

Press Release

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Evolving retirement outcomes

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“A quarter of people face pension decisions which could vary retirement income considerably” says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing *Evolving retirement outcomes*, a report which explores the range of outcomes that people can achieve with existing products and the scope there may be for innovation to improve outcomes for retirees now and in the future. This is the second report in a series sponsored by a consortium including AXA Investment Managers, ABI, DWP, Legal & General, Nest, Prudential, TPR and Wealth at Work.

Retirement outcomes will vary considerably based on the decisions that people make. A quarter (28%) of those reaching retirement in the next ten to fifteen years will have moderate to high levels of DC savings and low or no DB entitlement. The decisions they make could see their private pension income vary by more than 70% and could result in people living a further 8 years and 9 months after they have run down their pension savings, assuming a highest withdrawal rate of 7%. Because of the significant differences in outcome that could be experienced, there is a risk that some people will experience deprivation in retirement as a result of the decisions they make. This means that people need to be supported in making decisions which will deliver positive outcomes.

Lauren Wilkinson, Policy Researcher at the PPI said “Product innovation may help people to achieve retirement outcomes that better suit their needs and preferences but it may not be the best or only way to help. If people are engaged and informed, they are able to achieve positive outcomes using the range of products already available to them. With that in mind, policies aimed at increasing engagement before and at retirement are an important aspect of any strategy to improve outcomes. However, increasing engagement is something that will take time and there needs to be appropriate support for those who are reaching retirement now and in the next few years for whom engagement may be lower and pot sizes smaller. Innovation should be viewed as part of a portfolio of measures aimed at improving retirement outcomes.

Guided retirement pathways may be a remedy for low levels of engagement or for those for whom high levels of engagement and financial capability are not practicable. A retirement landscape in which all are engaged and informed may be the ideal, but with many retirees inactive and less well-informed, defaults have the potential to provide improved outcomes for some people.

There is a lack of consensus about whether defaults are necessary, what they might look like in practice, how many people would use them, and even the way in which they should be described.”

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Notes for editors

1. The Pensions Policy Institute (PPI) is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.

2. 1. This is the second in a series on the topic of changes in the retirement landscape. The first report in the series, *The evolving retirement landscape*, was published in May and explored the changes that have occurred within the retirement landscape, how these have impacted behaviour, and the way that combinations of retirement savings and entitlements are evolving. Completing the series, there will be a Briefing Note on the impact of retirement income decisions on state finances, such as taxation and means tested benefits.

3. Modelling assumes that individuals withdraw between 3.5% and 10% per year. Incomes could vary more drastically if higher withdrawal rates are applied.

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4. Sponsorship has been given to help fund the research, and does not necessarily imply agreement with, or support for, the analysis or findings from the project.