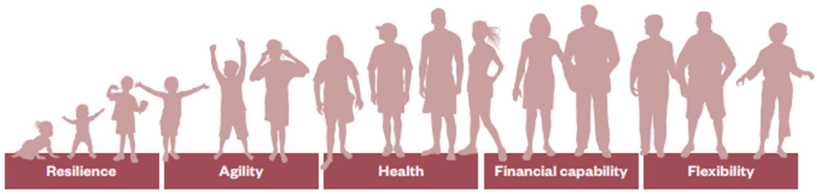
The Future Life: How can younger people be supported to achieve adequate retirement outcomes?

PPI Briefing Note Number 128

Introduction

In 2018, the PPI published the *Living the Future Life* and *Funding the Future Life* reports, as part of the Future Life Series, which explored how current social, health and socio-economic trends will affect the way people work and retire in future, and how future retirements could be funded. Since these reports have been published, there have been subsequent policy and landscape changes, including COVID-19, which will affect the needs of future pensioners.

PPI Briefing Note Number 126, *'How can today's pension savers prepare for tomorrow's retirement?'*, considered how changes in the working and retirement landscape may affect wellbeing for future pensioners, and explored policy changes which could help mitigate the impact of landscape changes on levels of wellbeing. The Briefing Note reinforced findings from the previous Future Life reports, that five key characteristics will help people to live a fulfilling, longer life: resilience, agility, wellness, financial capability and flexibility. In order to help individuals to achieve these characteristics, there needs to be a mind-set shift from three key agencies:



Five key components to living a productive and fulfilling life up to the age of 100 and beyond

1. Individuals need to be supported to re-consider working life and retirement;
2. Industry needs to adapt its products and services to facilitate the new world; and
3. Policy makers need to ensure that pensions policy is fit for purpose for the future life.

In addition to the changes within policy and the pensions landscape outlined in Briefing Note 126 younger generations have different savings behaviour and attitudes towards pensions. This Briefing Note explores the way in which people currently aged between 18 and 35 are preparing for later life and retirement, the way their expectations for retirement differ from previous generations of savers, and the specific challenges they face in preparing for adequate retirement outcomes, including:

- Younger people's attitudes and views towards pensions;
- How young people are currently preparing for retirement;
- Affordability concerns;
- Low levels of financial literacy and knowledge of pensions; and
- Societal inequalities that increase the risk of poor retirement outcomes.

PPI Young People and Pensions Survey 2021

This Briefing Note is informed by data and insights collected through the PPI Young People and Pensions Survey 2021. The survey was designed to glean a better understanding of young people's attitudes towards pensions and the challenges they face in preparing for later life. This was an online survey conducted with people aged 18 to 35 during September 2021, receiving 243 responses.[1] The survey was promoted via social media and word of mouth via people who work in the pensions industry, which may have skewed the sample towards those who are more engaged with pensions on average. However, given the range of views represented by respondents, findings are likely to broadly reflect those of the wider population of younger people, although further research may be needed to validate these findings within the wider population. While there were a broad range of views and attitudes towards pension saving among young people that responded to the survey, relatively high response rates (especially considering the voluntary nature of the survey, with no additional incentive associated) suggest that even those respondents categorised as 'Pessimistic and disinterested' have some interest in pensions and financial planning that could be encouraged by greater education and guidance at earlier ages. For more information about the demographic characteristics of respondents, see Appendix Figure A1 at the end of the Briefing Note.

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Most young people recognise the importance of pension saving, but need support to become more engaged and knowledgeable

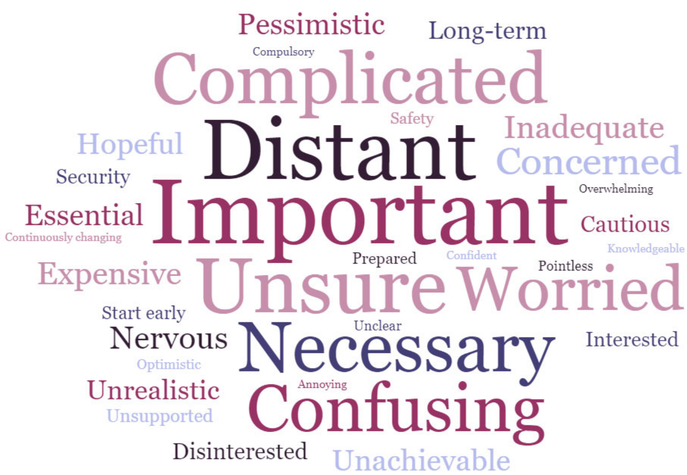
The majority of survey respondents believe pensions are important, but many associate them with negative expectations

Among the 243 respondents to the Young People and Pensions Survey 2021, there were some who felt positive, hopeful, even confident about pensions and retirement planning. There were many more, however, who associated negative feelings with pensions. One shared view across most of the responses, whether positive or negative, was that pensions were important, although there were a small number of responses that felt they were pointless, unrealistic or unachievable. Many responses also highlighted the feeling that pensions and retirement are distant, which (along with their complexity and associated feelings of worry and concern about achieving future adequacy) can discourage younger savers from becoming more engaged with pension saving and retirement planning decisions at an earlier stage.

There were three main attitude profiles identified within the responses. Young people with these different approaches to pensions are likely to require different support to become more engaged:

- **Pessimistic and disinterested:** These were individuals who had a particularly negative view of pensions, including those who recognise their importance but feel the challenge is insurmountable, as well as those who expressed being disinterested or not seeing the point in pensions. Members of this group are likely to be the most challenging to engage and used words such as *'unrealistic'*, *'unachievable'*, *'pointless'* (Figure 1). They represented **39.9%** of respondents.
- **Worried and unsure:** These were individuals who were concerned about their ability to save adequately for retirement and their low levels of knowledge and understanding about pensions. These individuals recognise the importance of saving for retirement but are likely to require more support to build their knowledge and engagement, and used words such as *'unsupported'*, *'complicated'*, *'concerned'*, *'cautious'*. They represented **32.9%** of respondents.
- **Engaged but want more guidance**: These were individuals who felt they knew at least a small amount about pensions and recognised the importance of planning for retirement, but could benefit from additional support and guidance to maximise retirement outcomes. Members of this group are likely to be the least at risk of suffering particularly inadequate retirement outcomes, and used words such as *'optimistic'*, *'interested'*, *'knowledgeable'*. They represented **27.2%** of respondents.

Figure 1: 'Please give three words that describe your attitude or views towards pensions and retirement'



Young people in all of these groups could benefit from a central source of accessible information and guidance, whether online or, likely more effective due to low levels of engagement, as a part of compulsory education (i.e. school). This would need to explain the basic mechanisms of the pensions system, as well as considerations around adequacy, including different types of pension scheme, the lifestyle different contribution rates are likely to provide in retirement, and the decisions that will be faced when accessing pension savings.

92.6% of respondents to the survey said that they think financial and retirement planning should be taught at school or university as a mandatory subject.

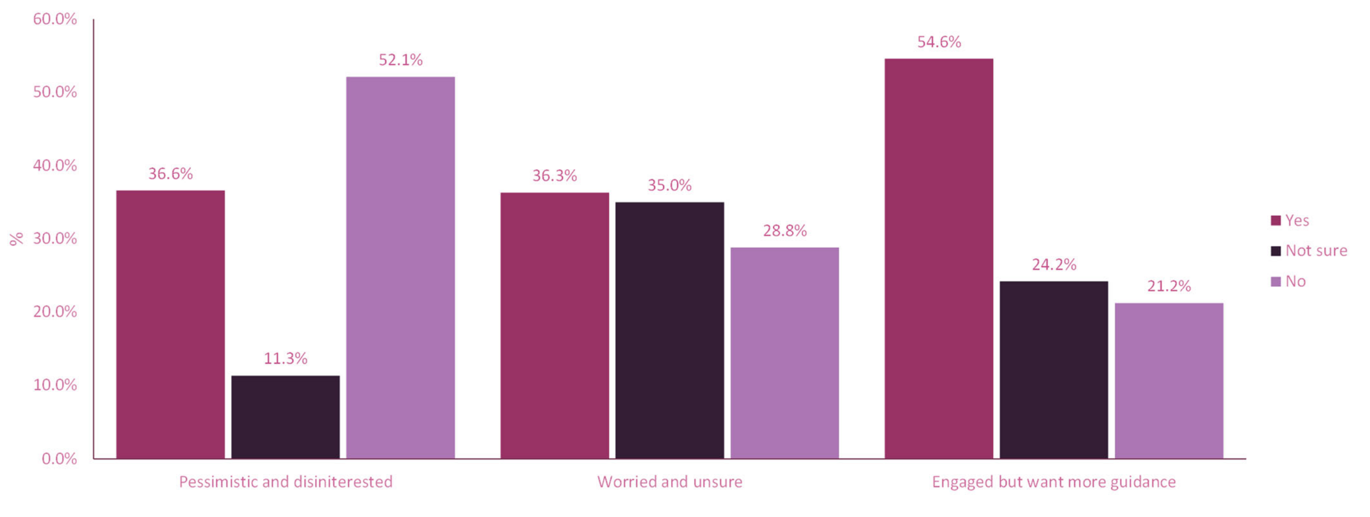
For members of the 'Engaged but want more guidance' group, this alone could improve their retirement outcomes by supporting them to start thinking about retirement planning earlier and providing them with some reasonable rules of thumb to guide them during their saving journey. Young people in the two less-engaged categories are likely to need greater support and intervention to increase their engagement and understanding of pensions.

Most young people expect to experience a poorer retirement than previous generations, which can discourage them from actively engaging with retirement planning

The changing pensions landscape, as well as changes in society and particularly employment, contribute to younger people's shifting views and lack of clarity on retirement planning. On average, previous generations had more stable and consistent work patterns and many retired with considerable entitlement to Defined Benefit (DB) pensions. There was also a feeling among survey respondents that previous generations could have a greater reliance on State provision. One respondent highlighted that previous generations in their family 'relied on and expected the State Pension to be enough'. This view has not been passed onto younger savers, only 42.4% of whom believe that the State Pension will still be available when they reach later life, compared to 34.3% who don't think it will be available and 23.3% who are not sure. Members of the 'Engaged but want more guidance' group appear to be more optimistic about the future of State provision than those in other groups (Figure 2).

Figure 2: Members of the 'Engaged but want more guidance' group appear to be more optimistic about the future of the State Pension, but levels of trust remain low

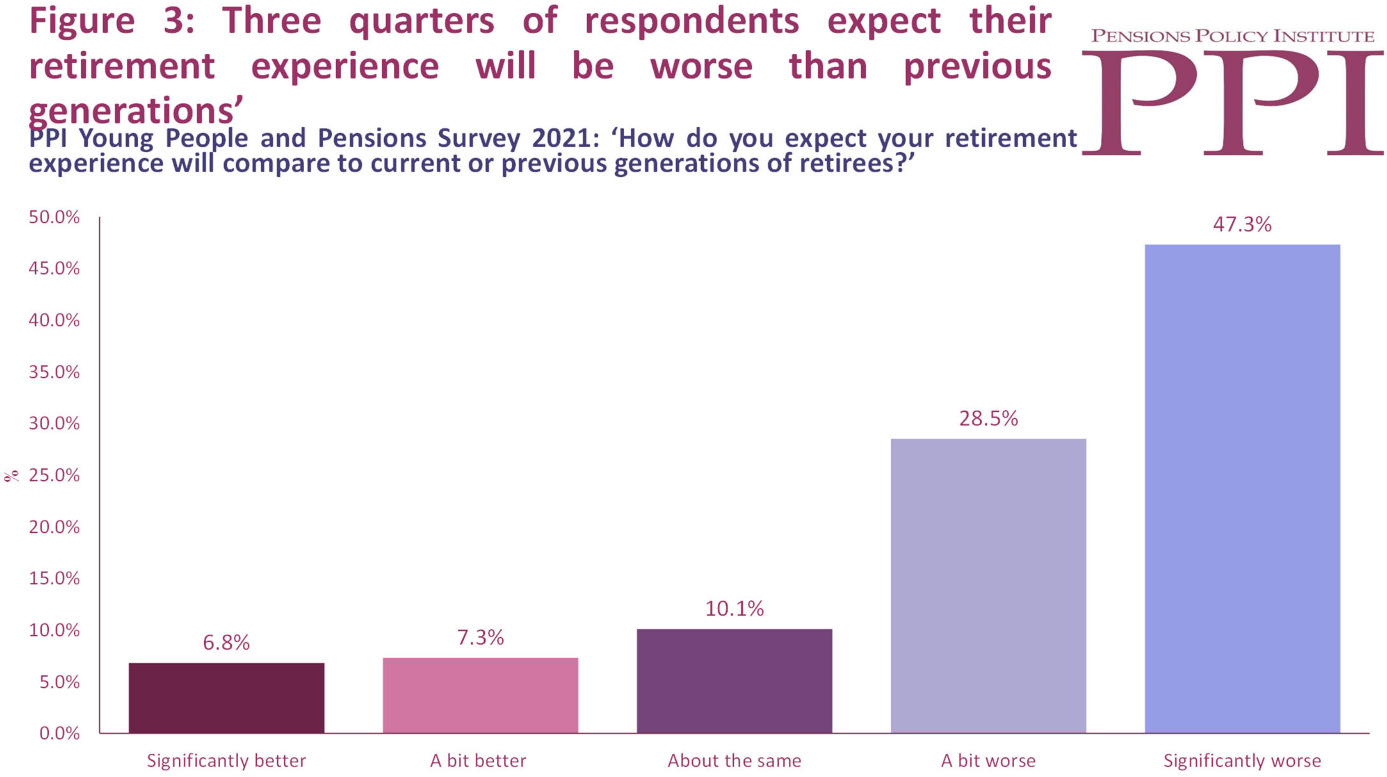
PPI Young People and Pensions Survey 2021: 'Do you expect that State Pension will still be an available source of income when you reach retirement?'



Three quarters of survey respondents expect that their retirement experience will be worse than previous generations', including almost half who think it will be significantly worse (Figure 3). This rose to two thirds (66.2%) among the 'Pessimistic and disinterested' group.

Figure 3: Three quarters of respondents expect their retirement experience will be worse than previous generations'

PPI Young People and Pensions Survey 2021: 'How do you expect your retirement experience will compare to current or previous generations of retirees?'



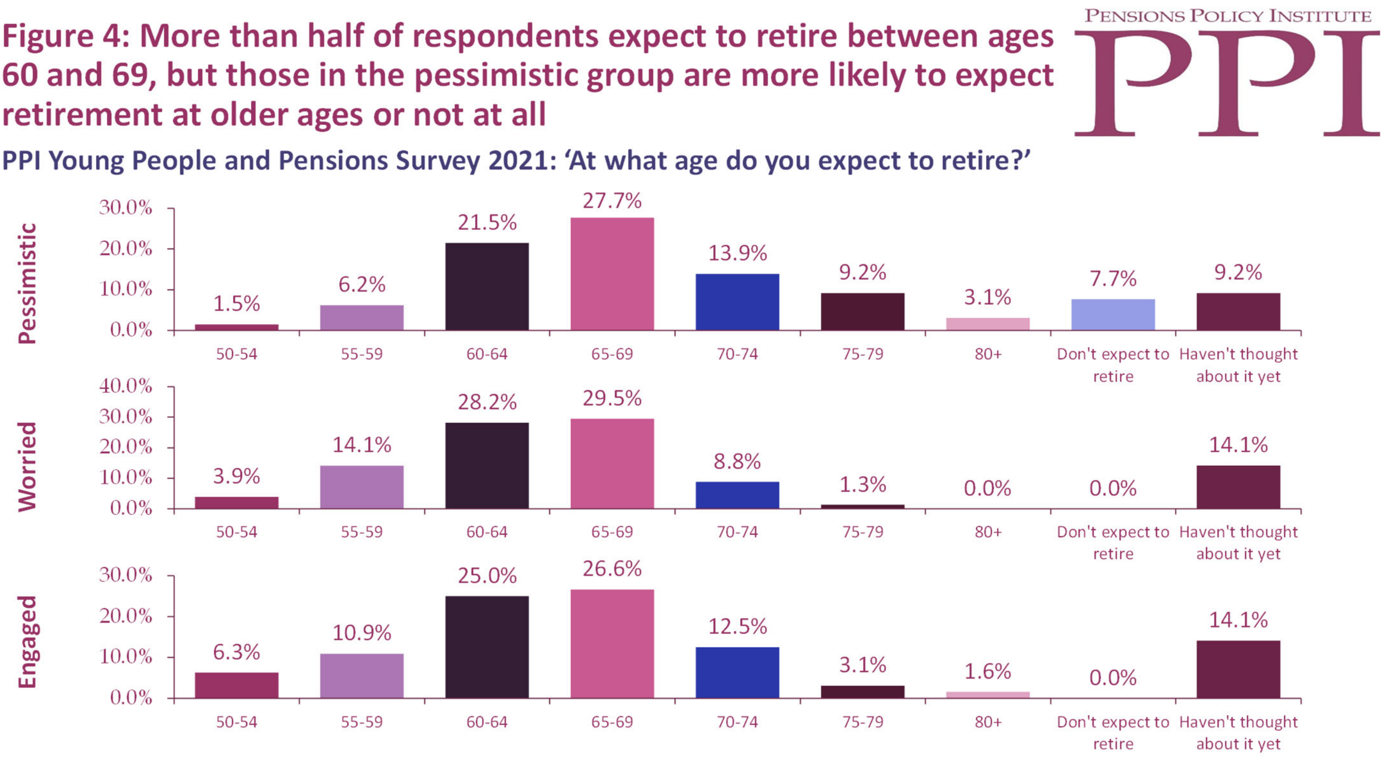
Among the reasons given for this, respondents highlighted:

- The shift from DB to Defined Contribution (DC) provision:
    - *"By virtue of DB pensions being scarce outside of public sector"*
    - *"DC schemes significantly less generous than DB schemes of the past"*
- Low levels of trust in State provision and the economy more generally:
    - *"Retirement age keeps being pushed back. It's unlikely we'll see anything for NI contributions"*
    - *"Suspect State Pension will be gutted in the name of post-COVID-19 austerity on the pretext that automatic enrolment should sufficiently bolster the savings of young people"*
    - *"I think social class will make it a lot more challenging, especially if there are any further roll backs of State support under certain governments. I'm not optimistic that there will be adequate State support in future (an end to cradle to grave support)"*
    - *"Current economy is very concerning; I have little trust on what is going on, nor do I understand what is going on and what the future holds"*
- Low levels of financial literacy requiring greater education and support:
    - *"Young people are less aware of pensions, and aren't taught the fundamentals early on in their career"*
    - *"The need for better education and better resources for pensions, such as apps, easily accessible websites for information and adverts on online platforms"*
    - *"I do think all schools should teach the basics of savings and pensions and handling your finances, which I didn't have (and doubt most will have)"*

Despite shifting expectations of retirement, more than half of respondents said they expect they will retire in their 60s (Figure 4). This does not represent any change from current ages of retirement; in 2020, the average age of labour market exit for men was 65 and for women was age 64.[3] However, members of the 'Pessimistic and disinterested group' are more likely to expect to retire at older ages or not at all. They are less likely to say that they haven't thought about retirement yet, suggesting some may be more pessimistic about retirement prospects because they have given them greater consideration.

Figure 4: More than half of respondents expect to retire between ages 60 and 69, but those in the pessimistic group are more likely to expect retirement at older ages or not at all

PPI Young People and Pensions Survey 2021: 'At what age do you expect to retire?'



Expected transitions to retirement, however, contrast with current patterns. While cliff edge retirement (going from full-time work to full retirement with no transitionary period) remains relatively common at present, just 7.3% of respondents said they expect to retire this way. 40.8% said they expect they will gradually reduce their hours, while 8.3% plan to move into a less stressful role and 13.1% a more flexible role.

Policies aimed at improving the future retirement outcomes of younger savers will need to address affordability concerns, financial literacy and knowledge of pensions, and societal inequalities that increase the risk of poor retirement outcomes

While retirement may seem very distant, or even unreachable, for many of today's under-35 population, engaging individuals with pension saving at younger ages makes adequacy goals more achievable. Early engagement in pension saving can allow more opportunities for preparation and long-term planning, while starting pension contributions at younger ages also makes accruing sufficient savings easier. Compound interest, in which returns are accrued upon contributions and any prior returns, makes contributing from younger ages particularly advantageous.

As a result of automatic enrolment, more young people than ever before are saving into a pension earlier in their working lives. However, contribution rates are relatively low and young savers express confusion around pension challenges and how the system works. These challenges can discourage younger savers from engaging with pensions and lead to a pessimistic or apathetic attitude towards retirement planning, although some younger savers do remain optimistic. In order to improve engagement with pensions and retirement planning among younger savers, policies may need to target the following:

- Affordability concerns, including employment stability
- Financial literacy and knowledge of pensions, including exploring more effective ways to engage younger savers
- Inequalities in society that can make it harder for some groups of younger savers to prepare adequately for retirement

Affordability of pension saving is a particular issue for younger savers on low incomes and may require changes in both pensions and employment policy

Affordability is a key issue for many of today's younger workers who are potentially paying off student loans, paying rent and/or saving for a house, while working in insecure or variable hour jobs. Increasing pension saving must be balanced against these other, often more immediate priorities. Some of these are expenses that will be present throughout life, both in work and retirement, for example paying for basic living expenses and money spent on enjoying life. Other priorities are more short-term, such as major life events, after which some of this money could be diverted to pension savings. Meanwhile, some of these other priorities, such as home ownership and paying off debt, can have a positive impact on retirement outcomes, so it may make sense for some younger savers to focus on these goals primarily for the time being. Innovation in products that offer greater flexibility in saving towards retirement alongside other, more immediate goals, may help to engage younger savers to a greater degree.

Respondents to the survey identified 'Increased earnings' and 'Increased employer contributions' as the most likely to motivate them to start or increase pension contributions (Figure 5). This suggests that 'save more tomorrow' approaches, in which pension contributions are increased when earnings increase, could be an effective method to increase pension savings rates among younger savers in the future.

Figure 5: Increased earnings and increased employer contributions were ranked the most likely to increase individual contribution rates

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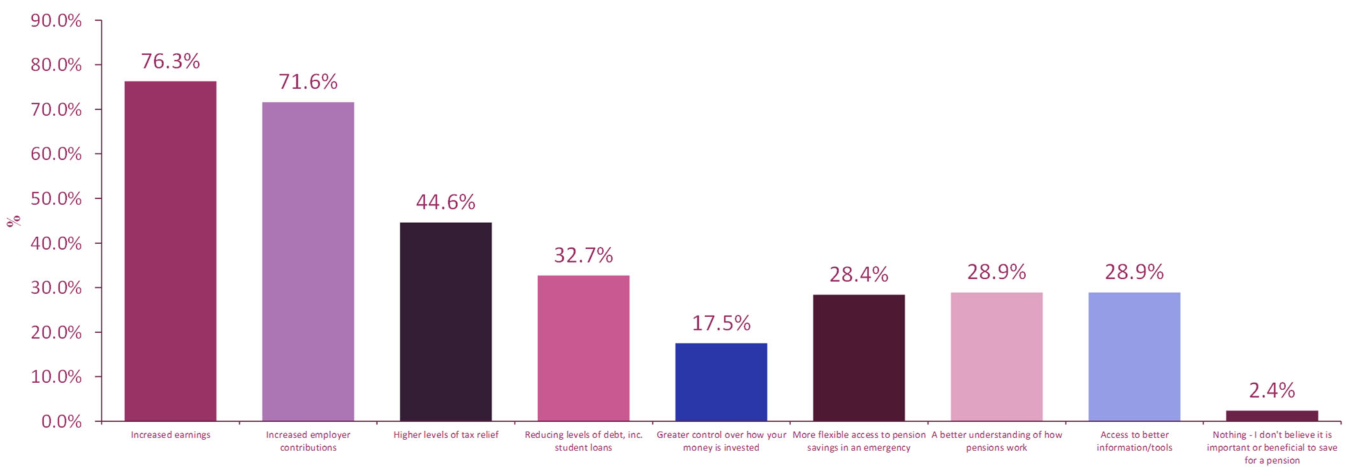
PPI Young People and Pensions Survey 2021: 'What would encourage you to start contributing to a pension or to increase your pension contributions?'



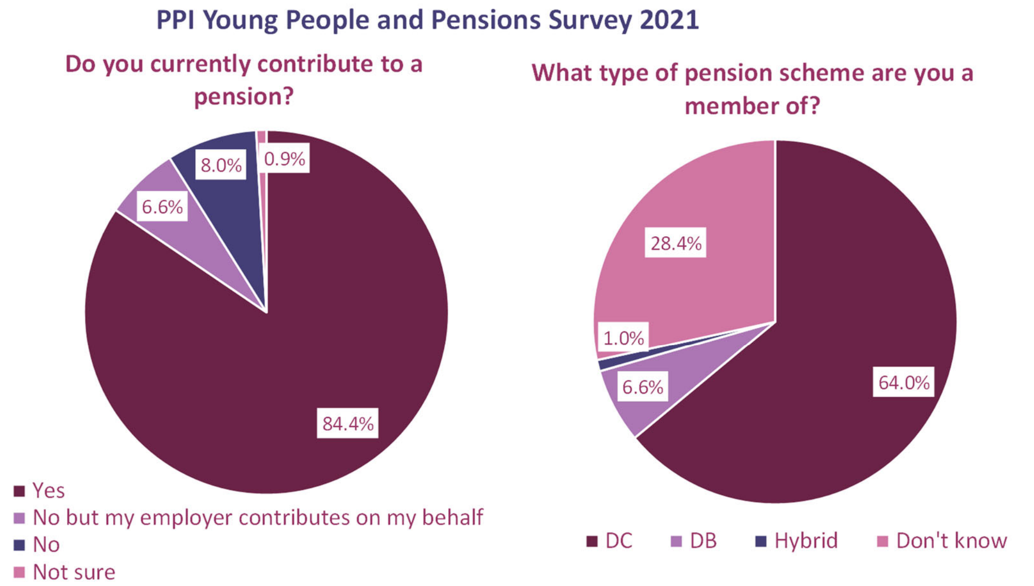
Higher levels of tax relief were also highly rated as a potential motivator for increased pension saving. However, given low levels of understanding of the pensions landscape, as well as their own levels of contributions in some cases, some younger savers are unlikely to fully understand current levels of tax relief. Better communication of the value added by existing tax relief arrangements may therefore encourage increased engagement with pension saving among some younger people.

Automatic enrolment has brought many young people into pension saving, where previously they would not have begun saving until later in their working lives

Workplace pension participation rates have grown substantially among younger savers in recent years as a result of automatic enrolment. In 2008, prior to the introduction of automatic enrolment, around 40% of workers aged 22-29 years old were contributing to a workplace pension; by 2018, once all employers had begun automatically enrolling, participation rates for this age group had increased to more than 80%.[4]

Around nine in ten respondents to the Young People and Pensions Survey 2021 said that they are currently an active member of a pension scheme, including both those who contribute themselves and those who said that while they don't contribute, their employer contributes on their behalf (Figure 6). It is important to note that the membership levels of respondents to the survey may not be fully representative of the whole population within this age range. As participation in the survey was entirely voluntary, it is likely that those who chose to respond are more engaged with pensions than the population as a whole.

Figure 6: Nine in ten survey respondents aged 18-35 currently contribute to a pension, although more than a quarter are unsure what type of scheme they contribute to



Two thirds (64%) of respondents said that they are members of a DC scheme, while more than a quarter (28.4%) said they do not know what type of scheme they are a member of (Figure 6). Without being sure whether they are accruing a pension pot (DC) or an entitlement to a pension income (DB), these savers will be less able to make decisions about their savings rate and retirement planning that are appropriate to their specific financial situation. Educating young savers about the type of pension schemes available and the decisions and risks associated with them would better prepare them for making more appropriate decisions as they approach retirement.

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Most young savers are saving at contribution rates that are unlikely to produce adequate retirement outcomes

The introduction of automatic enrolment has meant that the decision to save and decisions regarding how much to contribute have become more automated for many people.

While only 19.9% of respondents to the survey said that they were contributing at the minimum mandated automatic enrolment rate (currently 8% inclusive of employer contribution and tax relief), a significant proportion of the 48.2% that selected either the 'Minimum amount required to obtain employer contribution' or the 'Maximum amount that employer will match' category, as well as some in the 'More than maximum employer match level' group, are likely to be contributing at the minimum level without realising that that their employer's match level is set at the minimum mandated level. As of 2018, around 1.5 million eligible workers aged between 22 and 29 years old were contributing at a rate higher than the minimum.[5] In addition to those who were confused about whether or not they currently contribute at the minimum level, 12% of respondents did not know their contribution rate at all (Figure 7). Without knowing their current rate of contribution, young savers cannot assess whether this is appropriate, neither in terms of how effectively it will allow them to achieve adequacy in retirement nor how it interacts with current financial needs and shorter-term goals. While members of pension schemes receive annual statements from their providers, more could be done to raise awareness of the importance of contribution rates among younger savers, both in terms of knowing their current contribution rate and understanding how to evaluate the retirement income it is likely to translate to. A greater focus on retirement outcomes and how they relate to contribution rates may encourage younger savers to re-evaluate how much they are currently saving.

Figure 7: 12% of survey respondents aged 18-35 do not know how much they are contributing

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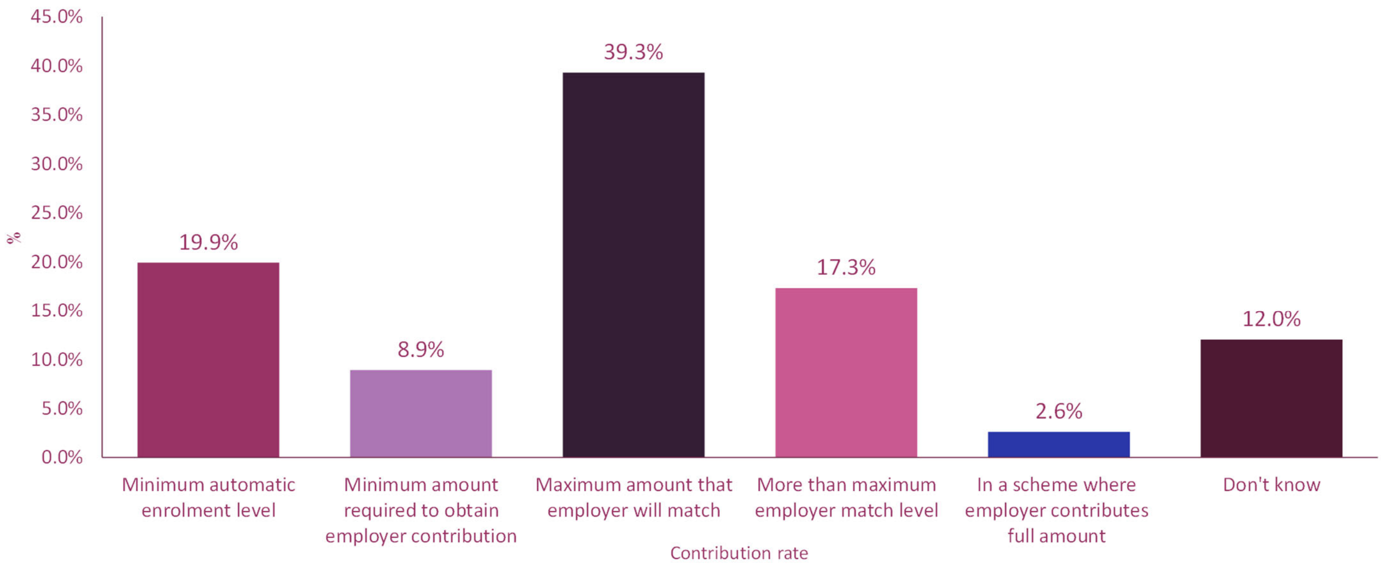
PPI Young People and Pensions Survey 2021: 'How much do you contribute to your pension?'



Contributions at the minimum level of 8% are unlikely to provide adequacy in retirement for anyone but the lowest earners. Under an assumption of full entitlement to the new State Pension (nSP) and a lifetime of minimum required automatic enrolment contribution rates, anyone earning over £12,700 will require additional savings beyond the default 8% of band earnings to reach their target replacement rate which will allow them to replicate working-life living standards in retirement. For those on median earnings in 2020 of £24,900, the total contribution rate needs to be about 20%, a further 12% above the minimum required under automatic enrolment.[6]

Most young savers substantially underestimate how much they need to be saving in order to achieve an adequate income in retirement. More than a quarter of respondents to the survey selected a 10% contribution rate as one that is likely to provide adequacy, and the majority of responses were in the range of 5%-15%. However, some respondents selected as little as a 3% contribution rate, while, in contrast, one respondent thought they would need to contribute 100% of salary in order to achieve adequacy in retirement. 4% of respondents said they did not know what would constitute an adequate contribution rate. Education around what constitutes an adequate contribution rate would help young savers to better understand and assess their current progress towards retirement adequacy.

Affordability concerns and ineligibility for automatic enrolment contribute to lower levels of pension participation among younger savers, however, some are unsure why they are not currently saving

Although most young people recognise the importance of saving for later life, many are focused on building financial stability in the shorter term, such as paying off debt, purchasing a house and building non-pension savings, before progressing to saving for subsequent life stages, such as retirement.

Among the 8% of survey respondents who said they are not currently saving into a pension, a variety of reasons were given for non-saving, but the most common answer (26.9%) was that they didn't know why they were not saving (Figure 8). Being ineligible for automatic enrolment as a result of low earnings was a close second (23.1%), followed by those who are ineligible as a result of being too young (23.1%). It should be noted that because this question was asked of a subset of respondents (those not currently a member of a pension scheme), responses may be less representative of the wider population.

Figure 8: More than a quarter of respondents who are not currently a member of a pension scheme said they don't know why they are not

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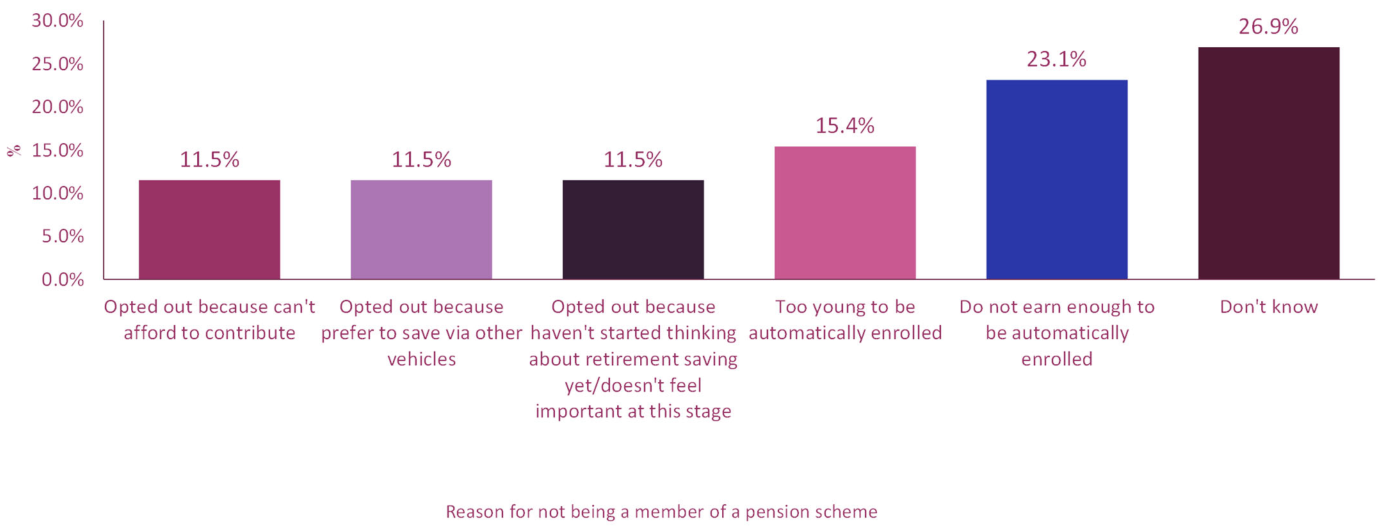
PPI Young People and Pensions Survey 2021: 'If you are not a member of a pension scheme, why not?'



The Department for Work and Pensions (DWP) has committed to lowering the age of eligibility for automatic enrolment to 18 during the mid-2020s, which will help ensure that people spend a longer proportion of working life contributing to a pension.[7] There are currently no plans to remove the £10,000 lower earnings limit or include income from multiple jobs in eligibility assessments.

Those who said they don't currently contribute to a pension because they prefer to save in other vehicles could include both those who have other savings goals, such as purchasing a house, and those who prefer to save in less traditional ways. For example, between 2017 and 2020, use of cryptocurrency accounts increased fourfold, from 1% to 4%. Usage is particularly prevalent among men aged 18-34, where 9% held an e-money alternative account in February 2020, compared with just 3% in 2017.[8] It is worth noting, however, that while younger savers may be attracted to investment in cryptocurrency, they may not fully understand the risks of doing so and are missing out on employer contributions and tax relief if they opt out of pensions in order to invest part of their salary this way.

The high prevalence of less secure working patterns impact affordability of pension saving for younger workers

Younger workers are more likely than any other age group to participate in unstable employment, such as part-time work, gig work or zero-hour contracts. Working multiple part-time jobs also reduces the likelihood of an individual being eligible for automatic enrolment, as they are less likely to exceed the earnings threshold in one of their jobs than someone who works only one full-time job. This can contribute to affordability issues around pension saving even during economically stable times, however, during the pandemic these issues have been further exacerbated.

The impact of unemployment resulting from the pandemic has fallen particularly heavily on younger workers: of those aged 18-24 in employment in February 2020, around 20% were no longer working in January 2021, compared with 7% for workers of all ages.[9] Younger workers are more likely to work in the areas worst hit by the pandemic. Alongside young people, people from some Black, Asian and Minority Ethinic groups, carers, people with disabilities and women have been particularly hard hit by COVID-19, meaning that young people from these groups are doubly vulnerable.[10] This time out of work will result in fewer contributions both now and potentially in the future if these breaks from working become extended or slow the potential pay progression in future jobs. Financial resilience, as well as mental resilience, will be especially important for today's younger savers so they can cope with financial shocks and potential changes to the labour market, such as those arising from COVID-19.

There is little consensus in young people's views on whether the economic outlook is better now than a year ago (Figure 9).

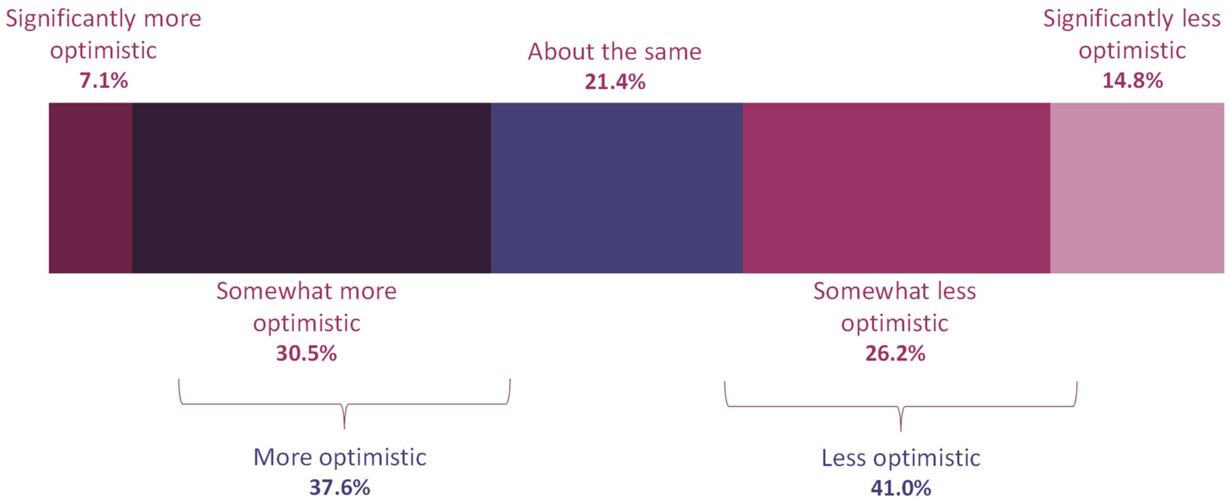
Those either ineligible or less likely to be eligible for automatic enrolment, casual and part-time workers, and the self-employed could be supported by changes to labour market and pensions policy. For example, the inequalities associated with zero-hour contracts could be addressed by Government policy requiring a minimum number of guaranteed hours for workers, the minimum threshold for automatic enrolment could be reduced to cover part-time workers, and the self-employed could be automatically enrolled into a pension via HM Revenue & Customs (HMRC).

Affordability issues for those working part-time or on zero-hour contracts could be tackled through requiring employer-only contributions until wages reach a particular level. Requiring employers to pay contributions on behalf of lower earners and/or raising minimum required contribution levels from employers could also help those with limited incomes to make more meaningful contributions into their pensions.

Though the above are not the only potential solutions, they show that policy could be used to ensure that those in all types of employment could be enabled to save into a workplace pension. Policy changes are likely to be most effective at improving younger savers' retirement outcomes if coupled with increased education and engagement.

Figure 9: Young people's feelings about the economic outlook are extremely varied, with similar amounts feeling more optimistic compared to less optimistic

PPI Young People and Pensions Survey 2021: 'How do you feel about the economic outlook compared to this time last year?'



Increased education and innovative engagement on pensions and retirement planning will be needed to improve future retirement outcomes of younger savers

Levels of financial literacy and capability are relatively low, especially among younger people. Younger groups also respond more effectively to different types of communications to older individuals, so it is worth revisiting the ways in which guidance and access to services is provided, and ensuring that the format is in keeping with the way that younger people absorb information. However, it is also worth recognising that the success of automatic enrolment is based on inertia and that increased education has the potential to lead to detrimental outcomes as well as the potential to increase positive engagement.

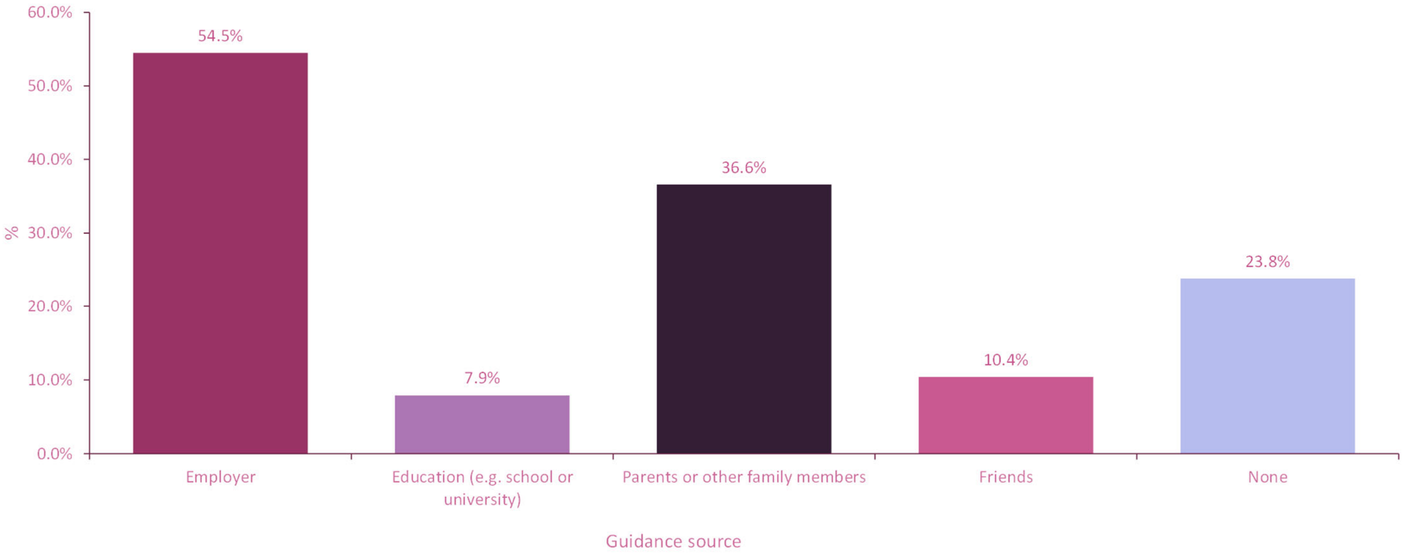
While pensions are complex, most young people have not received any targeted education or guidance

Young savers can often feel overwhelmed by information overload, while feeling unsure where to find trustworthy sources of financial information and guidance.[11] Many respondents to the survey expressed feeling that pensions were complicated, unclear and continuously changing. They also expressed feeling unsupported, with little education and guidance around pensions and retirement planning. More than a quarter (28.9%) of survey respondents identified 'A better understanding of how pensions work' and 'Access to better information/tools' as key to increasing their engagement with pensions (Figure 5).

Specific guidance and education on pensions and retirement planning is minimal for this age group, with almost a quarter (23.8%) saying they have not received any at all (Figure 10).

Figure 10: Nearly a quarter of respondents report not having received any education or guidance relating to pensions

PPI Young People and Pensions Survey 2021: 'Have you ever received education or guidance about pensions from the following?'



While it is positive that more than a third (36.6%) of survey respondents say that they have received education or guidance about pensions from their parents or other family members, and a further 10.4% saying they have received it from friends, the main drawback of relying on family or friends is that they can also have low levels of knowledge and financial capability - and may not be aware of their limitations when offering guidance.[12]

Communications that help young savers to better understand the impact of their saving behaviours could improve retirement outcomes

A recent study by the Behavioural Insights Team found that changing the framing of communications about pensions could help to get young people more engaged and knowledgeable, focusing on three specific changes:

- **Investments/rules of thumb:** Including useful rules of thumb about the power of saving early, such as 'a pound saved at age 25 could be worth four times as much as pound saved at age 55', and including the financial impacts of increasing contributions to 12% or 15%.
- **Labelled amounts:** Explaining that 12% is needed to stay above the poverty line, and most will need 15% for a comfortable retirement, in order to make the future impact of present decisions about contribution rates more salient.
- **Future focus:** Asking young savers to reflect on their goals and expectations in retirement before looking at pensions communications can help them to better connect with their future selves, and may make them more likely to increase saving rates as a result.[13]

Inequalities in society mean that certain demographic characteristics can increase individuals' risk of experiencing poor retirement outcomes

Some individual characteristics can make it harder to save into a pension and increase the risk of inadequacy in retirement. These characteristics include gender, ethnicity, socio-economic background and education, among other potential factors. Survey respondents were asked if any of their characteristics made it harder to save for an adequate retirement.

- **Gender:** Many female respondents to the survey highlighted the gender pensions gap, discussing its roots in both the gender pay gap and decisions about family care:
  - *"Women earn less money - despite every company saying that they are making steps towards equality, they are yet to show it across a broad range of industries. This is particularly harmful in terms of a workplace pension where the employer contributes a percentage of the employee's salary"*
  - *"I earn less compared to my male counterparts and I'm more likely to take a career break to look after children (especially with astronomical nursery fees)"*
  - *"I have taken maternity leave recently and feel like I have gotten behind my male colleagues since returning in terms of salary"*
  - *"As a woman who intends and expects to start a family, my ability to save into a pension will be greatly impacted by any time spent on maternity leave. As the main breadwinner in my marriage, this will have a knock-on effect for our retirement"*
  - *"Needs to be onus on employers to continue to pay the same level of contributions on maternity leave as pre-leave"*

- **Ethnicity, nationality and culture:** Respondents raised concerns about the way that ethnic background and culture can impact both attitudes towards retirement planning and ability to save. For respondents from other countries, there were concerns about how they could access their savings if they returned to their home country:
  - *"In my culture retirement is not given any importance"*
  - *"A lower salary is linked to more marginalised groups and ethnicities, therefore these people are likely to have a lower pension. The social and economic issues in the country are what drives this"*
  - *"Ethnicity and my parents' social class. My parents are now at an age where they have to think about retirement and I am aware I will have to support them financially"*
  - *"I am not from the UK and have contributed to pensions in three different countries. I'm not motivated to contribute more to my pension in my current job in the UK because I'm unsure whether/how I can take that money out when I return to my home country"*

- **Social class and familial wealth:** Respondents highlighted social class and familial wealth (especially potential for inheritance) as key determinants of pension saving and outcomes:
  - *"Social mobility is so low, there's little to no chance of someone from a working-class background receiving a decent pension"*
  - *"I think social classes have become far more rigid and less permeable in my lifetime, so my social class is now a direct ceiling on my potential income and cost of living, therefore my ability to contribute to a pension"*
  - *"If you don't have expendable income, you are very unlikely to contribute more to a pension unless there are incentives. Living from day to day now doesn't allow to plan for future"*
  - *"Being from a working-class background generally means I'm not as well informed as those of a higher social class on things like investment/managing your money"*
  - *"I don't think I will inherit a sum that would be useful in the same way my friends will"*
  - *"I am benefitted by my social class in that my parents both had lifelong pensions and were able to educate me on the importance of contributing while young/without dependents or other large financial ties like a mortgage etc."*

- **Education:** Respondents with less than degree level educations felt this could hinder their career progress and earnings, and as a result the affordability of pension saving, while respondents that did go to university highlighted the impact of student debt on affordability:
  - *"I do not have an education higher than A level, so it has made it harder for me to climb the career ladder"*

- *“Social class and education are tied into overall pay bracket one can expect to have. If you barely earn enough to make do, whilst also providing for your family, then there is little chance of having a decent amount to retire on”*
- *“Non-degree/college educated has made career and increasing earnings harder and therefore impact later life savings”*
- *“As a graduate having come from a low-income family, I have a massive student debt ‘around my neck’. I pay nearly 10% of my income over the threshold towards my student debt – this is money that I’d love to divert to my pension”*

Conclusions

- Most young people recognise the importance of pension saving, but need support to become more engaged and knowledgeable.
- Policies aimed at improving the future retirement outcomes of younger savers will need to address affordability concerns, financial literacy and knowledge of pensions, and societal inequalities that increase the risk of poor retirement outcomes.
- Affordability of pension saving is a particular issue for younger savers on low incomes and may require changes in both pensions and employment policy.
- Increased education and innovative engagement on pensions and retirement planning will be needed to improve future retirement outcomes of younger savers.

Policies identified with potential to improve younger savers’ retirement outcomes:

- Increased education and guidance for younger savers, especially greater communication and education around what constitutes an adequate contribution rate would help young savers to better understand and assess their current progress towards retirement adequacy.
- Inequalities associated with zero-hour contracts could be addressed by Government policy requiring a minimum number of guaranteed hours for workers, the minimum threshold for automatic enrolment could be reduced and updated to cover part-time workers and multiple job holders, and the self-employed could be automatically enrolled into a pension via HMRC.
- Affordability issues for those working part-time or on zero-hour contracts could be tackled through requiring employer-only contributions until wages reach a particular level.

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1 Some data does not include all 243 responses due to participants skipping some questions.

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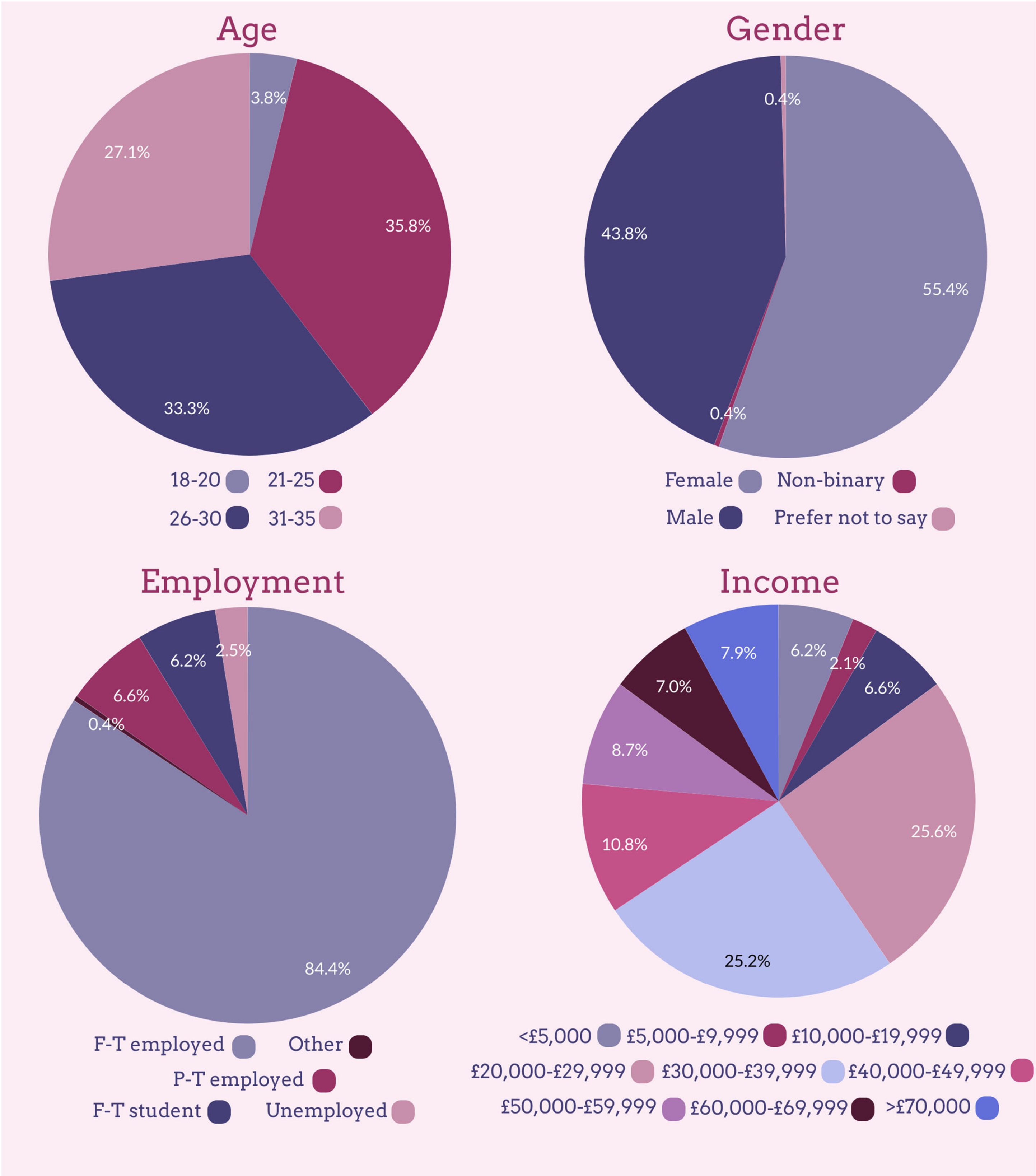
Appendix: Figure A1



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