# How can today's pension savers prepare for tomorrow's retirement?

## PPI Briefing Note Number 126

**Introduction:** In 2018, the PPI published *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.

**Wellbeing perspective:** There are many approaches to holistic wellbeing, though they generally all involve four main areas: housing, employment, social and health. The future life series categorises these as: Work and skills; Housing; Family and social relationships; Health and social care. *This Briefing Note, sponsored by Capita considers* how changes in the working and retirement landscape may affect these wellbeing areas for future pensioners and explores policy changes which could help mitigate the impact of landscape changes on levels of wellbeing. This Briefing Note reinforces 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:

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.

## Work and skills

Multi staged careers and an increase in casual and self-employment, alongside COVID-19 related increases in unemployment highlight the need for more flexible types of saving and the potential need for early access (or side car) savings to allow people to deal better with financial shocks and to fund reskilling/retraining, or starting businesses. Today's savers will need to be more agile and flexible to cope with the changing needs of the labour market while also planning and preparing for later life.

Low levels of resilience, capability and trust in pensions, exacerbated by the COVID-19 pandemic, mean that today's savers would benefit from support to develop financial resilience, capability and engagement in order to navigate the pre, at and post retirement financial system. This will need to include support and guidance around how much people might need to contribute to pensions in order to achieve their personal adequacy goals and targets. Many of today's savers are likely to struggle to be able to afford to save sufficient amounts to meet future needs without further support or policy change.


### Some aspects of pension saving have become more automated

Automatic enrolment, phased in from 2012, requires employers to enrol eligible employees (those aged between 22 and State Pension age and earning £10,000pa or more) into a qualifying workplace pension. Though employees have the option to opt out, the current opt-out rate is low, at around 9%.[1]

Employers are required to contribute on behalf of workers while they remain active members. The minimum required level of contributions from April 2021 is 8% of band earnings (£6,240 to £50,270) (4% from employees, 3% from employers, 1% from the Government in the form of tax relief) though employers and workers may contribute more.

By March 2021, automatic enrolment had brought around an additional 10.5 million people into workplace pension saving (though some of these will have been counted more than once due to job changes).[2] The vast majority of those automatically enrolled are saving into Defined Contribution (DC) pensions, which has exacerbated the private sector shift from mainly Defined Benefit (DB) provision to mainly DC provision. In 2020 there were around 14.6 million active members in DC schemes compared to around 6.7 million active members in DB schemes, including those in the public sector. In 2020, nearly 80% of UK employees were members of a workplace pension scheme, though not all were actively saving, up from around 50% in 2012.[3]

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, (though the self-employed and those ineligible for automatic enrolment due to age and earnings are not currently experiencing this automation).

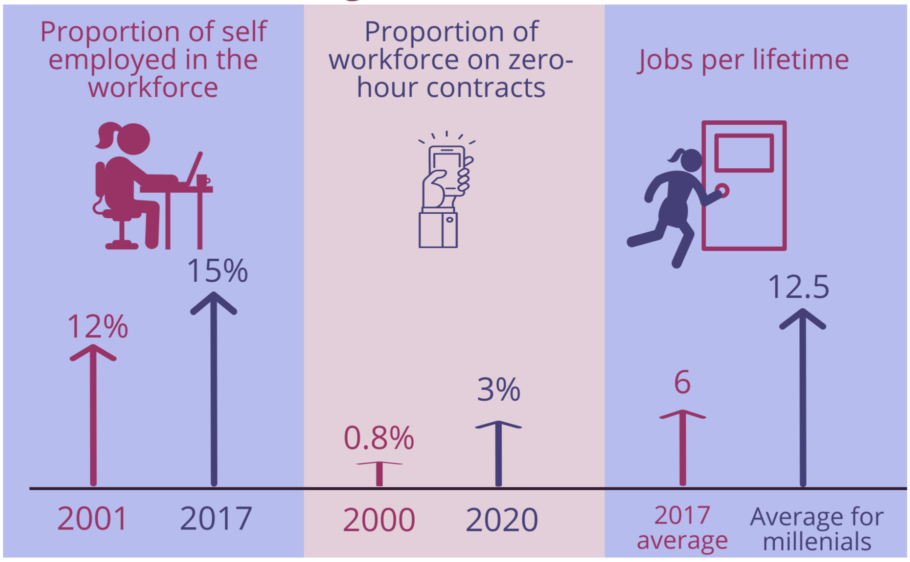
However, changes to employment mean that there is less predictability regarding when people might be eligible for automatic enrolment, the time they might be contributing for, and the level of contributions they might be able to make.

## Changes to labour market and retirement behaviour

### The way people work and retire is becoming more varied and flexible

Working-life employment and behaviour have a direct correlation with pension income. Those with full working lives, who contribute at higher than average levels (at least 15% or above) to a private pension while in work have a good chance of achieving an adequate income in retirement, defined as being able to replicate working-life living standards.[4]

**Figure 1: Self-employment, casual working and job churn are increasing**




However, working lives are becoming increasingly heterogeneous as levels of casual and self-employment increase and people move in and out of the labour market more frequently:

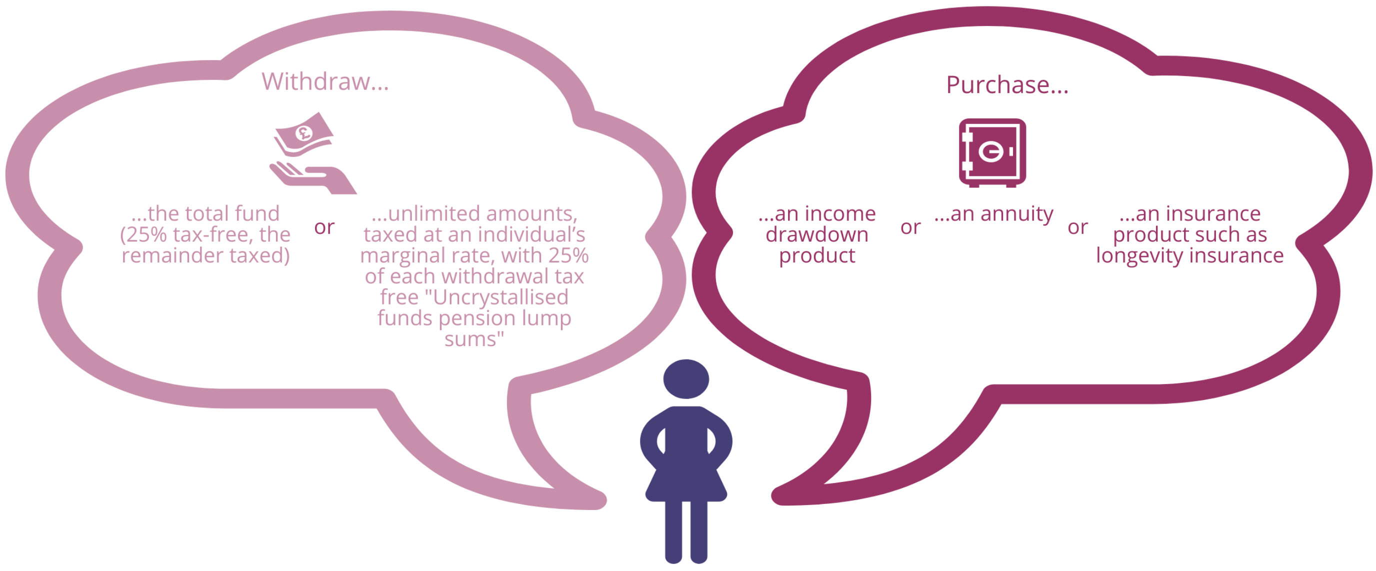
- Between 2001 and 2017, the proportion of those in work who were self-employed grew from 12% to 15%.[5]
- Between 2000 and 2020, the proportion of the workforce on a zero hour contract rose from 0.8% to 3%.[6]
- The average number of jobs people have in their lifetime, around 6 in 2017, is likely to grow to around 12.5 for millennials (Figure 1).[7]

The self employed and those working casually are less likely to be eligible for automatic enrolment than those in full-time employment. The self employed may be eligible if they also have an employed position in which they earn £10,000 or more and those in casual work (such as zero-hour contracts) may only be eligible for automatic enrolment during some months, but not others. The rise of these types of working means that younger workers, particularly, are more likely to have patchy or variable contribution levels to private pensions, making it more difficult to plan pension savings in order to meet retirement income targets or goals. Flexibility with job roles and agility regarding moving jobs, retraining and upskilling might be necessary for today's younger people to thrive throughout their working life, while also being able to maintain saving for their later life.

As working becomes more flexible, retirement patterns are also changing. More people are working part-time in later life, to transition out of working more slowly and people are also working for longer. For example, in 1995 13% of those aged 60 to 64 and 4% of those aged 65 and over worked part-time, compared to 22% and 6% in 2020.[8] Increases in part-time working at

**Figure 2: DC savers have complex decisions to make before, at and during retirement**

Post the pension flexibilities in 2015, People with DC savings may, at age 55, do one or a combination of the following:




older ages were accompanied by increases in employment: in 1992, 57% of those aged 50 to 64 and 6% of those aged 65 and over were in work, compared to 71% and 11% in 2021.[9] In 2020, the average age of labour market exit for men was 65 and for women was age 64, up from age 63 from men in 1996 and 60 for women in 1986.[10] Much of this increase has been driven by increases to the State Pension age, from 60 for women and 65 for men in 2010, to 66 for both in 2020. State Pension age will continue increasing to age 67 for both men and women by 2028. Working longer may also be prompted by people feeling that they do not have sufficient income to retire on.

Alongside changes to working and retirement patterns, landscape changes, especially the 2015 removal of the effective requirement to purchase an annuity in retirement with DC savings, have meant there is less predictability around both saving for a pension and access to pension savings during retirement.

## Changes to decision-making during saving and retirement phases

*"Automatic enrolment has ticked a few boxes, but products need to be made which make decisions so easy that people don't have to think about it or worry about it. Saving needs to be genuinely frictionless or there will always be resistance" - Matt Dodds, Next Gen Pensions*

### Despite automation, there are difficult decisions associated with saving into workplace pensions

The 8% of band earnings minimum required under automatic enrolment is unlikely to be a sufficient amount to allow people to achieve a retirement income that feels adequate, even for those working and contributing for their whole working life, and so decisions around how much to contribute are becoming more complex alongside changes to employment patterns.

The removal of the effective requirement to annuitise DC pension savings has also resulted in more complexity.

Prior to the introduction of the pension flexibilities in 2015, the majority of people over age 55 wishing to access their DC pensions were effectively required (unless they had a trivial amount of savings) to purchase an annuity (after taking a 25% tax free cash lump sum), which pays out a guaranteed income for life, if they wished to access their savings (though there were other options for those with very high levels of pension savings and entitlement).

After the introduction of the flexibilities, from age 55, people could withdraw their entire DC savings as a lump sum (taxed at marginal rate with 25% tax free); withdraw in flexible amounts from their pension pot (UFPLS); withdraw their savings and purchase an annuity; withdraw their savings and put them into a drawdown vehicle (a retirement income vehicle which allows savings to remain invested while people draw down an income flexibly) or do a combination of these (Figure 2).

Prior to the introduction of the new pension flexibilities, the majority of people used their DC savings to purchase an annuity. In 2012, over 90% of DC assets being accessed were used to purchase annuities. Overall sales of annuities peaked in 2009 at around 466,000. However, since then, they have been declining. When the pension flexibilities were introduced, annuity sales declined more rapidly, and have averaged around 70,000 per year throughout 2016 to 2019.[11]

These are very complex decisions and using drawdown in particular, requires understanding regarding how to manage the uncertainty of longevity, changes in needs (e.g., the potential need for care), and market risks, for example, inflation risk and investment risk.

Decisions about when and how to access savings, and how to use them through retirement will have a significant impact on retirement adequacy.

It is possible that the Pensions Dashboards, currently being developed, which will allow people to see all of their State and private pension savings and entitlement in one place, will help provide clarity to people around how much more they need to save in order to reach retirement targets. Other tools provided alongside the dashboard may be necessary in order to help people to calculate their individual retirement income goals.

These complex decisions which younger workers face both during working life and in their future retirements are in contrast to the simpler system within which most of today's pensioners and those currently approaching retirement spent their working life. Today's older people are more likely to have accrued entitlement to a DB pension, and if they saved in a DC pension they will have generally purchased an annuity, meaning that their decisions around how to access savings were mainly taken out of their hands, and they are less likely to need to actively manage their income and investments during retirement.

## Economic impact of COVID-19

### COVID-19 has led to an increase in unemployment and has reduced financial resilience among households

A key economic impact of COVID-19 is the sharp rise in unemployment, projected to reach between 7.2% and 11% in 2021.[12] COVID-19 also led to people being furloughed, going part-time, and having to change jobs.

Over 2020, 38% (20m) of adults saw their "financial situation overall worsen because of COVID-19 [and] 15% (7.7m) have seen it worsen a lot". Those impacted the most are the self employed, households with incomes below £15,000pa, those aged 18 to 54 and Black, Asian and Minority Ethnic (BAME) adults.[13]

Among BAME adults, around 50% of Bangladeshi and around 35% of Pakistani men worked in shut down sectors (e.g., restaurants and taxi driving) between 2016 and 2019, and are likely to be among those most hard hit economically by the pandemic.[14]

Levels of financial resilience (possessing sufficient savings and liquid capital to withstand financial shocks) has dropped over 2020: the number of people in the UK with low financial resilience has risen from 10.7m in March 2020 to 14.2m in October 2020, around 27% of adults.[15]

### The economic impact of COVID-19 has particularly impacted younger people

The impact of unemployment has fallen particularly heavily on younger workers: of those aged 18-24 in employment in February 2020, around 20% are no longer working in January 2021 compared with 7% for workers of all ages.[16] Younger workers are more likely to work in the areas worst hit by the pandemic, such as retail and hospitality. Alongside young people, people from some BAME groups, carers, disabled people and women have been particularly hard hit by COVID-19, meaning that young people from these groups are doubly vulnerable.[17]

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 for 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.

## COVID-19 impact on attitudes and engagement

### Financial capability is increasing over time despite COVID-19

Pre-COVID-19, many people had low levels of financial capability often exacerbated by vulnerability characteristics such as digital exclusion, low financial resilience or being disabled, which can lead to difficulty interacting with financial services.

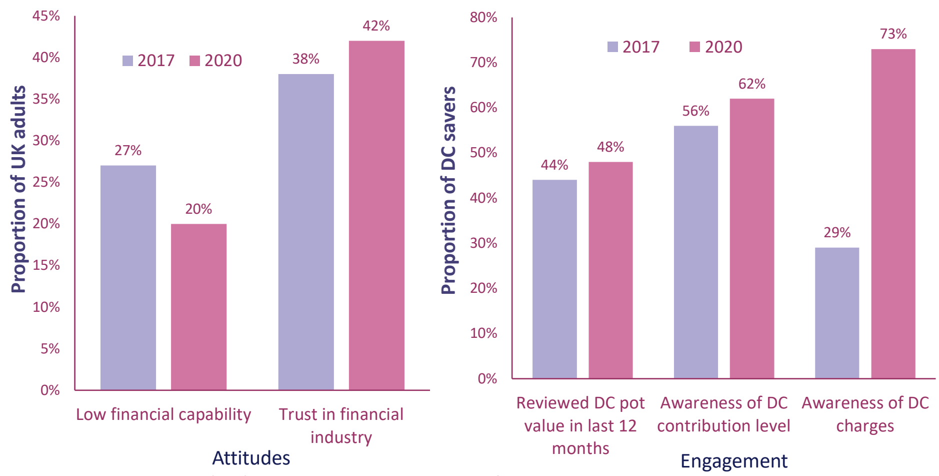
In October 2020, 20% of UK adults were classed as having low financial capability. This level has not been affected by COVID-19, remaining the same as the February 2020 level.

However, levels of financial capability are rising over time, (27% of UK adults had low capability in 2017 compared to 20% in 2020) due to increases in the proportion of adults who are digitally included (Figure 3).[18]

Those most likely to have low financial capability are women (60%), people over age 65 (37%) and people with no formal qualifications (28%).[19]

## Figure 3: Financial capability, trust and engagement with DC pensions are increasing

Traits displayed by UK adults and DC pension savers in 2017 and 2020




Source: Financial Conduct Authority (2021) Financial Lives 2020 survey: the impact of coronavirus

### Trust in financial services has reduced as a result of COVID-19

Trust in financial services is low among UK adults. In February 2020 42% of adults had confidence in the UK financial services industry, although this is a rise from 38% in 2017. Among industry, banks are trusted the most while insurers are trusted the least.[20]

Support provided to people during COVID-19 by financial institutions has led to some increases in trust: 17% of adults trust banks more as result of COVID-19, while 15% trust them less.[21]

However, overall levels of trust in financial services has dropped since COVID-19. People trust mortgage lenders, financial advisers, pension companies, credit card companies and insurance companies less than before the pandemic. Insurance companies have seen the greatest decline in trust: 22% of adults trust insurance companies less because of COVID-19, while 11% trust them more. These reductions in levels of trust arise partly from pandemic-related service disruptions.[22]

Changes to the way people relate to pensions in future, for example, through better understanding gained by the use of Pensions Dashboards, or more accessibility to pension accounts through apps linking these to bank accounts, could change the way that insurance providers are perceived in the future and increase levels of trust.

Capability, trust and resilience all affect engagement and overall financial wellness. Without financial resilience, financial capability is not as effective as it does not allow people space to act on their skills and knowledge.

*"Just because you're capable doesn't mean you can do anything about it – which is why financial wellness is important." Carolyn Jones, Money and Pensions Service*

**COVID-19 impact on financial behaviour**

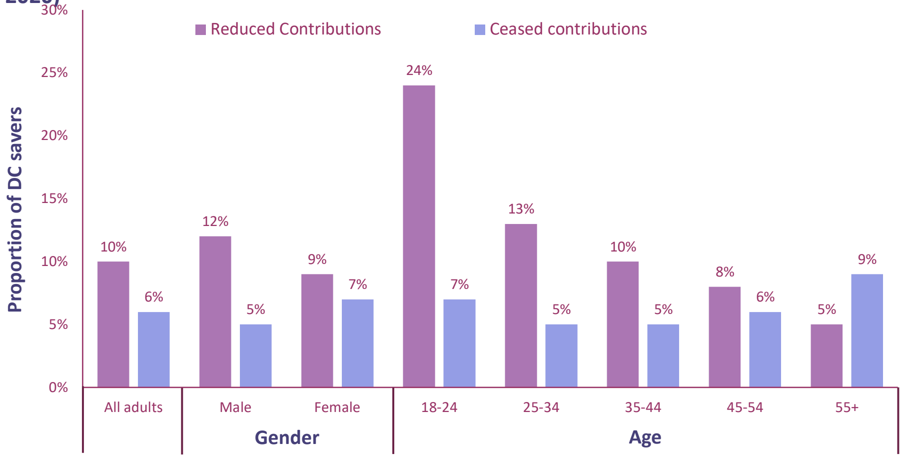
### Engagement with pensions has not significantly changed as a result of COVID-19

Currently there are low levels of engagement with DC pensions among UK adults (measured by awareness of pension pot value, contribution levels, charges incurred, and that pensions are invested). In February 2020, around 20% of people actively saving into a DC pension were very engaged. There is a significant gender savings gap: only 12% of women who are actively saving are "very engaged" with their DC pension compared to 26% of men.[23]

While COVID-19 has had no discernible impact on engagement levels, contribution levels have reduced by a small amount as a result of the pandemic: 10% of adults have reduced contributions and 6% of people have ceased contributing, which is relatively low considering the financial pressures of COVID-19. Women and people aged 18 to 24 and 55 and over were more likely to stop contributing

### Figure 4: Women and younger people are more likely to have ceased DC contributions as a result of COVID-19

Behaviour among active DC savers as a result of COVID-19 by gender and age (October 2020)




Source: Financial Conduct Authority (2021) Financial Lives 2020 survey: the impact of coronavirus

altogether as a result of COVID-19 (Figure 4).[24]

COVID-19 has also affected retirement plans, with 6% of people over age 50 retiring early as a result of COVID-19, and 9% delaying retirement.[25]

### COVID-19 has increased saving levels among those who have retained jobs

Spending has dropped overall as a result of COVID-19. Between July and October 2020, spending remained at about 90% of the level which would have been expected in the absence of the pandemic. Some reduction in expenditure will be a result of decreases in household income arising from the impact of the pandemic, but in many cases, people within the UK are saving more. On average, those in the 2nd, 3rd and 4th quintile of the income distribution have saved the most. The poorest 5th quintile has saved less than at pre-pandemic levels, with an average decrease in bank account balances of £170 per month.[26]

It is not clear whether increased savings is solely a function of the closure of providers of goods and services and reductions in travel expenditure arising from home working, or whether there are some attitudinal changes involved. Further research on attitudes and behaviour patterns will be required to assess the extent of attitude change.

There is also little evidence on how savings patterns differ between age cohorts, however, evidence regarding higher levels of unemployment and debt among younger people indicates that they are less likely to be saving more on average than people in older cohorts.

### COVID-19 has increased debt levels among young people

Due to the impact of COVID-19 on young people's employment, and generally low levels of saving among young people, there has been a rise in debt among those aged under 35, over the last year:

- 57% of people aged 18 to 24 used a form of debt between March and September 2020, compared to 20% of people aged 55 and over.
- In July 2020, 20% of those aged 18-34 were behind on their bills compared to 8% of those aged 35 and over.[27]

Going into debt could make future private pension saving less affordable, as when young people return to work they will need to budget for debt repayments as well as any pension contributions, potentially on lower pay if they struggle to return to the level of job they had before the pandemic. Flexibility about roles and agility regarding retraining and moving between roles, could help those affected by COVID-19 to return to work more quickly, particularly if supported by programmes supporting retraining and upskilling.

### Many of today's savers will struggle to be able to afford to save sufficiently in order to meet later life needs

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. This note focusses on the need to pay increased pension contributions in order to prepare for variable later life needs, but pension contributions at even minimum levels will be difficult for some of today's younger workers.

Thought needs to be applied to making sure saving into a pension is more affordable for younger workers.

Changes to tax relief could help ensure that those with lower incomes benefit more from pension saving. Applying a flat rate of tax relief, around 33%, could result in those on higher incomes receiving less tax relief, (but still relief above the basic rate), and those on lower incomes receiving an extra top up of tax relief above their basic rate. This would help increase the overall level of contributions for those on lower earnings and would increase the proportion of total DC pension tax relief received by basic rate taxpayers from 26% to 42%.[28]

The DWP has committed to removing the lower band on minimum required pension contributions and lowering the age of eligibility for automatic enrolment to 18 during the mid 2020s.[29] These policy moves will help ensure that people spend a longer proportion of working life contributing to a pension and that pensions contributions are made on the first pound of earnings.

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.

### Changes to labour and pensions policy could ensure more people save into a pension during working life

Those 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 earnings threshold for automatic enrolment could be reduced to cover part-time workers, 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.

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.

*"Getting people in young, saving on all their earnings, and building basic financial resilience should all be priorities" - Dean Blower, USS pension scheme*

### Future pensioners will require more support around decisions about whether and how much to save and how to access savings

In order to help future savers and pensioners to have a better chance of achieving an adequate retirement income, they will require greater levels of support in the following areas:

- The building of resilience, agility, financial capability and engagement behaviour
- Support and guidance around decision-making
- Ensuring guidance is provided in a way that younger people find accessible
- Extending the pensions advice allowance to cover financial education for younger workers
- Appropriate products to help meet unpredictable needs during both working-life and retirement
- Considered policy-making which takes into account the changing needs of today's younger workers

### The building of financial capability and engagement behaviour and support around decision making

Low levels of resilience, capability and engagement will make it more difficult for today's savers to navigate decisions about whether and how much to save and how to access and use savings during retirement. Policies designed to support better outcomes for future pensioners will need to involve concentration on increasing levels of flexibility and agility while in work, in order to ensure employment is accessible and financial capability and engagement and tools which can help people to visualise what their retirement might look like, and work out how much they might need to save in order to achieve that. There are already policy agendas underway designed to help improve these including:

- The Government's National Retraining Scheme (part of the National Skills Fund) which is designed to help people identify current skills and retrain for new skills.
- The Government's pensions dashboards programme, in which government and industry dashboards are being developed to provide people with a snapshot of all of their State and private pension savings and entitlement in one place, potentially also with links or tools to help plan for target incomes in retirement.[30]
- The Money and Pensions Service "UK strategy for financial wellbeing", which sets out a ten year plan including increased

financial education, increased savings and reduced debt, and better planning and preparing for later life.[31]

- Free guidance services available to those of working age, those approaching retirement and those at and in retirement from the Money and Pensions Service and Pensions Wise.[32]

Monitoring of the impact of these services will be essential to ensure they are providing sufficient support to help today's savers and future pensioners make informed decisions and achieve optimal outcomes from retirement saving.

### Ensuring guidance is provided in a way that younger people find accessible

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.

Millennials generally prefer apps to websites and use their smartphones for a lot of their financial management. However, it is not sufficient for companies wishing to engage millennials to simply produce an app. For the app to be used by millennials it needs to "add value to the experience and make a process easier".[33]

Apps that are easy to use and instinctive and connect several financial services or activities together (e.g., bank accounts, pension accounts and other savings/ assets) may be particularly appealing to millennials, while older workers may be less comfortable with the required level of personal data sharing between different organisations required to provide this type of service. Some millennials would appreciate nudges from these apps to save regularly for a house deposit, or just to ensure some level of savings is built up.[34] It is conceivable that prompts for guidance at key changes (such as job changes) could also be incorporated, and that guidance could then be provided in a similarly easy to engage manner.

Young people could benefit from more research into whether guidance and financial services are provided in the most accessible way, and how access and take up could be improved through the use of technology.

### Extending the pensions advice allowance to cover financial education for younger workers

Those with DC pension savings are currently entitled to withdraw £500 up to three times (not exceeding once per year) in order to pay for pensions related financial advice.[35]

Take-up of this allowance is currently low. In 2017 only around 20% of adults were aware of the allowance and only 2% of those who were aware planned to use it. Not all DC pension providers currently offer access to this facility.[36] Campaigns to ensure wider provision and take up of the allowance could assure more people benefit from pensions financial advice.

The use of this allowance could also be extended to cover education on financial planning for younger workers within the workplace, thereby ensuring that smaller employers are not required to fund financial education in order for their employees to have access. The allowance could be extended to ensure that people had access to both financial education and personalised advice if they desired.

### Appropriate products to help meet unpredictable needs during both working-life and retirement

One key difference between the working-lives of today's savers and those of yesterday is an increase in complexity surrounding financial decisions. Not only do savers require more support about how, when and how much to save, they are also more likely to require support in generating accessible, liquid savings during working life, in order to withstand financial shocks and increase financial resilience.

Balancing the need for saving in a pension against the need to save into liquid savings can be particularly difficult for those who might find pension contributions difficult to afford on their own, and requires a degree of flexibility and agility, supported by policies and products designed to work with a more flexible and agile working style.

### Sidecar savings

Solutions have been focused around combining private pension savings with liquid savings in order to reduce complexity and ensure that the bulk of saving remains within the pension.

One proposal is the sidecar (currently being trialled by the National Employment Savings Trust), a savings vehicle which sits beside a pension account. The sidecar depends upon people saving above the minimal amount under automatic enrolment. Within the sidecar, contributions over the minimum rate go into a separate liquid savings pot. Once a ceiling amount is reached, additional contributions revert to the pension pot.

*"The sidecar, especially post Covid, could help people to have financial resilience." Carolyn Jones, Money and Pensions Service*

Though additional contributions into a sidecar may be challenging for those who struggle to meet minimum contributions, incentives could be provided through employer matching of additional contributions, though this would require either individual employers to voluntarily provide matching contributions or for the Government to mandate these.

### Products that support non-linear pension savings

Changes in working patterns present challenges for saving as good outcomes are generally related to consistent, high levels of saving. The development of products which help people to manage saving in a more flexible, agile and less linear way will help future pensioners to better plan to meet their retirement needs. These products could be developed by industry, for example:

- Pension products which facilitate increased contribution levels when members are in full-time work in order to make up for time out or periods of casual working.
- Household savings vehicles in which members of a partnership contribute as and when they can and those who take time out for care are not penalised by a corresponding cessation of pension contributions. Tax advantages could be provided to encourage people to use these.

### Considered policy-making which takes into account the changing needs of today's younger workers

In order for future pensioners to have better outcomes, today's policy-makers need to be able to engage in a mind-set shift, in order to take account of the factors affecting today's savers. This will require addressing the complexities arising out of COVID-19, changes to working and saving behaviour as well as inequalities experienced by women, people from some BAME groups, carers, disabled people and the self employed.

This will involve, among other policy agendas:

- Taking steps to continue reducing the gender and ethnicity pay and pensions gaps, and
- Supporting education and retraining for those out of work or between jobs in order to help support people to be flexible, agile and resilient within a new labour market environment.
- Consideration of whether current savings incentives, including tax relief and employer contributions, are sufficient to motivate pension saving and how further incentives can be offered to those not eligible for automatic enrolment, such as the self employed, part-time workers and some of those with variable hours.

## Housing

House ownership can be a means of saving money (by reducing expenditure), of generating income (releasing equity in the future) and also represents long-term security in retirement.

An increase in future renters means that living expenses may be higher for future pensioners, and that housing will be a source of retirement income for fewer people. Changes to the means-tested benefits system and to the way people save for pensions and houses may be necessary to ensure adequacy for future pensioners. A greater supply of affordable housing could also increase the number of future home owners, thereby reducing the risks associated with renting.

COVID-19 has changed the housing market, reducing rents in London and potentially reducing house prices in the future, but other areas of the UK are experiencing growth in house prices. It is difficult to know the long-term effect that COVID-19 might have on housing, but it does underscore the need for today's savers to prepare for future uncertainty.

### Fewer future pensioners will be home owners

Home ownership rates are decreasing within the UK, as a result of economic problems resulting in lower incomes and higher house prices. UK household home ownership across England has fallen from a peak of 71% in 2003 to 65% in 2019/20.[37] Younger people are particularly affected by these trends: in 2003/04, 24% of those aged 16 to 24 were owner occupiers (including those with an un paid-off mortgage) compared to 14% in 2019/20. For those aged 25 to 34, the number dropped from 59% to 41% between 2003/04 and 2019/20 (England) (Figure 5).

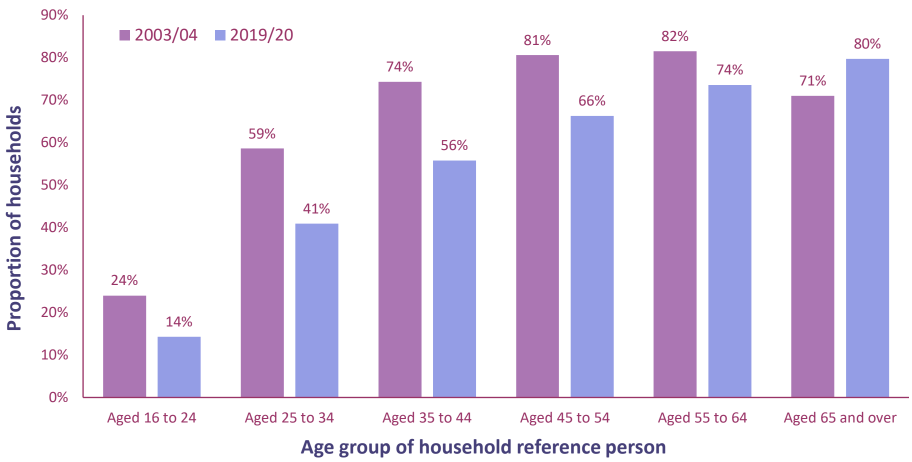
While those currently aged 65 and over are more likely to own houses than they did in 2003/04, this is because they are benefiting from high rates of home ownership when they were young. Those at younger ages today are less likely to own housing in retirement based on current trends.

There are two main consequences arising from a reduction in the number of future homeowners:

- An increase in living costs

**Figure 5: Younger cohorts are less likely to own houses than they were two decades ago**

Owner occupying households (both with paid off and unpaid off mortgages) by age of household reference person in England in 2003/04 and 2019/20




Source: Ministry of Housing, Communities & Local Government (2020) English Housing Survey 2019 to 2020, Annex Table 1.4

- A reduction in retirement income sources

### Future pensioners who do not own their own home will face higher living costs

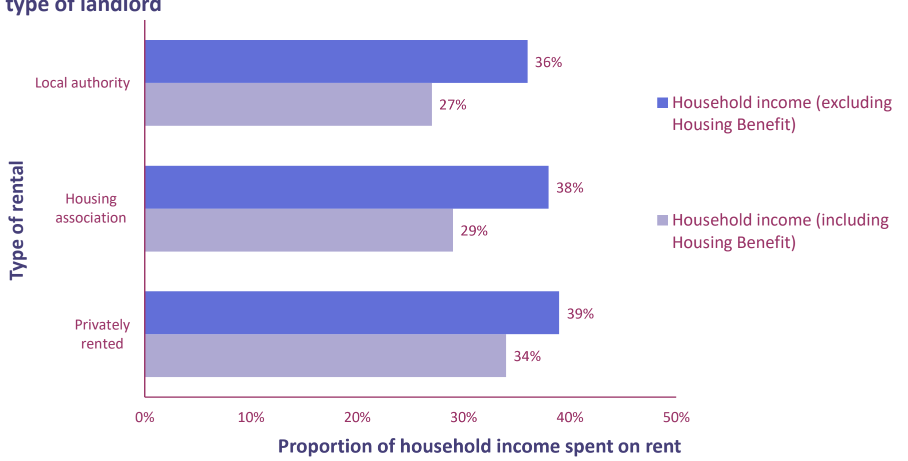
Renting in retirement (or reaching retirement with an un paid-off mortgage) is associated with higher living costs as rent represents a large proportion of household expenditure. Home owning pensioners generally require a much lower income than renting pensioners in order to achieve a similar standard of living. For example: the average income of a pensioner household in 2017/18 was £28,900, (2019/20 prices terms),[38] and the average proportion of household income paid as rent was 39% (private rented sector), 38% (housing association) and 36% (local authority housing). Roughly calculated, this could mean that renting pensioner families may have average disposable incomes of around £17,600 to £18,500 compared to £28,900 for owner-occupying pensioners. Some pensioners may receive Housing Benefit, bringing the proportion of household income spent on rent down to 34% (private rented sector), 29% (housing association) and 27% (social housing) (Figure 6).[39]

### Being eligible for Housing Benefit in retirement reduces the value of saving into a private pension

Pensioners who rent in retirement are more likely to be eligible for Housing Benefit than home-owners (though some pensioners may qualify for assistance with mortgage payments), which is associated with lower benefit from saving into a private pension. This is because those with private pension savings (and other savings and assets) lose entitlement to means-tested benefits (including Housing Benefit) for income and savings above a certain amount. Those around the threshold of entitlement to benefits may find that they are using their small private pension savings to pay for rent which Housing Benefit would have covered for them, if they had not saved into a private pension, resulting in them experiencing a lower standard of living during working life (in order to fund pension contributions) without achieving a higher income in retirement.

**Figure 6: Pensioners renting privately pay an average of 39% of household income on rent (excluding Housing Benefit)**

Proportion of household income spent on rent, with and without housing benefit, by type of landlord




Source: Office for National Statistics (2019) UK private rented sector Figure 13

### Changes to means-tested benefits could help future pensioners to achieve better living standards while renting

Pensioners who claim Housing Benefit and who have private pension savings may see their retirement income or savings eroded, as Housing Benefit is means tested. This means that their entitlement to Housing Benefit may be reduced by the amount of their private pension saving, resulting in little to no benefit arising from having saved. This system works both as a disincentive to save for those on low incomes and as a means of reducing potential income sources for some pensioners on low incomes.

If changes were made to the benefit system, for example, disregarding private pensions from the Housing Benefit means test, renters would find it easier to meet a target income after housing costs.

### Future pensioners are less likely to be able to call on housing as a source of retirement income

As well as providing a place to live, housing can also represent an income source in retirement. Pensioners can release equity by downsizing (selling and moving to a smaller house), taking in lodgers, or using a product called equity release, available to people over age 55, which provides a lump sum or income stream to pensioners in return for ownership of some or all of the property (which will revert to the equity release provider when the owner dies). Equity release provides a source of income to a minority of pensioners: in 2020, around 40,300 people took out equity release contracts (worth £3.89bn) and in 2019, there were 44,900 new contracts (worth £3.92bn).[40]

Though releasing equity is unlikely to provide sufficient income to support people's entire retirements, money released from housing can help top up other sources of income to achieve a better standard of living, be used to assist during financial shocks or large purchases, or be used to meet needs which change over time (such as health and care needs). One result of decreases in home ownership is that future pensioners are less likely to be able to call on housing equity in times of need while also, as is discussed in the previous section, being likely to have lower private pension incomes in retirement.

### The future impact of COVID-19 on the housing market is uncertain

The COVID-19 pandemic has resulted in significant numbers of people leaving large cities. For example, since the beginning of the pandemic, it is estimated that around 700,000 foreign nationals have left London to return to their country of origin, and a further significant number of people have left London to live in the countryside. As a result, rents have fallen within London by around 6.9% between October 2019 and 2020, dropping 10.2% in Kensington & Chelsea and 15% in the City of London.[41]

The reduction in rental prices has not yet led to a corresponding reduction in housing prices in London, though this may come later on in the year, as may a rise in house prices outside London. This trend could result in easier house rentals or purchases for some young people in London or other urban areas, but there is uncertainty regarding how long these trends might last and whether they might have a significant impact on the housing position of younger people.

### Access to support with buying a house (during working-life) could help some future pensioners

Some future pensioners, who may struggle to purchase a house during working life, could benefit from promotion of products designed to make house purchase more affordable, for example, promotion of Lifetime ISAs, savings sidecars and rent-to-buy schemes:

- Lifetime ISAs allow people to save in a long-term savings vehicle, with Government tax credits, which cannot be accessed before the age of 60, unless the withdrawal is used for a down payment for a first time home.
- Sidecar pensions as discussed previously, could allow people to save any contributions above the minimum for workplace pensions into a liquid savings account. Though these accounts tend to have a ceiling, above which any funds are re-diverted back into the pension, they could also provide some help with a down payment.
- Rent-to-buy can help people save for a deposit on a home they are living in. Under the rent-to-buy scheme, a new build property is rented at 20% less than the local market value, enabling residents to save for a deposit over a minimum of five years. However, not everyone is eligible for rent to buy, and the number of properties available is limited.[42]

### A greater supply of affordable housing could increase the number of future home owners

Scarcity of housing supply inevitably results in house price increases, and there are consistently fewer homes built in the UK than are needed. For example, in 2019/20, 244,000 were built compared to a need for 345,000.[43] One way of making houses more affordable for young people would be for the

Government to ensure that levels of house building keep pace with demand and that there are sufficient affordable homes for those who wish to buy.

**People saving for a home will need to be supported to continue making private pension contributions, or adequacy levels may be affected**

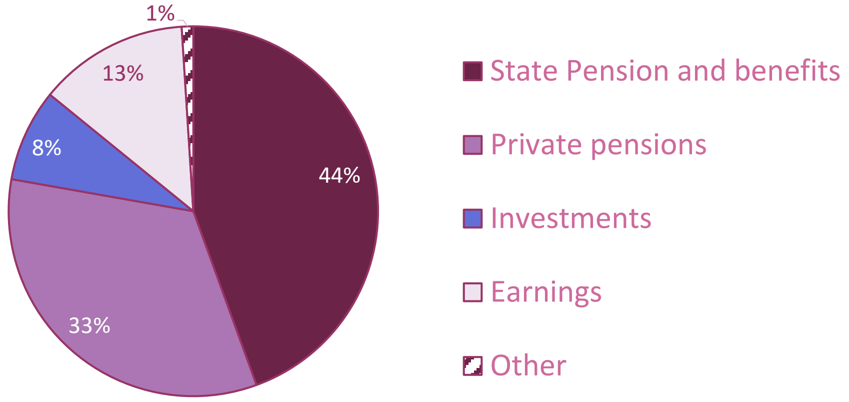
While owning a house in retirement can reduce expenditure and provide access to additional income, housing wealth on its own will be insufficient to support retirement, for the vast majority. The most important income sources for pensioners are (and are likely to remain) State and private pensions.

In 2019/20, State Pension and benefits provided an average of 44% of pensioner incomes and private pensions provided an average of 33% (Figure 7). (The proportion of income supplied by housing equity is not available.) In 2019/20, 97% of pensioner units were in receipt of State Pension income and 69% were in receipt of private pension income.[44]

Therefore, it is important that working-age people today who are saving for a house are enabled to save in a flexible way which includes continuing to contribute into a private pension, as house equity alone is unlikely to provide an adequate substitute. Today's savers are likely to require support to understand how much they need to save in order to meet retirement goals. In addition to free guidance services, the upcoming Pensions Dashboards, and any associated planning tools, should be helpful in helping future pensioners to calculate their income goals and how much they need to save in order to reach them.

**Figure 7: The majority of pensioner income comes from State and private pensions**

Average proportion of gross income of UK pensioner units from different sources 2019/20




Source: Department for Work and Pensions (2021) Pensioner's Income Series Table 2.1

## Family and social relationships

Changes to typical household structures mean that future pensioners may face more unpredictable needs and income shocks. Today's savers will need support with planning and preparing for later life, to ensure they take the potential for variable future needs into account. Changes to the way that people interact, find information, look for work and develop skills, means that flexibility in how people relate and digital inclusion will become increasingly important for today's workers and tomorrow's pensioners.

Two particular trends are relevant to household change in structure and need:

- Increases in those living alone in retirement, especially women
- Increases in the number of pensioners supporting adult children

**Future pensioners, especially women, are more likely to live alone**

Households with two or more people, benefit from sharing both income and living costs and will generally need less than double the income of a single person in order to achieve the same income. Pensioners living in single person households are, therefore, a more financially challenged group.

The proportion of pensioners living alone is likely to increase alongside trends among those of working age: between 1997 and 2017, the number of 45-64 year-olds living on their own increased by 53%.[45]

Through retirement the number of single person households increases, from 25% at State Pension age to 58% by age 85, due to divorce and widowhood.[46]

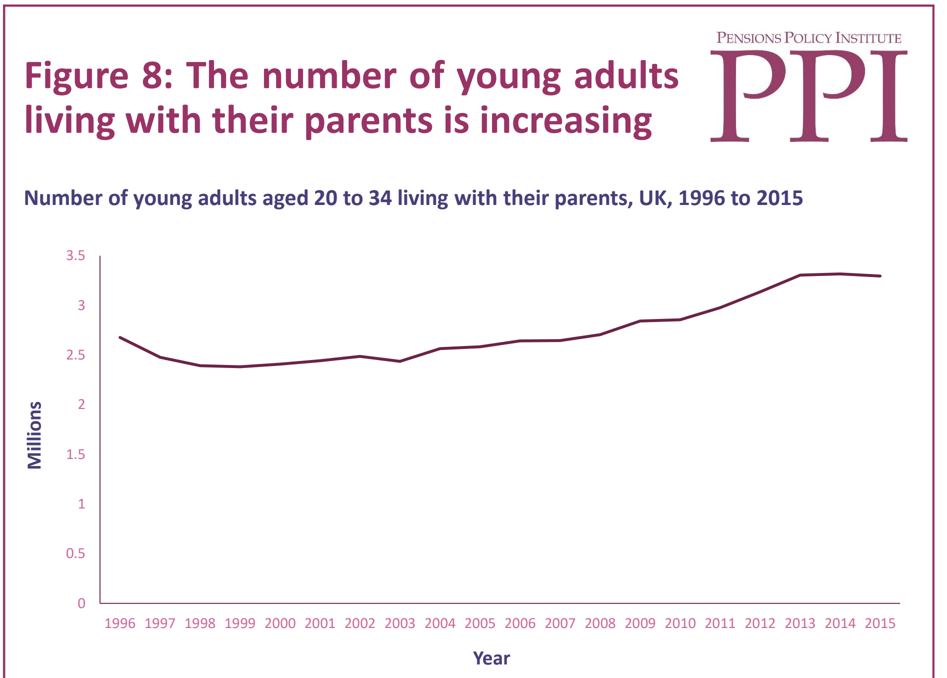
As future pensioners are more likely to experience living alone in retirement than current pensioners (barring other social and policy changes) today's savers will need to plan for at least some portion of retirement in which they will live alone. Women are particularly economically vulnerable in retirement, especially if they are or will become divorced.

Approximately 10% of men and 14% of women in their early 60s are divorced. The median pension wealth of divorced men and women by retirement is £103,500 and £26,100 respectively.[47] Compared to the UK population average, this represents a pension wealth reduction of a third for men but half for women.[48] This difference partly arises from differential saving rates between men and women and partly because pension assets are seldom divided equally in retirement. 71% of divorces do not consider pensions in their financial settlements.[49]

Divorced women are half as likely to be saving for retirement as divorced men, and twice as likely to say that their retirement prospects have worsened as a result of their divorce.[50]

Widowhood also generally results in an income drop for men and women, but is often accompanied by inheritance of pension assets (unless they are all in a single life annuity). As today's savers are more likely to use drawdown in the future than purchase an annuity with their DC savings, it is likely that those with partners who die with some DC savings remaining, will be able to pass this on through inheritance. However, some thought may need to be given to ensuring that those who do purchase an annuity consider the potential impact on a partner of buying a single life annuity that does not pay out after the death of the annuitant.

**Figure 8: The number of young adults living with their parents is increasing**

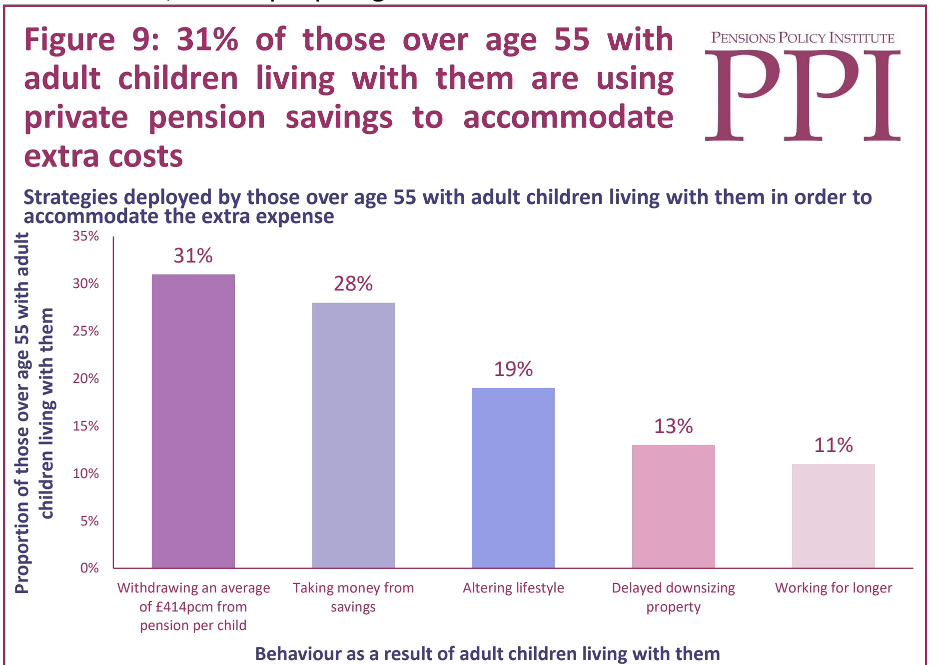



Source: Office for National Statistics (2016) Why are more young people living with their parents?

### Future pensioners are more likely to be supporting adult children and grandchildren

The prevalence for adult children to live with their parents and for people to support adult children and grandchildren is increasing. COVID-19 is likely to have exacerbated this trend. In 2020, 28% of people aged between 20 and 35 lived with their parents, up from around 25% in 2019. However, the trend for adult children to live at home has been on the rise since 1999 (Figure 8).[51] Some of the support provided to adult children comes from pension savings, accessed by those over age 55. In 2019:

**Figure 9: 31% of those over age 55 with adult children living with them are using private pension savings to accommodate extra costs**




Source: www.thisismoney.co.uk/money/pensions/article-7478231/One-three-parents-stay-home-adult-children-tapping-pension-pots.html

- 31% of people whose adult children lived with them were withdrawing an average of £414pcm from their pension per child,
- 28% were taking money from their savings,
- 19% were altering their lifestyles,
- 13% had delayed plans to downsize their property, and
- 11% were working for longer to support their adult children (Figure 9).[52]

Younger people who do not live at home are also increasingly dependent on intergenerational transfers (62% of homebuyers under age 35 in 2017 received financial help from family and friends).[53]

If this trend continues, today's savers will need to take into account the potential calls on income from family members when planning for retirement, rather than solely considering how to meet their own needs. These additional calls on income may necessitate flexible attitudes about future needs, greater saving during working life and the generation of liquid assets in order to ensure that these calls do not lead to financial deprivation during retirement.

### Today's savers will need to prepare for uncertain consumption needs and potential income shocks in retirement

Future pensioners are more likely to need to spend savings on younger family members and to be single at some point during retirement. In order to be able to afford income shocks and cover variable needs in the future, today's savers will need to contribute at higher than current levels and have access in retirement to either a very high income or a product which combines access to liquid funds alongside a retirement income. The following products and services could be used to help future pensioners to be more financially resilient in retirement and to have the agility to respond to income calls:

- Higher contributions from employers (and employees) through matching contributions, or systems which involve automatic escalation of contributions alongside pay rises or at specific points in time.
- Retirement income products which provide both an income and liquid savings, for example annuity/ drawdown hybrid products.
- Financial education provided during working life and guidance during both working life and retirement.
  - Employers providing financial education in the workplace could help younger savers to start thinking about future needs.
  - The proposed mid-life financial M.O.T. could assist with people close to retirement assessing needs and starting to visualise what their retirement might look like.
  - Pensions Wise, and the Money and Pensions Service are sources of free financial guidance.

### Digital inclusion is becoming increasingly important for today's savers

Social media and emails have become increasingly important as a way of keeping in touch with family and friends, especially for younger people, over the last decade. Social media includes Facebook, WhatsApp, Twitter and other information sharing and messaging sites. The number of people using social media in the UK is projected to grow from 38.01m in 2015 to 50.89m by 2025.[54] In 2021, 45m people (66% of the population) were using social media platforms. Younger people and women are more likely to be using these platforms than older people and men.[55] In 2018, 90% of UK adults used the internet; and 80% of these people sent and received emails as part of their internet use.[56]

As COVID-19 resulted in many people being unable to socialise or see family and friends in person, the dependence on social media and emails is likely to have increased over the last year.

Among some older people, preferences for using the telephone or letters to communicate is likely to continue, but younger people are likely to remain dependent on social media for communication as they age (barring significant social changes).

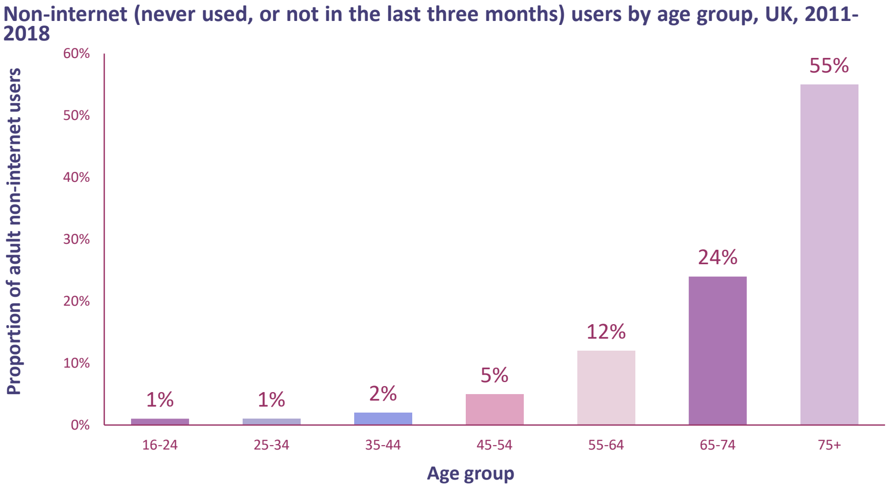
Those who are digitally excluded may be missing out on opportunities to speak with family and friends. Digital exclusion, therefore, will become an increasingly important element of social inclusion as today's younger cohorts age.

The proportion of UK adult non-internet users (digitally excluded) is decreasing. In 2011, 10.2m (20.3% of UK adults) did not use the internet, dropping to 5.3m (10%) in 2018.[57]

While the majority of non-internet users are in older age groups (55% of non-internet users are over age 75 and 24% are aged between 55 and 64 in 2018) some younger people are also digitally excluded. In 2018, 4% of non-internet users were under age 44 (Figure 10).[58]

Therefore, as current cohorts age, the potential for digital exclusion will still be relevant for a minority of people. In order to avoid social isolation, these people may require extra support to either become socially included or to maintain social contacts in other

**Figure 10: 4% of non-internet users are under age 44**




Source: Office for National Statistics (2019) Exploring the UK's digital divide

ways. For some of these people language and culture may present barriers to digital inclusion. The majority of non-internet users are economically active and/or long-term sick or disabled, and will potentially require extra support in order to be digitally (and socially) included.

Alongside use for social interaction many goods and services are moving on line, including financial advice and guidance, education and training, and networking and job opportunities. Though many of these can also still be found offline, being adept at internet use provides easier access.

### Digital inclusion will be an important indicator of wellbeing for future pensioners

Digital inclusion campaigns will be important to ensure that today's savers are able to be flexible, thrive and find access to jobs and services as they age. Future pensioners will also benefit from being digitally included as they age, in order to avoid social isolation in retirement.

## Health and social care

Changes to demographics mean more people will be living for longer, with potentially longer time requiring care.

There will be fewer people in younger generations to support older family members. This will result in both an increased number of older carers and an increased need for funding to spend on care needs.

Alternative forms of saving alongside pensions may help future pensioners to manage the costs of providing and receiving care, as well as adaptation by the State in terms of how benefits to older carers are structured.

Prioritising health and the prevention of illness and disease will be more pertinent to a long life. This will involve taking a holistic view of wellness and investing time in different aspects of wellbeing. There will also be a need to invest money in prevention, treatment, and care.

The proportion of older people in the population is increasing as a result of people living longer and fewer people having children. In 2019, there were 288 people over State Pension age for every 1,000 people of working age. This is projected to grow to 361 for every 1,000 by 2050.[59]

Increases in life expectancy mean that people are more likely to need care at older ages and potentially spend longer in ill-health. Coupled with this, a decrease in child birth rates means that there may be fewer younger people in the future to support older people in care, both on a macro level, through taxation, and on a micro level, by supporting parents and grandparents.

### Future pensioners are more likely to provide care

Caring at older ages, especially in the years leading up to retirement is associated with low employment and low incomes and can disrupt retirement plans.

Around 20% of carers give up employment to fulfil caring responsibilities. The employment rate for carers is below the national average, at 67%, with more than half of those not working saying they would like to do so. 53% of carers have borrowed money as a result of their caring role, and 60% have used all of their savings to cover the costs of caring.[60]

Increases in the generosity of carers allowance and care related benefits could help to ensure that those leaving work early to provide or receive care are less likely to need to access their pensions early.

The proportion of older carers is likely to increase over the next few decades, meaning that today's younger savers would benefit from considering how the need to care might impact their plans for supporting later life.

The proportion of those requiring care at older ages is projected to increase. In 2015, 28% of people over age 65 had difficulty with essential daily activities. This is projected to increase by 67% by 2040. Between 2018 and 2030, the number of carers in the UK is expected to increase from 7 million to 10.4 million.[61] Women are more likely to provide care than men; in 2018, 42% of carers were men and 58% were women.[62]

In order to achieve adequate retirement incomes, today's younger savers will need to take account of how the potential for the need to provide care could interfere with retirement plans both before and after they reach State Pension age, in their planning and preparing for retirement.

These trends indicate that in the future there will be more older people requiring and providing care with potentially less help from younger people or the Government (depending on what kind of care settlement is in place in the future). Though it is uncertain what other support will be available through the State and Community organisations, today's savers will also need to take into account the potential need for future care through potentially saving more and/or planning to buy care-related annuities or insurance products, which may reduce the affordability or supply of pension-only contributions. The average cost of residential care is around £33,792 a year, and £42,624 if nursing care is included,[63] and therefore those who enter residential care may need to spend down savings or other assets which they had earmarked for other spending or to leave as an inheritance, unless they have advance planning regarding how to fund care needs.

As with planning for future household changes, financial education and guidance will be helpful when preparing for the potential need for care, alongside a focus on increased contributions while in work, either directly into a pension or supplementary savings vehicles, such as sidecars, and hybrid retirement income products offering both an income and access to liquid savings.

### People need to prepare for needs and decision making in later life

Given the complexity of retirement decisions, particularly since the introduction of the pension freedoms, many people will find it difficult to make choices that will best meet their health and care needs over the course of later life. For some people, initiatives aimed at increasing engagement and financial capability will help them to make more informed decisions. Advice and guidance plays an important role in supporting people while making these choices, although most advice and guidance offerings currently focus on at-retirement decisions rather than ongoing support throughout later life. For those with lower levels of financial capability, greater support in making these decisions may be needed to improve later life outcomes, while those with low levels of savings are likely to need support from Government in meeting their later life needs.

*"You need to make sure that there are no surprises – people don't want to talk about someone that they love dying, but it needs to be talked about early and ahead of time - Matt Dodds, Next Gen Pensions*

However, most people are likely to benefit also from discussing retirement plans and needs with family and friends, and ensuring that family members know what their wishes are in case of incapacity. In order to prepare for potential changes in health and care needs, people will need to ensure that the required paper work is in place, for example, power of attorney, so that if they become unable to make their own decisions, their chosen family member/s will be able to make financial and care decisions on their behalf. Support and encouragement from Government and other services to have these discussions could help assist people to ensure that health and care plans are in place.

### Prioritising health during working life will help people to live more active and fulfilling retirements

As well as preparing for financial needs in later life, a focus on wellness while younger will also help future pensioners. Policies designed to support people to prioritise health, can help prevent illness and disease in both younger people and older people and will help today's younger savers to live longer, more fulfilling lives.

In order to achieve wellness, individuals will need to be supported to gain a holistic understanding of both physical and mental wellbeing, and be facilitated to invest time, where capable, in maintaining wellbeing. For the most vulnerable, socially or digitally excluded, and disabled people, support will be essential to ensure that all areas of wellbeing are taken into account. Alongside programmes designed to support understanding and maintenance of physical and mental wellbeing, the Government will also need to continue to invest money in prevention, treatment, and care in order to ensure that today's savers are enabled to live long, fulfilling, lives.

## Conclusions

Retirement prospects for today's younger savers are very different than they were for previous generations. Changes to both the way people work and the way that they save in pensions, mean that younger people may struggle to save sufficient amounts into a private pension in order to top State Pension income up to an adequate level. Changes to retirement behaviour mean that needs in retirement have become more complex. Increases in the likelihood of renting in retirement also mean that future pensioners are likely to have higher living costs and are less likely to be able to use housing as a source of retirement income. Demographic changes and changes to household structure increase the chances of future pensioners living alone and increase the chance that future pensioners will provide financial support to younger family members. Future pensioners will also need to take into account the potential for future care needs. Some pensioners may be spending on their own basic needs, care costs, support for younger family members, while also attempting to save for an inheritance. Specific services and policies could help provide support with meeting these needs:

### Work and skills:

- The Government's National Retraining Programme.
- The Government's pensions dashboards programme, which will provide a snapshot of State and private pension savings potentially with links or tools to help with planning.
- The Money and Pensions Service ten year "UK strategy for financial wellbeing".
- Free guidance services from the Money and Pensions Service and Pensions Wise.
- Ensuring guidance is provided in a way that younger people find accessible.
- Extending the pensions advice allowance to cover financial education for younger workers.
- Pension products which facilitate increased contribution levels when members are in full-time work in order to make up for time out or periods of casual working.
- Tax advantaged household savings vehicles.
- Taking steps to continue reducing the gender and ethnicity pay and pensions gaps.
- Supporting education and retraining for those out of work or between jobs.
- Consideration of whether current savings incentives are sufficient to motivate pension saving and how further incentives can be offered to those not eligible for automatic enrolment.

### Housing:

- Changes to the means-tested benefit system, for example, discounting private pensions in the Housing Benefit means test.
- A greater supply of affordable housing could also increase the number of future home owners, thereby reducing the risks associated with renting.
- Promotion of products designed to make house purchase more affordable:
  - Lifetime ISAs
  - Sidecar pensions
  - Rent-to-buy scheme

### Family and social relationships:

- Higher contributions from employers (and employees) through matching contributions, or auto-escalation.
- Retirement income products which provide both an income and liquid savings.
- Financial education provided during working life and guidance during both working life and retirement.
- Support for digital inclusion.

### Health and social care:

- Increases in the generosity of carers allowance and care related benefits could help to ensure that those leaving work early to provide or receive care are less likely to need to access their pensions early.
- Financial education and guidance to support for today's savers to take into account the potential need for future care through potentially saving more and/or planning to buy care-related annuities or insurance products.
- Support to discuss retirement plans and needs with family and friends, and ensuring that family members know what their wishes are in case of incapacity.
- Ensure that the required paper work is in place, for example, power of attorney, so that if people become unable to make

their own decisions, their chosen family member will be able to make financial and care decisions on their behalf. Support and encouragement from Government and other services to have these discussions could help assist people to ensure that health and care plans are in place.

- Policies designed to ensure that people are supported to understand their holistic wellbeing needs, maintain physical and mental health, and that investment in treatment, prevention, treatment and care continues.

### Five key characteristics

Alongside the above, five key characteristics will help people to live a fulfilling, longer life:

Resilience - being able to withstand fluctuations in income, but also being creative about finding and maintaining employment.

Agility - being able and willing to move into new roles, and openness to acquiring new skills.

Wellness - taking a holistic view of wellness and investing time in different aspects of wellbeing.

Financial capability - understanding financial services and products, budgeting, and the ability to save throughout life.

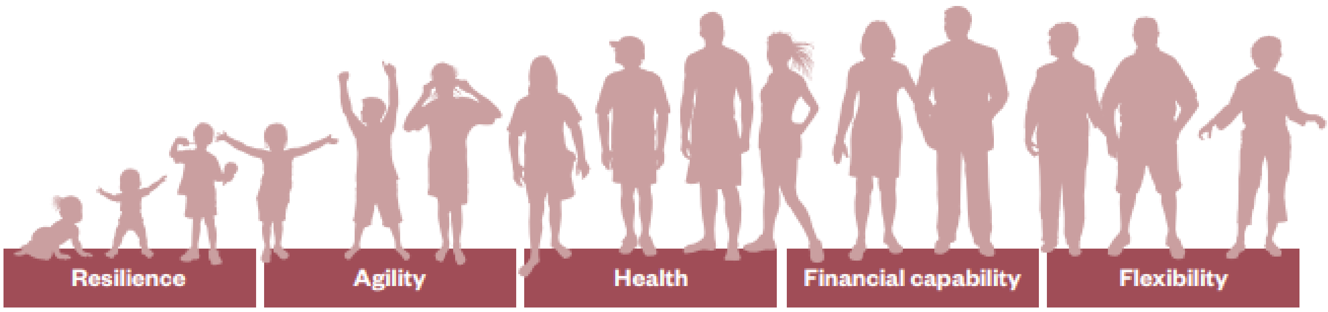
Flexibility - to new ways of connecting and interacting with people in order to stay socially active, adapting housing circumstances to changing needs over a life time, and moving between jobs or retraining/upskilling.

In order to help individuals to achieve these characteristics there need to be interconnected mind-set shifts from three key agencies:

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 look at pensions policy that is fit for purpose for the future life.




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

1 Department for Work and Pensions (2020) Automatic enrolment evaluation report 2019

2 The Pensions Regulator (2021) Automatic enrolment declaration of compliance report April 2021

3 PPI Aggregate Modelling, Office for National Statistics (2021) Employee workplace pensions in the UK: 2020 provisional and 2019 final results

4 Redwood, D. Dr. Carrera, L. Dr. Armstrong, J. Prof. Pennanen, T. (PPI) What level of pension contribution is needed to obtain an adequate retirement income? PPI, King's College

5 Office for National Statistics (2018) Trends in self-employment in the UK

6 Office for National Statistics (2021) Dataset:EMP17: People in employment on zero hours contracts

7 www.recruitment-international.co.uk/blog/2017/11/millennials-likely-to-have-12-jobs-in-their-working-lives-research-finds

8 Office for National Statistics (2020) Economic labour market status of individuals aged 50 and over, trends over time: September 2020

9 Office for National Statistics (2021) A05 SA: Employment, unemployment and economic inactivity by age group (seasonally adjusted)

10 Office for National Statistics (2020) Economic labour market status of individuals aged 50 and over, trends over time: September 2020

11 ABI Stats, Wilkinson et al. (2020) The DC Future Book: In association with Columbia Threadneedle Investments, 2020 Edition

12 Office for Budget responsibility (2020) Economic and Fiscal Outlook, November 2020

13 Financial Conduct Authority (2021) Financial Lives 2020 survey: the impact of coronavirus

14 Marmot, M. Allen, J. Goldblatt, P. Herd, E. Morrison, J. (2020) Build Back Fairer: The COVID-19 Marmot Review The Health Foundation, Institute of health equity

15 Financial Conduct Authority (2021) Financial Lives 2020 survey: the impact of coronavirus

16 Cominetti, N. Slaughter, H. Henehan, K. Thwaites, G. (2021) Long Covid in the labour market Resolution Foundation

17 Francis-Devine, B. (2021) Coronavirus: impact on household debt and savings House of Commons Briefing paper, Number CBP9060, 13 January 2021

18-25 Financial Conduct Authority (2021) Financial Lives 2020 survey: the impact of coronavirus

26 Davenport, A. Joyce, R. Rasul, I. Waters, T. (2020) Spending and saving during the COVID-19 crisis: evidence from bank account data Institute of Fiscal Studies

27 Francis-Devine, B. (2021) Coronavirus: impact on household debt and savings House of Commons Briefing paper, Number CBP9060, 13 January 2021

28 Pike, T. (PPI) (2020) Tax relief on Defined Contribution pension contributions, PPI Briefing Note no. 122

29 Department for Work and Pensions (2017) Automatic enrolment review 2017: Maintaining the momentum

30 www.pensionsdashboardsprogramme.org.uk

31 https://moneyandpensionsservice.org.uk/2020/01/21/uk-strategy-for-financial-wellbeing-sets-out-ten-year-vision-to-improve-millions-of-lives/?cn-reloaded=1

32 www.moneyandpensionsservice.org.uk; www.pensionwise.gov.uk/en

33 https://genhq.com/do-millennials-prefer-mobile-apps-or-websites/

34 www.ft.com/savingapps

35 www.gov.uk/government/publications/pensions-tax-pensions-advice-allowance

36 www.moneymarketing.co.uk/news/gov-refuses-to-review-pensions-advice-allowance/

37 Ministry of Housing, Communities & Local Government (2020) English housing Survey 2019 to 2020 Figure 1.1

38 Department for Work and Pensions (2021) Pensioner’s Income Series Table 2.1

39 Office for National Statistics (2019) UK private rented sector Figure 13

40 Equity Release Council (2021) Q4 and FY 2020 equity release market statistics

41 Hammond, George (2021) Financial Times, What London’s falling population means for the housing market January 22, 2021

42 https://hoa.org.uk/advice/guides-for-homeowners/i-am-buying/rent-to-buy/

43 Wilson, W. Barton, C. (2021) Tackling the under-supply of housing in England House of Commons Briefing Note, Number 07671, 14 January 2021

44 Department for Work and Pensions (2021) Pensioner’s Income Series Table 2.1

45 Office for National Statistics (2019) The cost of living alone ONS

46 ELSA Wave 8

47-50 Scottish Widows (2017) Women and retirement

51 ONS Dataset: Young adults living with their parents, Young adults aged 15-34 living with their parents by age and sex, UK, 2020; ONS (2019) Families and households in the UK: 2019

52 www.thisismoney.co.uk/money/pensions/article-7478231/One-three-parents-stay-home-adult-children-tapping-pension-pots.html

53 Financial Conduct Authority (FCA) (2019) Intergenerational differences FCA DP 19/2

54 Tankovska, H. Statista (2021) Forecast of social network user numbers in the United Kingdom (UK) 2015-2025

55 www.avocadosocial.com/the-uk-social-media-statistics-for-2021/

56 Office for National Statistics (2019) Exploring the UK’s digital divide

57 Office for National Statistics (2019) Internet Users, Labour Force Survey (LFS)

58 Office for National Statistics (2019) Exploring the UK’s digital divide

59 ONS, 2016-based, Table A1-1, Principal projection - UK summary

60 Office for National Statistics (2018) Provision of unpaid care by age group, UK, 2015 to 2017, Figure 1

61 https://carers.org/key-facts-about-carers-and-people-they-care

62 National Audit Office (2018) Adult social care at a glance NAO

63 https://www.moneyadviceservice.org.uk/en/articles/long-term-care-services-at-a-glance#:~:text=The%20average%20cost%20of%20a,the%20South%20East%20of%20England.



**This Briefing Note was informed by a Roundtable attended by key industry and policy stakeholders on May 28th, 2021.**
**The PPI is grateful to the attendees for their valuable contributions.**



**This Briefing Note is authored by:**
Daniela Silcock
Head of Policy Research
t: 020 7848 3744
e: daniela@pensionspolicyinstitute.org.uk
w: www.pensionspolicyinstitute.org.uk



This Briefing Note was kindly sponsored by:

Capita


For more information on the topic please contact Daniela Silcock