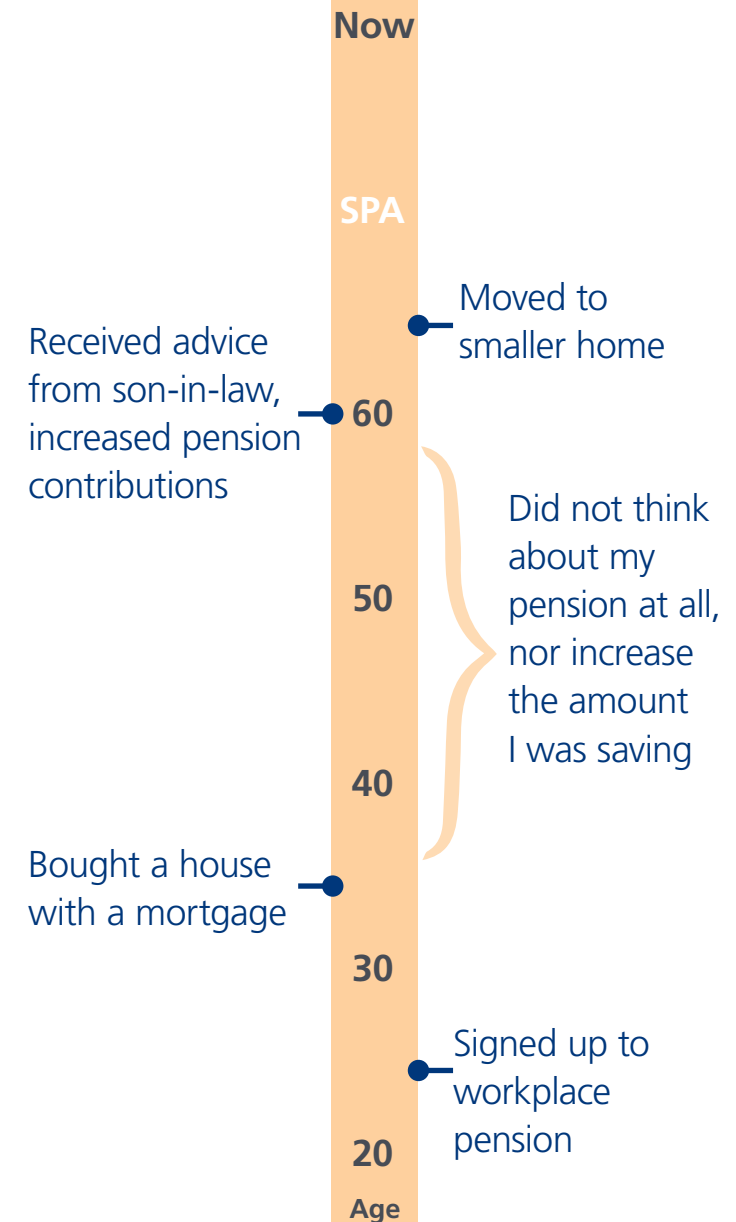
Bob Footloose

What my retirement is like:

- I'm really enjoying my retirement: I can do what I want, when I want. I do a lot of gardening and I play in a band, and see a lot of my friends. I've recently started doing some voluntary work, running music lessons for kids at a nearby community centre.
- I wish I'd thought more about my pension. I took one out at work because all my colleagues did, and I thought that was the end of it. I did save for most of my working life, but never changed my contributions or ever really thought about it at all.
- I was lucky to get some advice from my son-in-law who is a financial adviser when I was around 58: he sorted it all out for me and told me exactly what I needed to do, like increase how much I was saving, investing it differently and downsizing. If it hadn't been for him, I'd have been pretty stuck.

How did I get here?

- Low levels of engagement with retirement income over working life;
- Some engagement in mid to late 50s, resulting in varying levels of comfort in retirement.





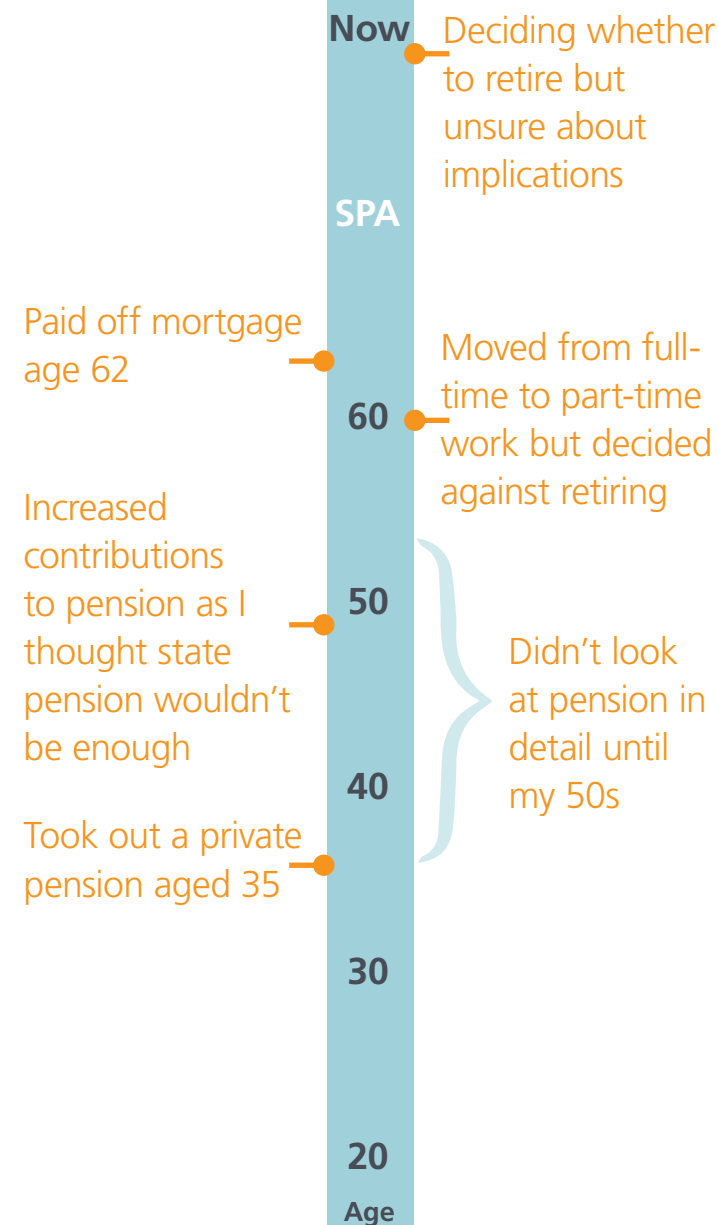
Mike Working later [proactive]

What my retirement is like:

- I'm working part-time past 65: it gives me extra income and stops me spending but it also means I have a lot of social contact and keeps me active.
- I don't see it as working out of necessity and I consider myself semi-retired – I want to work enough so that my retirement is comfortable but I don't want to work forever and waste the active years of my retirement.
- It's hard to know how to get the balance right and to work out how much I need to save before I decide enough is enough. I find the pension freedoms and changes to how you get taxed very confusing. I'd like to take some of my pension pot now – so I use it before I'm too old - but it's hard to judge how much to draw and how much to leave in there for the future, and I really don't want to get caught out tax-wise.

How did I get here?

- Low levels of engagement with retirement income over working life;
- Uncertainty about the best ways to “wind down” work to make most of pension savings.





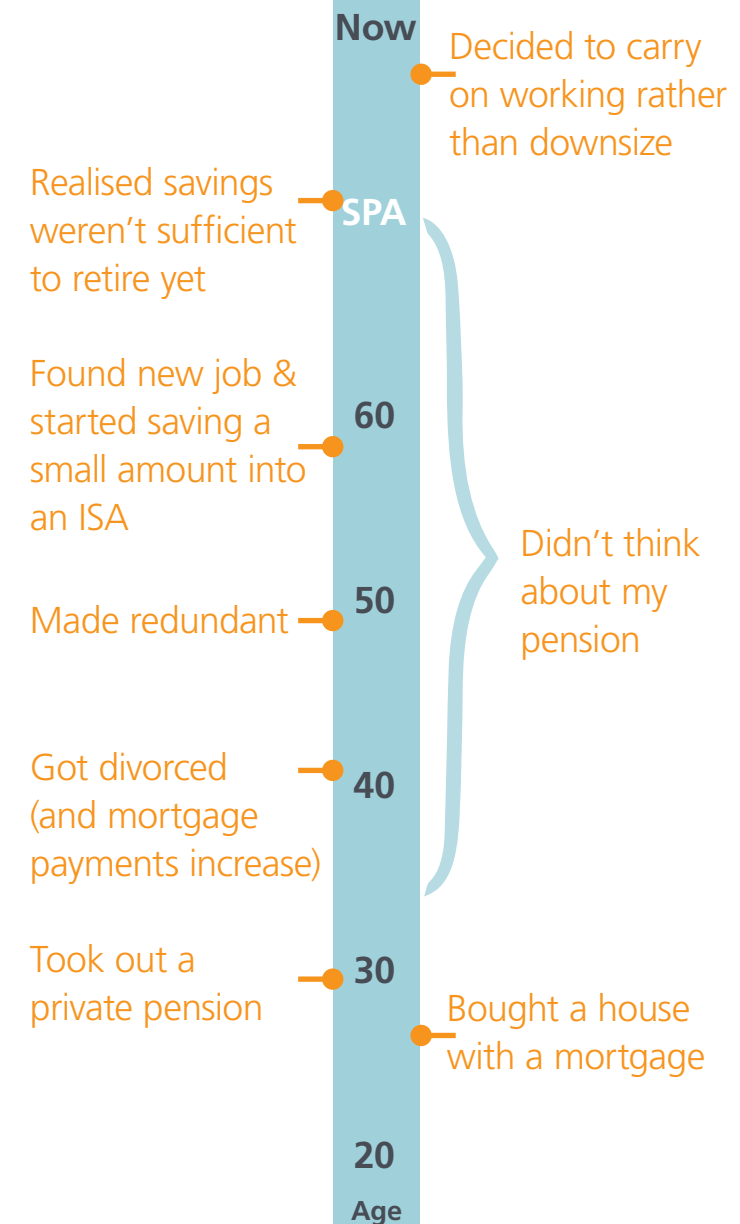
Sarah Working later [necessity]

What my retirement is like:

- I'm still working past state pension age; I thought I would have been retired by now but my income wouldn't be enough. I've had to cut back a lot recently and would be even worse off if I retired.
- I was made redundant late in my career and it took me a while to find work again. I also divorced in my 40s which really affected my finances. I do have a pension but tended to save more into an ISA on my brother's advice (he thought I had more in my pension pot than I actually did).
- I thought about downsizing and retiring a few years ago but I found the whole process of moving out daunting so I've decided I'll have to keep working for now.

How did I get here?

- Low levels of engagement with retirement income over working life;
- "Life events" derailed financial expectations.





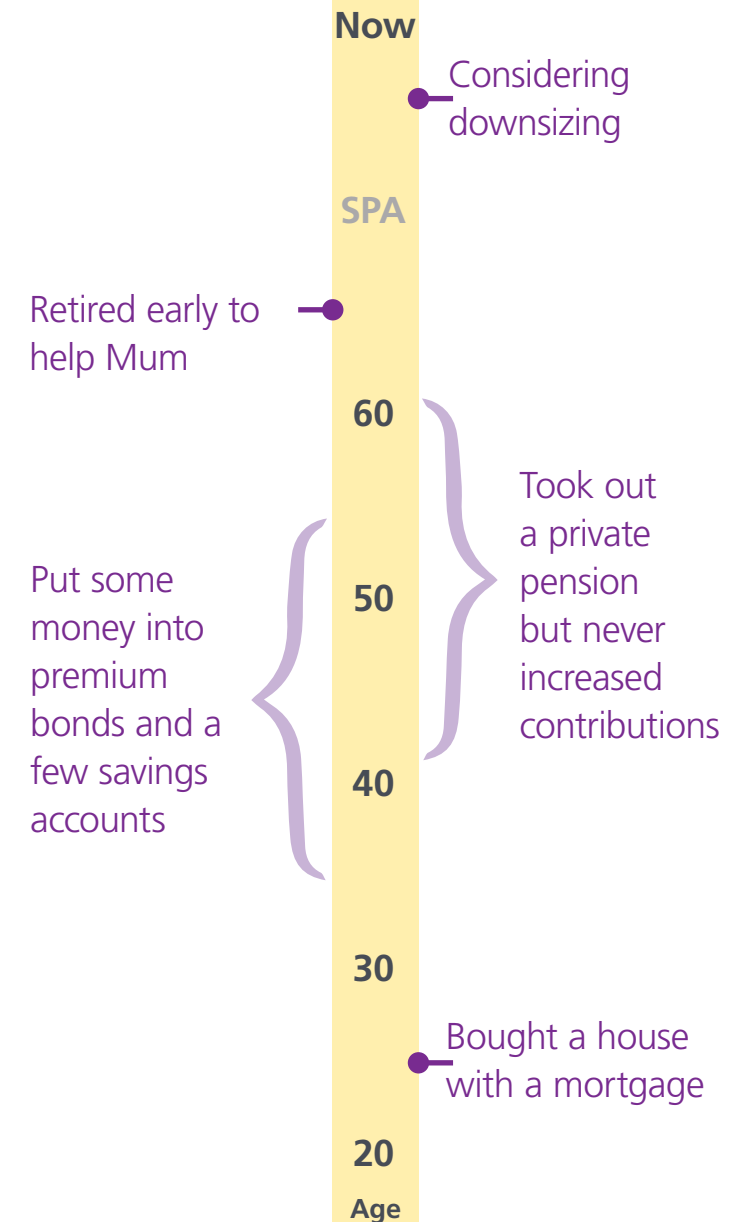
Joanne Caring [for an elderly relative]

What my retirement is like:

- My retirement is not how I imagined it to be: I spend most of my time looking after my mother who has Alzheimer's and don't get much time to myself.
- There's a lot of hospital appointments and I'm up at hers several times a day; it can get quite lonely and it's hard to know where to go for help.
- I finished working earlier than I thought to look after mum and, combined with my savings being worth less than I thought, I've had to cut back a lot on what I used to be spending. I was relying on an inheritance to compensate but the cost of care is also running down my mother's assets – the local authority won't help as long as she still owns her home.

How did I get here?

- Low levels of engagement with retirement income over working life;
- "Scattergun" savings decisions in later working life.
- Retiring early in order to take on a caring role.





LES Caring [for grandchildren]

What my retirement is like:

- I've ended up spending quite a lot of my retirement looking after my grandkids – it's only supposed to be two evenings a week, but my phone's always ringing unexpectedly with my daughter asking me for favours. It's more stressful than I thought retirement would be, there's less "me-time" and I do get taken for granted.
- Besides, the little things add up, like taking the grandkids to places where you need tickets or buying them an ice cream now and again. I often pick up costs like school trips or new shoes, just to help out, even though money's more tight than I thought it would be in retirement anyway.
- But looking after family is part of what being a grandparent is about and, besides, it keeps me young!

How did I get here?

- Low levels of engagement with retirement income over working life;
- Children's "life events" lead to greater role in caring for grandchildren.

Wish I hadn't retired at 65; now having to decide whether to downsize

My daughter divorced her husband but carried on working

My new employer told me to save into a pension at work when I moved jobs

Now

SPA

60

50

40

30

20

Age

Did not think about my pension at all, nor increase the amount I was saving

Been saving into a building society account all my adult life

BritainThinks conducted a programme of qualitative research with people in or approaching retirement between December 2015 and January 2016.

The research was intended to provide an in-depth exploration of the experiences of people with different retirement 'focuses' (footloose, working later and caring for someone) and an understanding of the support interventions that might meet their needs.

Through a process of qualitative analysis BritainThinks developed a set of "composite" pen portraits – illustrative profiles, based on participants in the research and intended to reflect key characteristics of each type of retirement explored. This work resulted in Bob (footloose), Sarah / Mike (working later) and Joanne / Les (caring for someone). The Pen portraits provide a timeline which shows a typical pathway to that outcome and are illustrated with verbatim quotes from research participants that had the same retirement focus.

BritainThinks conducted:

- 10x extended focus group discussions.
- 10x follow-up telephone interviews.

Across the sample, we heard from:

- A mixture of men and women aged between 55-70.
- Half were pre-SPA, half were post-SPA.
- All were midmarket consumers; owner occupiers with pension pots between £50k-£100k (and no final salary schemes).
- None considered themselves to be either extremely knowledgeable or know nothing about pensions.