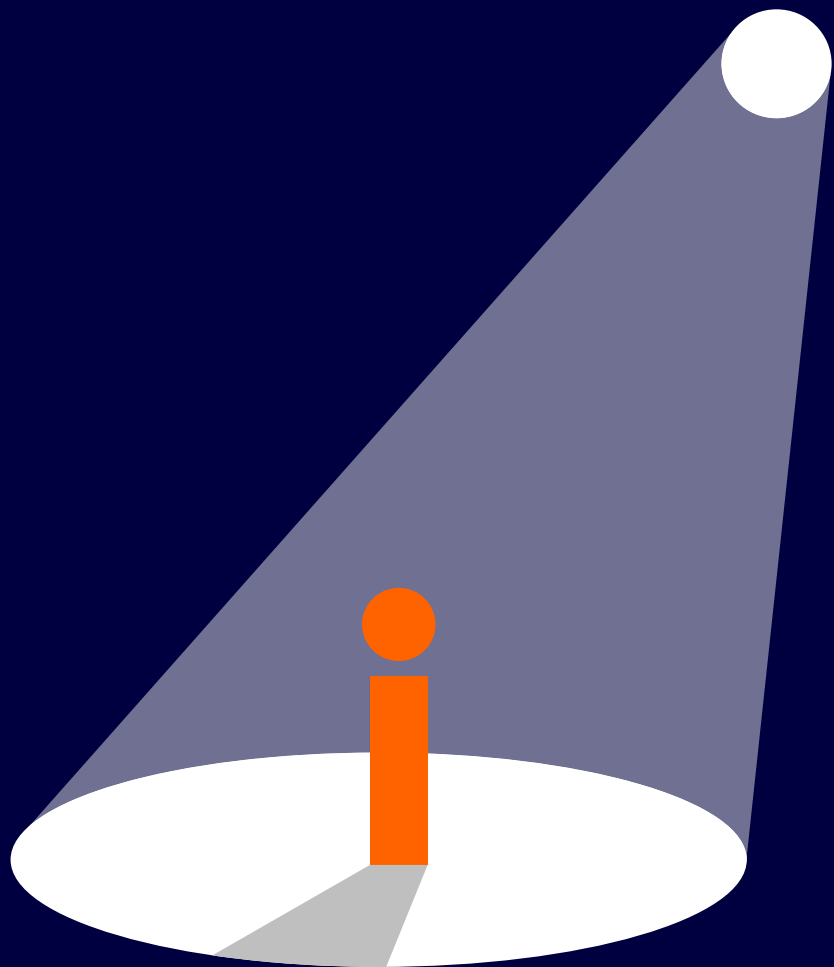


Show me my money 2022

Are you being kept in the dark?



Back at the end of 2020, we produced a report called 'Show Me My Money' – a call for 'meaningful transparency' on costs and holdings in pensions.

The word 'meaningful' is key. In a world of information overload, presenting people with bald facts, without any context or explanation, runs the risk of being just TMI (Too Much Information) - another email to skip past or letter to file, unlikely to deepen understanding or prompt confident actions.

A year and a half on from that report, Show Me My Money #2 is a further call to not only make what a pension is and what it does clearer for people, but to help them master this subject, which so many people say they just don't want to think about.

The pension engagement challenge is enormous. Thinking about a pension, some joke, makes them feel physically sick – if they allow their mind to go there at all.

Perhaps the word pension itself needs a re-think: conjuring as it does, images of poverty and difficulty in old age. Unlike, perhaps, something like 'Future Finance Fund', a term that is more likely to prompt empowering thoughts of long holidays and dining out. And think of the marketing possibilities to younger people! 'Your FFF is your BFF' and so on.

Even with the wildest, most creative comms, at times like these, when the immediate day-to-day financial needs of the moment must take precedence, daring to think about the far distant future feels like an act of bravery. Yet it remains so important.

A failure by the industry to present the subject imaginatively and positively may largely be down to a lack of commercial imperative to engage anyone. The pensions world remains made up of large life companies, who have taken on more than 20 million workplace pensions from employers through auto-enrolment, and who might see no need to 'shift the dial' in corporate speak, as there is very little movement between providers. If anything, inertia and ignorance rather suits this sector of the pensions market, for whom engagement might mean losing customers and revenue. It's known that people are more likely to change their life partner than they are their current account provider. It's a similar story with pensions.

This could change, as the FCA's Consumer Duty is introduced in May next year, putting the focus on what financial businesses do to give people the best

outcomes – including retirement outcomes. Meeting the requirements of this duty is likely to force sleepy incumbents to demonstrate better efforts to engage. Meanwhile, the Department for Work and Pensions has also been laying the groundwork in the last two years to make pensions more engaging, easier to access, to understand and to move around. The impact of this work is likely to take a while before the benefits become apparent in surveys like this one.

Giving people context and perspective – maybe even some inspiration and motivation - as well as the bald facts, might just mean the difference between quickly glancing at your pension statement before moving on to thinking about what's for dinner and making a potentially life improving decision to alter your investment plan. We know from this report, based on research conducted by Opinium on behalf of interactive investor they could be £100,000 better off over a 45-year working life by switching to a higher-risk fund when they first start investing in a pension.

In a world of infinite entertainment and endless opportunities for distraction, what could provide such inspiration and motivation to deal with our financial futures? Knowing how peers are doing, perhaps? Or people in the same city? Or influencers on TikTok?

What about knowing whether your pension investments are supporting your ethical values or net zero ambitions? The flow of capital to Russia from UK pension funds has given many pauses for thought. These 'penny-dropping' moments are a time of opportunity for pension providers, who for the most part, still appear reluctant to list pension fund holdings somewhere visible and accessible on websites.

Before deciding on the solution, we must recognise the scale of the engagement challenge. This report attempts to do both.

Is ignorance bliss?

The first Show Me My Money report came about because we had a hunch that many people wouldn't know what they were paying for their pensions or anything about the underlying investments within them. We found that 48% of people with life company pensions didn't know or couldn't guess what they paid in fees to their pension provider. We pointed out that not knowing what you are paying for something as significant as a pension seems odd – we know the cost of so many things we use in our lives, from a loaf

of bread to the price of broadband, why not the cost of one of the most significant and potentially costly things we have: our pensions?

The answer may be that with pensions, unlike which supermarket we choose to shop at or where to go on holiday, we do not feel able to act on this information. The difference between 1% and 0.5% charges may be thousands of pounds a year; but if moving that pension to another, lower cost provider is going to take 8 weeks and involve a lot of hassle – if it can happen at all, then perhaps you feel less inclined to make that switch than you do to swap from Ocado to Aldi. If you can't act on it, what's the point of knowing or comparing those fees? Meaningful transparency here relates to someone's ability to use that information for their own benefit.

With a current workplace pension, there may also be employer contributions to lose through moving it. This makes switching only really possible with former workplace schemes no longer receiving employer contributions. But even with old schemes, there may be valuable benefits that prevent a switch, such as the ability to take benefits earlier, guaranteed minimum income or a higher than 25% tax-free lump sum. Such benefits are becoming fewer and further between as the shift to defined contribution from defined benefit schemes takes place. But for all these reasons, any switching must be done carefully and with help or guidance, even if the fee saving may be significant.

Fast forward to now, and we have delved further to see just how little people know about their pensions – that's the 74% of the working age population who say they have one. If half don't know what they pay in fees and charges, do people even know how much is in their pension? Or how much they contribute? And do they have a clue whether they are ahead or behind the curve, in relation to other people at a similar life stage?

We wanted to not only reveal what people know or don't know about their own pensions, we also wanted to lift the lid on other people's. More transparency over what's in other people's pension pots, as well as your own, can help you gain a sense of how you are doing relative to others and whether you are getting the best value for money. We've pulled out results according to age, gender and region, which has revealed some big differences between demographics. How you are doing is relative, but it should be relative to others within your cohort.

We've added the idea of 'curves' into this report, to help you work out where you are on the pensions curve, relative to others.

An important note on these findings: the answers were based on what people think they know about their pension and did not examine, for instance, the difference between the fee someone thinks they pay and what they actually pay. Or what type of pension they think they have, versus what they actually have.



**More than
£100k
better off**

“Potential savings of over £100,000 over a working life, just by dialling up your risk appetite and finding a better value provider might seem like the stuff of dreams, but it's one of the pension industry's best kept secrets.”

Richard Wilson, CEO, interactive investor

Key Findings.

What people say they have in a pension and what they contribute

26% of people say they do not have a pension*

The average pension pot size across all ages is £86,232. The average pot size among the over 55s – those who can start to access their pension – is £132,464.

- Just 2% of the over 55s have a pension worth more than £1 million currently, compared with 1% across all ages.
- Engagement is working: younger people demonstrate greater awareness of what their pension is worth, what fees they pay and what it is invested in than older age groups.
- The average monthly contribution people say they make is £240.50, or £2,886 a year. Men contribute an average £309 a month compared with £172 for women. Middle age is the peak contribution period: 35 to 54-year-olds contribute £261 a month, compared with £245.40 a month for younger workers. Contributions start to decline in the 55+ age group to an average of £218 a month, or £2,616 a year.
- The average amount people say they contribute monthly including tax relief but excluding employer contributions is 11.2%.

What people do and don't know about their pensions

- Almost half of people (48%) don't know how much is in their pension/pension pots.
- Around half of pension holders (48%) know how much they contribute. Average contributions among those who know are £247 a month; the average percentage of those who know the % of their salary they put away is 11.6% each month.
- The most common proportion of salary people are putting in their pensions is 6 to 10%, including tax relief, but excluding employer contributions
- Almost one in five said their employers did not contribute to their pensions
- More than three quarters of people – 77% - don't know what fee they pay for their pension. This increases to 90% among the over 55s

* The survey of 2,000 people was conducted by Opinium between 26 and 29 November 2021

26%

of people say they do not
have a pension

2%

of over 55's have a pension
worth £1 million +

Who has a pension?

74%

of people have a pension in the UK – this means around one quarter do not

81%

More men than women say they have a pension – 81% of men, compared with 68% of women

81% of men have a pension

79% of 35-54 yr/o have a pension

74% have a pension

74% of 18-34 yr/o have a pension

70% of 55+ have a pension

68% of women have a pension

**If you have a pension,
you are on the curve.**

By age

Auto-enrolment appears to be working: younger workers are more likely to say they have a pension than those aged over 55. One-in-four (26%) of 18- to 34-year olds say they don't have a pension, compared with one-in-five (21%) of 35- to 54- year olds and nearly one-in-three (30%) of people aged 55 or over.

Do you have a pension? - No

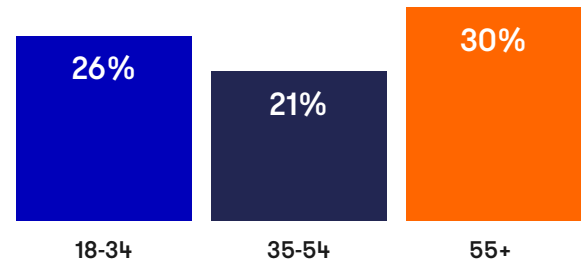


Fig 1

Who doesn't have a pension - by region

Regionally, people in the East Midlands were most likely to say they don't have a pension (35%), followed by Yorkshire and Humberside (30%), the West Midlands, South West, Scotland, Northern Ireland and London (27%), the North West (25%), East of England (24%), Wales (23%) the South East (20%) and the North East (16%)

- 35%** - East Midlands
- 30%** - Yorkshire and Humberside
- 27%** - Northern Ireland
- 27%** - Scotland
- 27%** - London
- 27%** - West Midlands
- 27%** - South West
- 25%** - North West
- 24%** - East England
- 23%** - Wales
- 20%** - South East
- 16%** - North East

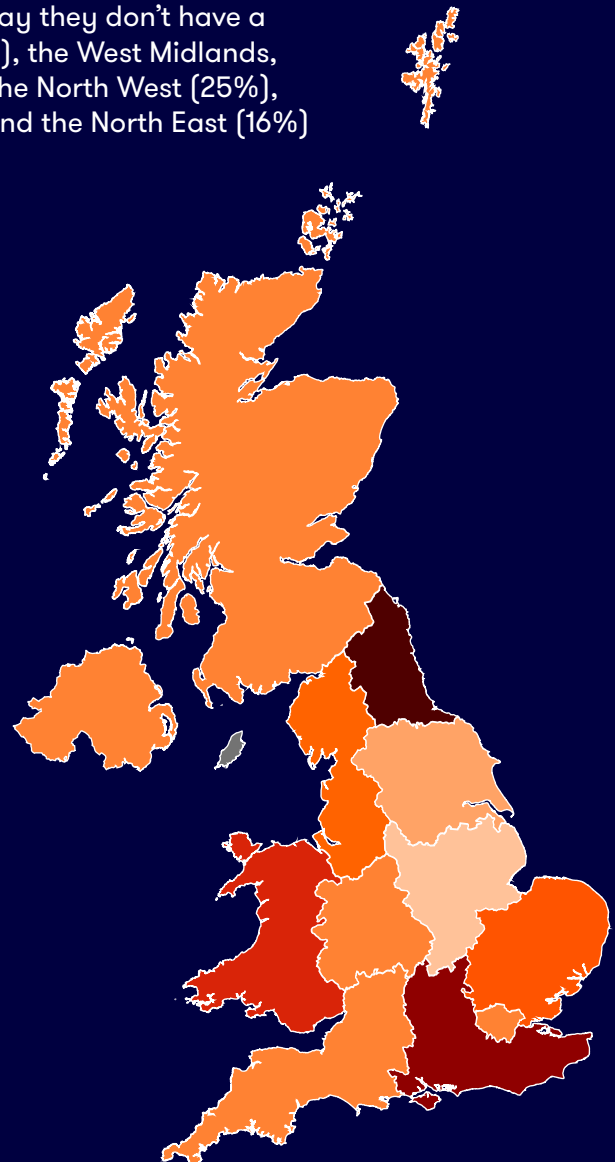


Fig 2

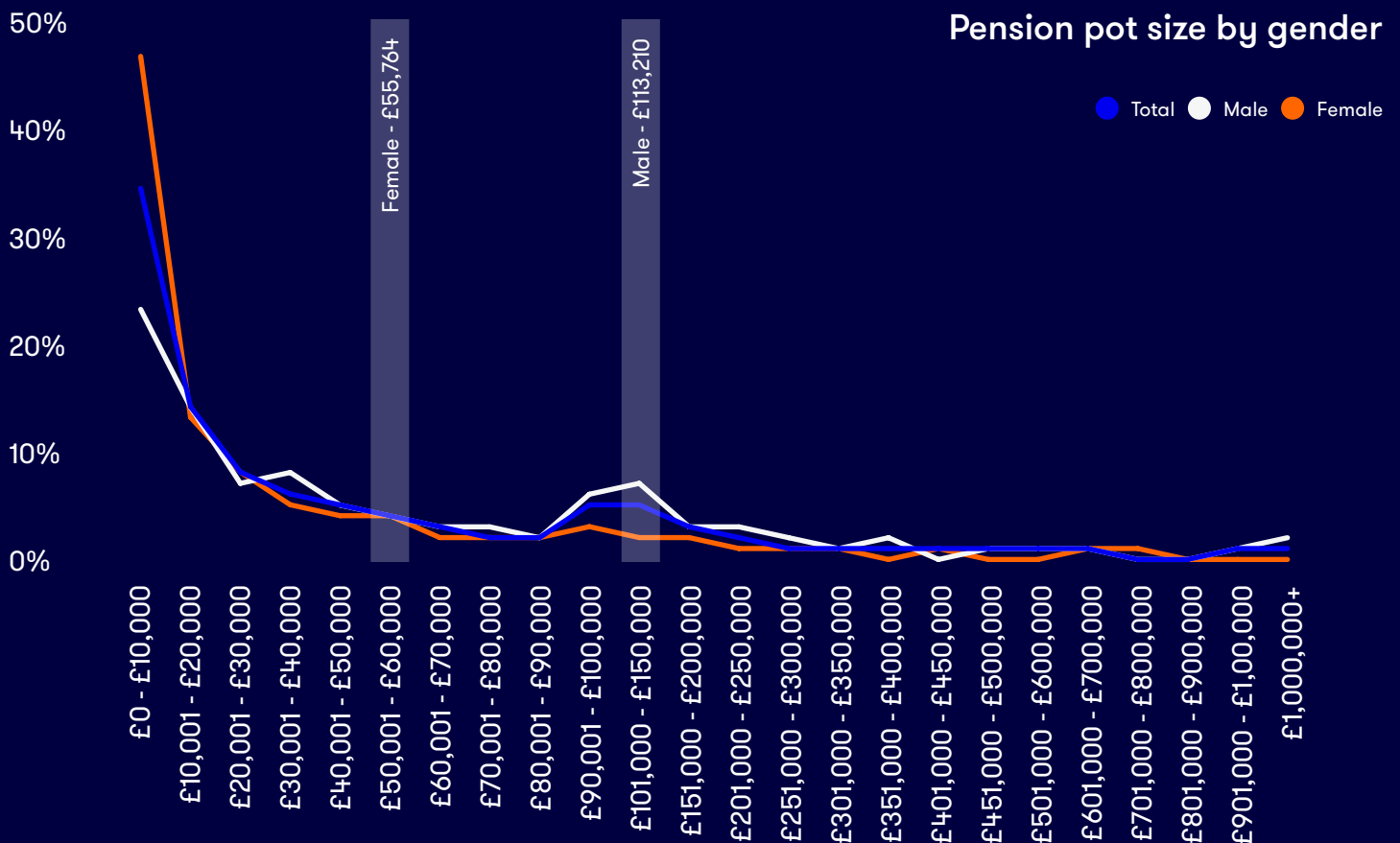


Are you keeping up with the Joneses on pensions?

Key findings on amounts in a pension:

- Almost half of women (46%) have less than £10,000 in their pension, compared with 23% of men.
- The average pension pot was £86,232. For men, the average was £113,210 and for women it was £55,764.
- Only 19% of respondents said they had a pension pot worth more than £100,000 and 1% have a pot worth more than £1 million.

46% (women)
23% (men)
have less than
£10,000 in their
pension.



“However, it might be more useful to know how your pension compares to people of a similar age.”

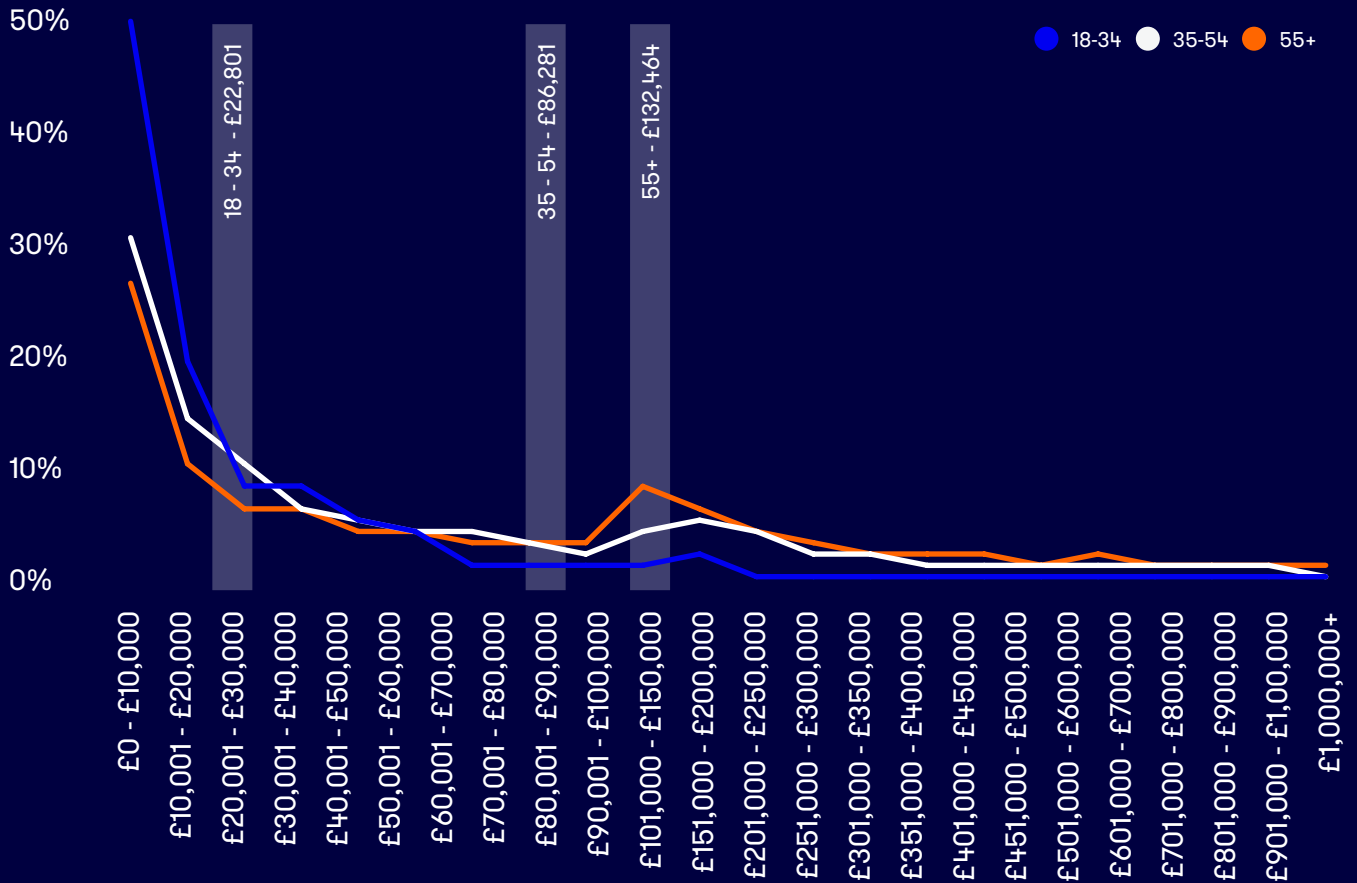


Fig 4

Regionally, there was a higher proportion of lower value pensions worth less than £10,000 in the East of England (42%), the South East (40%) and the North West (38%).

Who is in the 1% club?

Despite a backlash against the Government’s decision to freeze the Lifetime Allowance on pensions at £1,073,100, above which a tax charge on the value of benefits is applied, the move currently only affects a small proportion of pension investors (although this is likely to change in the future).

Just 1% of people surveyed had a pension worth more than £1 million on average, rising to 2% of the over 55s. However, no women who took part in this research with a sample size of 2,000 people reported having a £1 million plus pension pot.

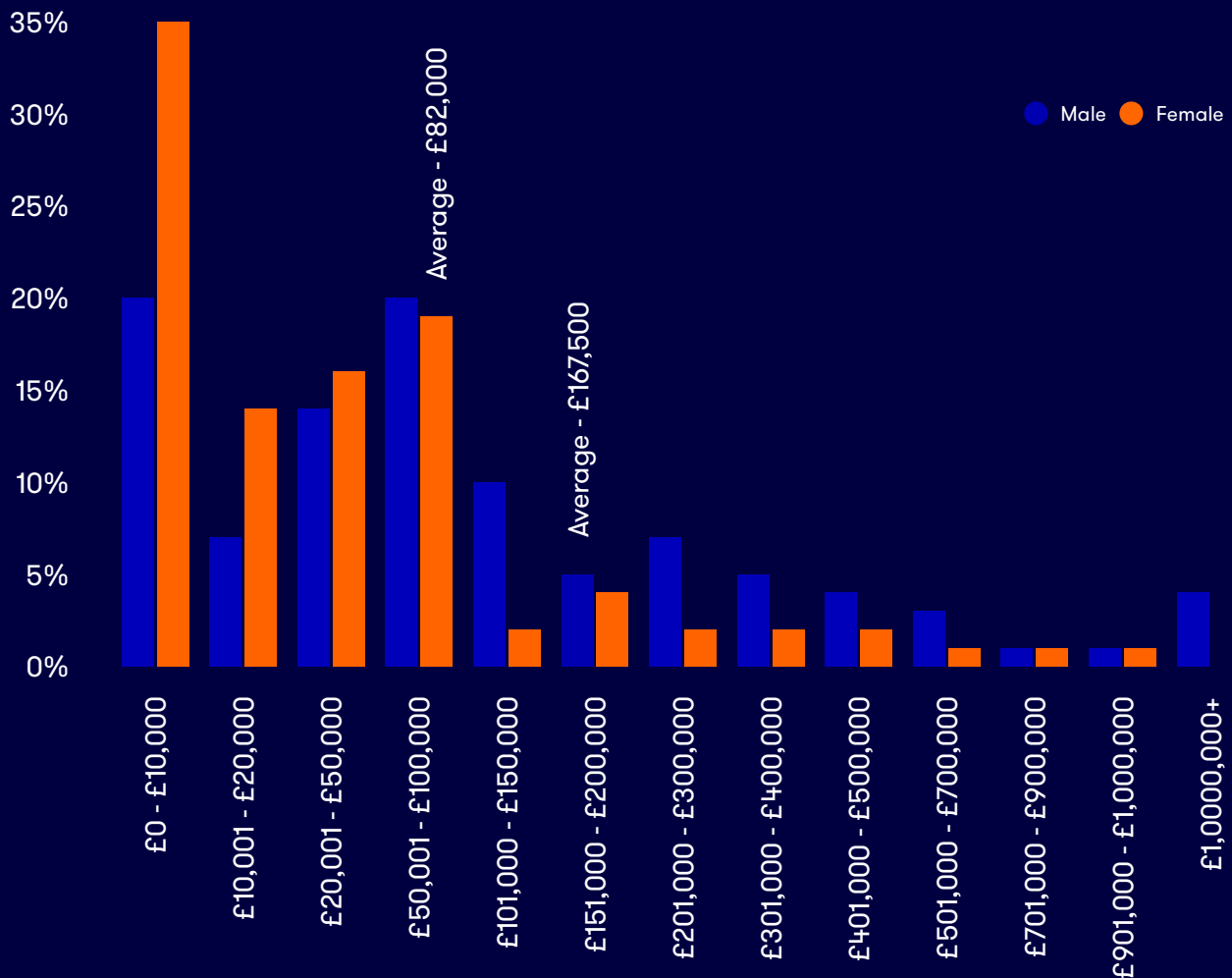
The highest pension size bracket reported by women was £701,000 to £800,000. This suggests a ‘glass ceiling’ for pensions. Not surprisingly, no one in the youngest age bracket 18 to 34-years old reported a £1 million plus pension, either

Age 55+: Men and Women

It's worth considering the over 55s separately, as this is the age when you can first access your pension (although this age is set to rise to 57 in 2028). So what you have in your pot at this point is important.

- Among the over 55s, the average pot size is £167,500 for men and less than half that for women, at £82,800. The overall average is £132,464.
- Some of the respondents in this age bracket who have already retired may already be drawing from their pension so the figure may be lower than when they reached the Normal Minimum Pension Age.
- Even in this age bracket, the most common pension pot size reported is less than £10,000. The next most common answer was £50,001 to £100,000 and then third most common was £20,001 to £50,000.
- More than a quarter of over 55s (29%) said they had a pot worth more than £100,000 while just 2% had a pot worth £1 million or more.

Approximately how much do you currently have in your pension pot(s)?



Base: all those 55 and over with a pension

Regions behind or ahead of the pension pot curve?

Regionally, the biggest pension pots were in London and the South East, at £111,002 and £102,556 respectively.

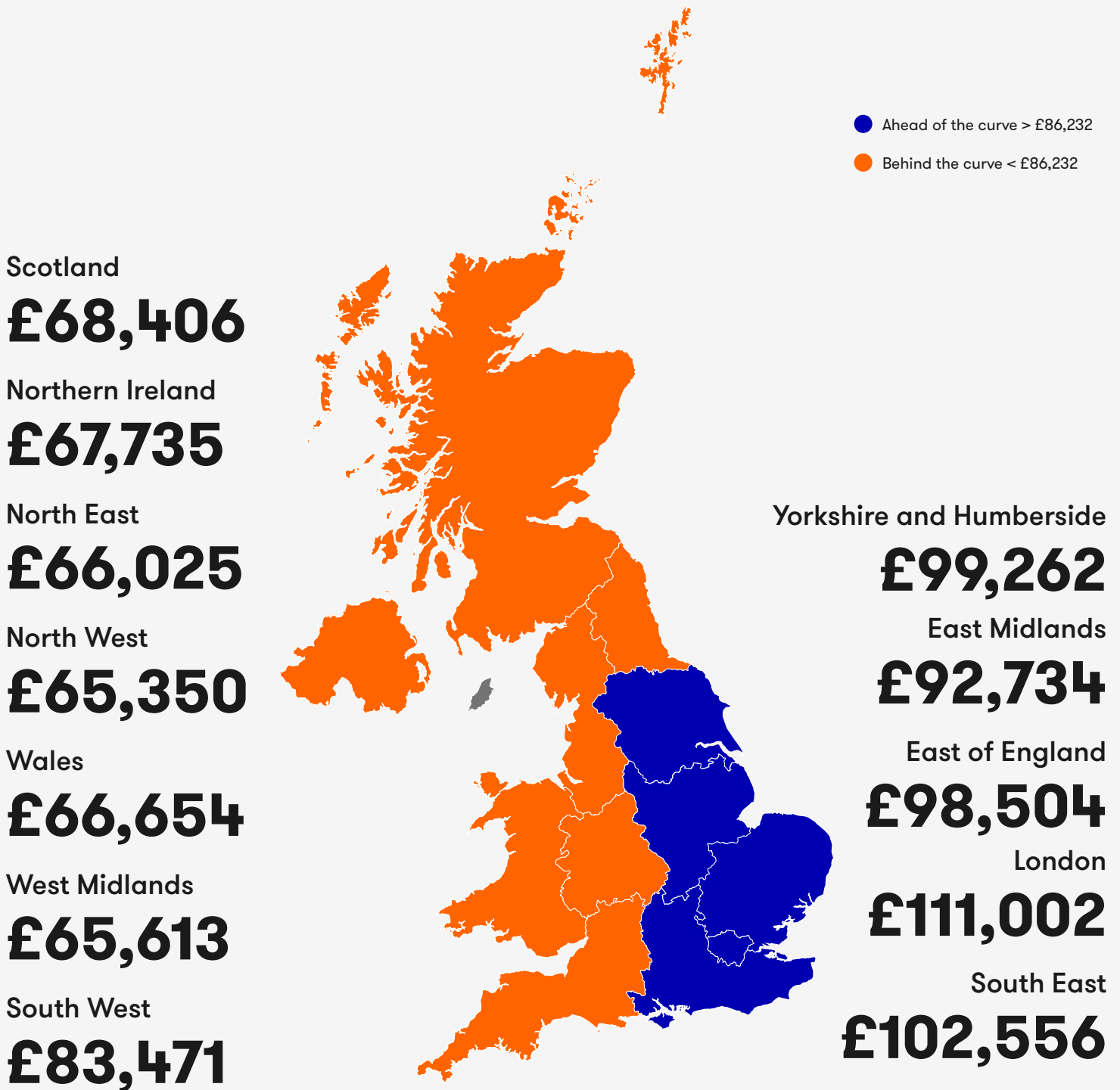


Fig 6

What people do and don't know about their pension

When it comes to your awareness and understanding of your pension, you might not care so much how you compare with others. But if you don't know either what is in it currently or how much you contribute and you are currently paying into a pension, you can take heart – a large percentage of the general population don't know, either.

When it comes to pot values, contribution amounts, fees, asset classes and whether any changes have been made to a pension, people are in the dark. It is more normal to not know these things than to know them. Given the importance of a pension to a stable financial future, this extreme lack of knowledge is alarming.

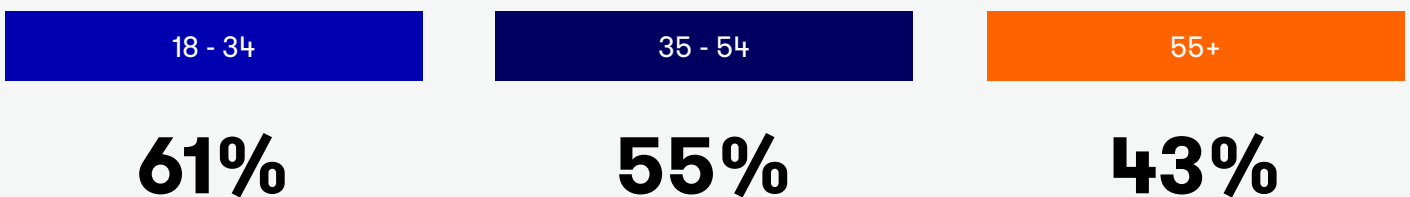
How much is in your pension?

While there is no great need to know the exact value of your pension pot in any given moment, it's helpful to have at least some idea. That's because you can't know whether you are on track or not for a decent retirement income without some knowledge of that figure. If you are not on track, that's helpful to know, too, so you know if you need to contribute more and based on the number of years to retirement, how much more, too.

- Almost half of people (48%) don't know how much is in their pension/pension pots
- Encouragingly but also surprisingly, younger pension savers were more likely to say they know how much is in their pension, either exactly or approximately. This may seem counter-intuitive but could be a function of the switch from defined benefit schemes, which older people are more likely to hold and where there is no real amount 'in' a pension scheme, just an amount of income it will pay you annually, to defined contribution schemes where you build up a 'pot of money'. It could also be a result of more and better engagement from pension providers encouraging younger workers to contribute.

Do you know how much is in your pension?

Yes, to some degree



Men are more likely to say they know how much is in their pension than women:

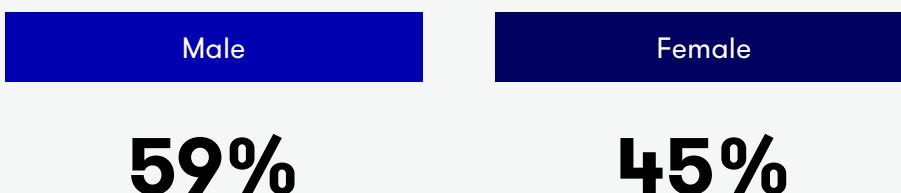
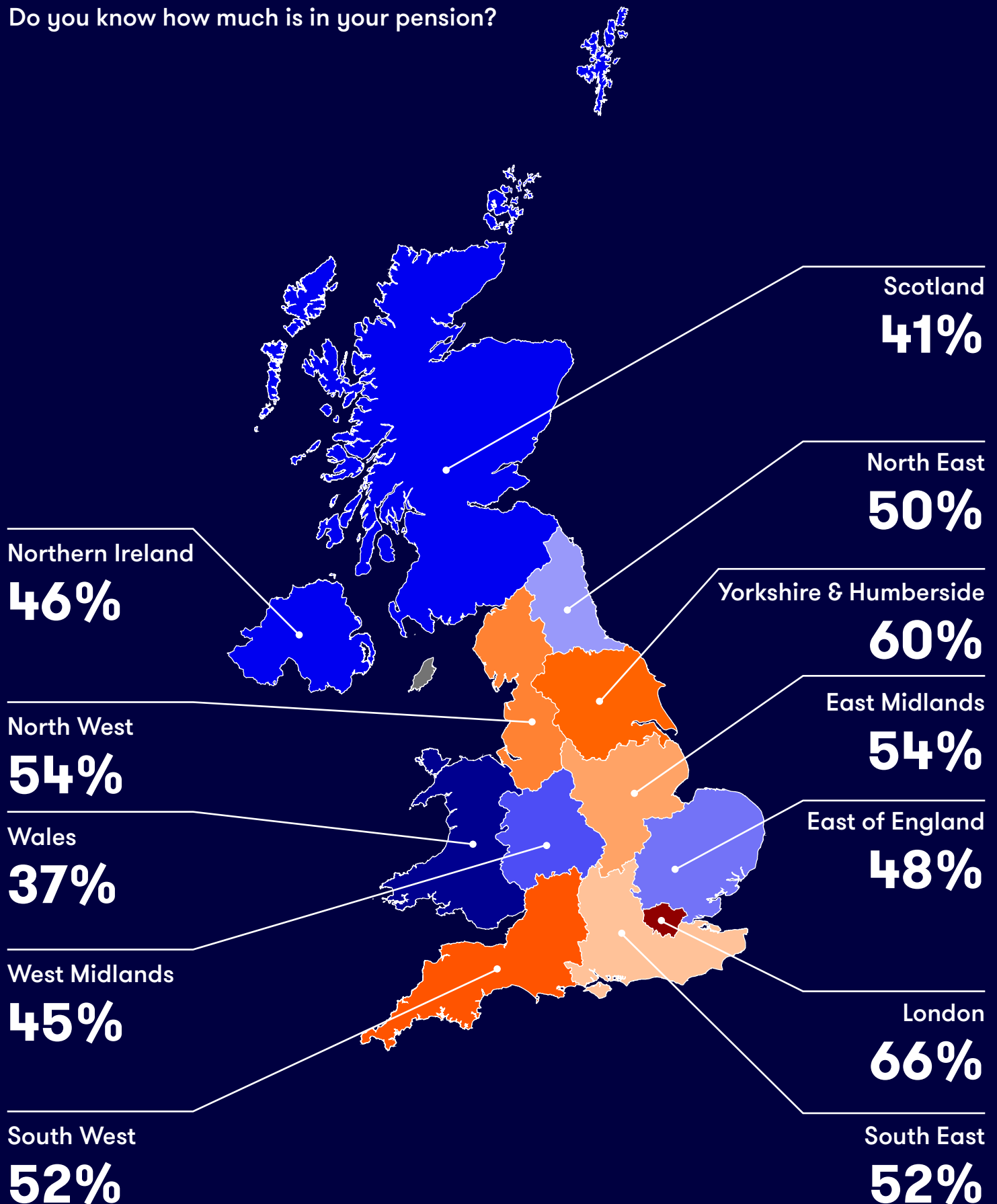


Fig 7

There is also strong variance regionally in knowing how much is in a pension. Londoners were the most likely to say they know how much is in their pension, with two thirds (66%) saying they knew, compared with 37% in Wales:

Do you know how much is in your pension?





Less than

£100

Most common
amount
contributed
monthly

How much do you contribute?

Given a pension contribution represents a fair chunk of monthly salary, you might expect people to know exactly how much they are putting away. Perhaps it's because a pension is a 'set and forget' thing that more than half of respondents said they did not know how much they contribute. Nevertheless, not contributing enough to defined contribution pensions to generate a good retirement income could be a problem in years to come if people do not put more into their pension than the auto-enrolment minimum amount, so a greater understanding of contributions would most likely be of benefit, by encouraging an increase.

- 20% say they don't know how much they contribute to a pension every month
- Most common amount contributed monthly is less than £100
- Around half of pension holders (48%) know how much they contribute. Average contributions among those who know are £247 a month; the average percentage of those who know the % of their salary they put away is 11.6% each month.
- Men are more likely to know how much they contribute than women – 51% of men know approximately compared to 44% of women. Women were also more likely to say they are not actively contributing to a pension at the moment (34% versus 30% of men)
- Younger people are again more likely than not to be aware of how much they contribute than those in middle age and those approaching retirement. However, this could be because 63% of the over 55s said they are not actively contributing to a pension at the moment, suggesting that they may no longer be in jobs with automatically enrolled pensions. The older age group were as likely to know their contributions as they were to not know.
- There were clear regional differences in awareness of pension contributions, too. Respondents in the North East (37%) and West Midlands (38%) were the least likely to know what they contribute, while those in Yorkshire (56%), the South West (55%) and London (54%) were most likely to know.

Of those who know how much they contribute, the responses may be instructive to others. As shown in Fig 9, men contribute far more on average monthly, than women, at £309 compared with £172. Age naturally makes a difference too, with those aged 35 to 54 contributing more, at £261 a month on average, than younger workers, who put aside £245.40 a month. However contributions do seem to start to decline in the 55+ age group to an average of £218, perhaps as people stop working altogether or go part time, or even start to access their pension.

There are some very distinct regional variations, too, as shown in Fig 11. In Wales, the average monthly contribution is £159, rising to £391 in London.

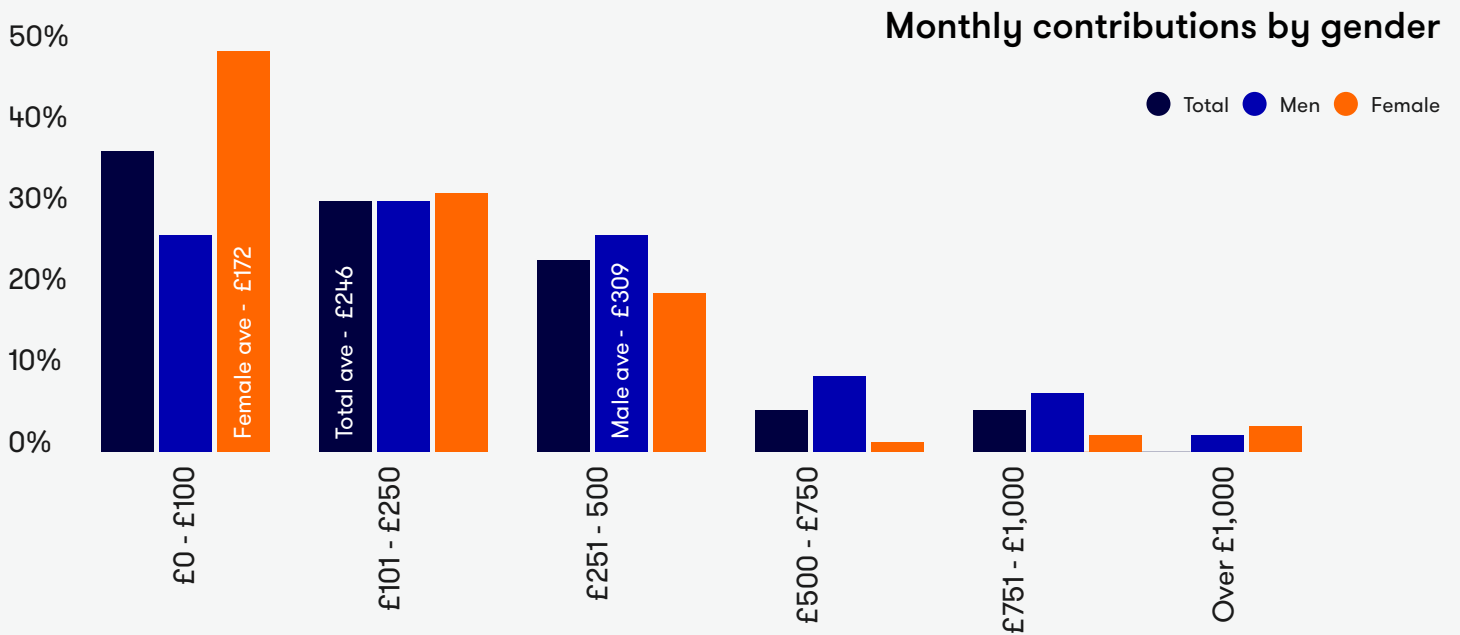


Fig 9

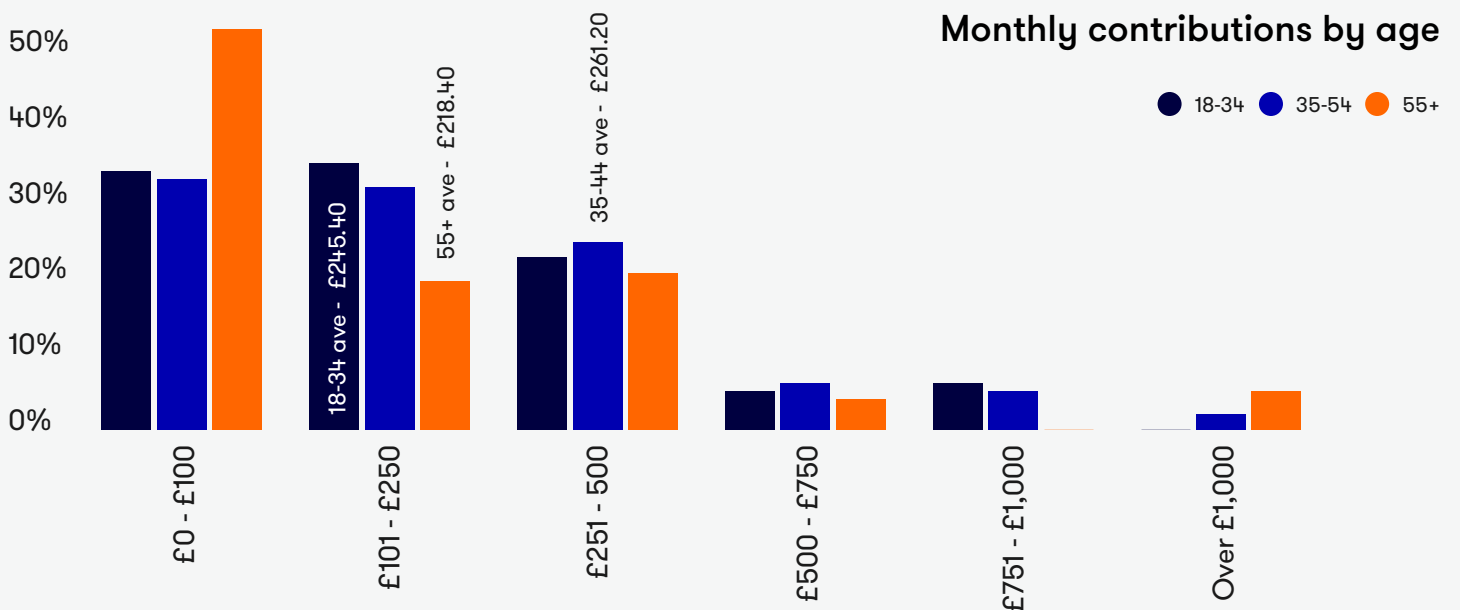


Fig 10

Regional variations in contributions

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	Northern Ireland
£1 - £100	23 %	55 %	43 %	45 %	32 %	39 %	16 %	30 %	52 %	36 %	35 %	14 %
£101 - £250	35 %	21 %	20 %	37 %	30 %	29 %	22 %	41 %	19 %	49 %	41 %	63 %
£251 - £500	36 %	14 %	25 %	10 %	30 %	26 %	36 %	20 %	16 %	15 %	14 %	18 %
£501 - £750	7 %	8 %	2 %	6 %	0 %	3 %	7 %	5 %	9 %	0 %	9 %	0 %
£750 - £1,000	0 %	2 %	2 %	2 %	6 %	0 %	19 %	2 %	2 %	0 %	0 %	0 %
£1000+	0 %	0 %	7 %	0 %	2 %	4 %	0 %	1 %	1 %	0 %	0 %	5 %
	£247.20	£183.50	£264.60	£184.10	£256.60	£223.30	£391.30	£224.80	£216.10	£159.70	£200.60	£ 239.50

Fig 11



	Gender		
	Total	Male	Female
Yes, I approximately know in £	25 %	26 %	24 %
Yes, I approximately know in % of my salary	23 %	25 %	20 %
Don't know	20 %	19 %	21 %
N/A I am not actively contributing to my pension at the moment	32 %	30 %	34 %
NET: Yes, they know approximately	48 %	51 %	44 %

Fig 12

	Age			
	Total	18-34	35-54	55+
Yes, I approximately know in £	25 %	36 %	29 %	13 %
Yes, I approximately know in % of my salary	23 %	29 %	29 %	12 %
Don't know	20 %	26 %	25 %	12 %
NA I am not actively contributing to my pension at the moment	32 %	9 %	17 %	63 %
NET: Yes, they know approximately	48 %	65 %	58 %	25 %

Fig 13

North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	Northern Ireland
20 %	21 %	30 %	31 %	21 %	25 %	31 %	23 %	34 %	16 %	18 %	32 %
17 %	29 %	26 %	17 %	17 %	16 %	24 %	28 %	21 %	29 %	23 %	13 %
30 %	22 %	15 %	14 %	28 %	23 %	18 %	23 %	9 %	21 %	19 %	25 %
33 %	28 %	29 %	39 %	34 %	36 %	28 %	26 %	35 %	34 %	40 %	30 %
37 %	50 %	56 %	47 %	38 %	41 %	54 %	52 %	55 %	45 %	41 %	45 %

Fig 14

Expressed as a percentage of salary, people put the amount of their typical contributions including tax relief, but excluding their employer contribution, significantly above the 8% auto-enrolment minimum amount. If this is accurate, it's very encouraging.

In all, 12% of people who know how much they contribute say they are contributing more than 20% of their salary to their pension; the most common response is 6 to 10%, as Fig 15 shows. The average was 11.2%.

According to fig 15, the % of salary goes down with age, perhaps indicating that people tend to become more comfortable that they are on target to meet their retirement goals by the time they approach retirement.

Regionally, those in the North East placed their pension contributions as a % of salary the highest, at 18.6%, compared to 7.9% in Yorkshire and Humberside (fig 17).

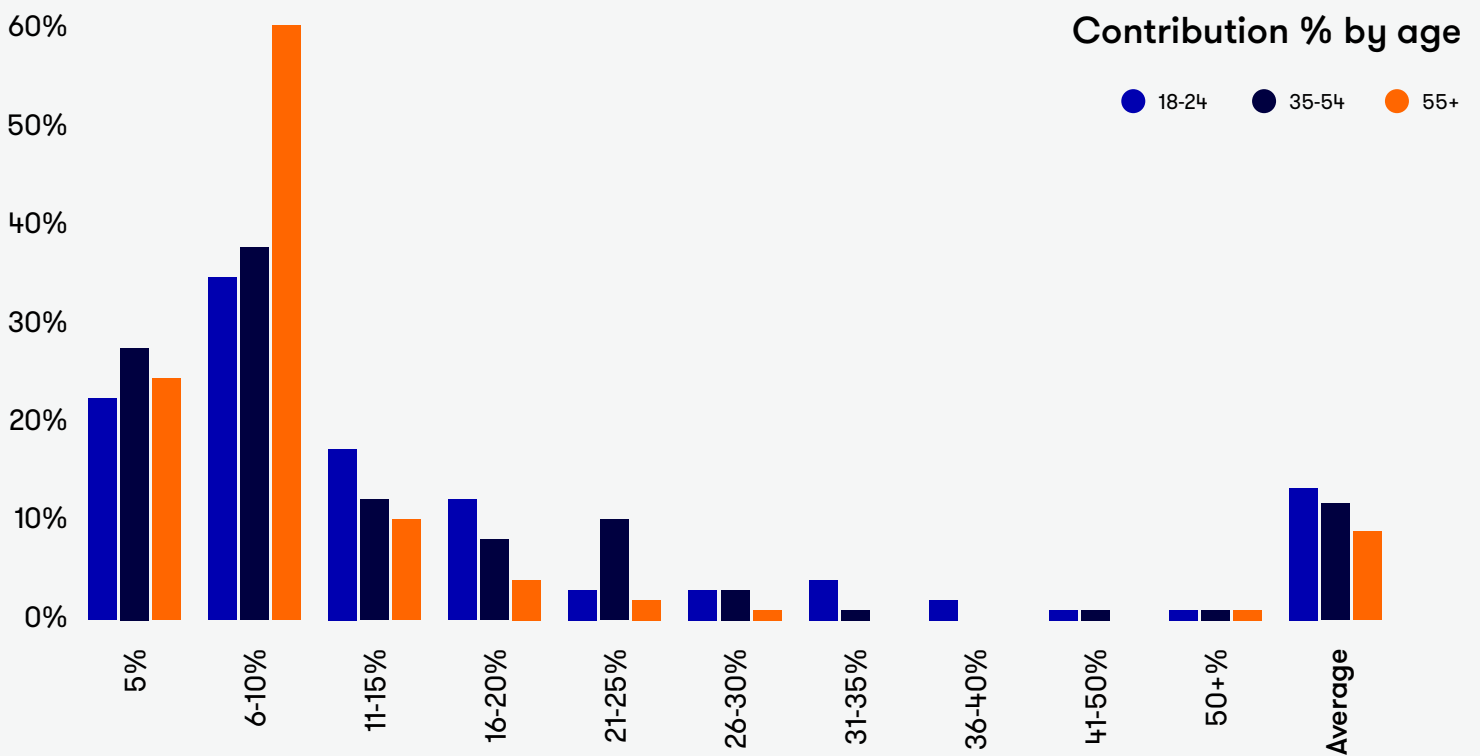


Fig 15

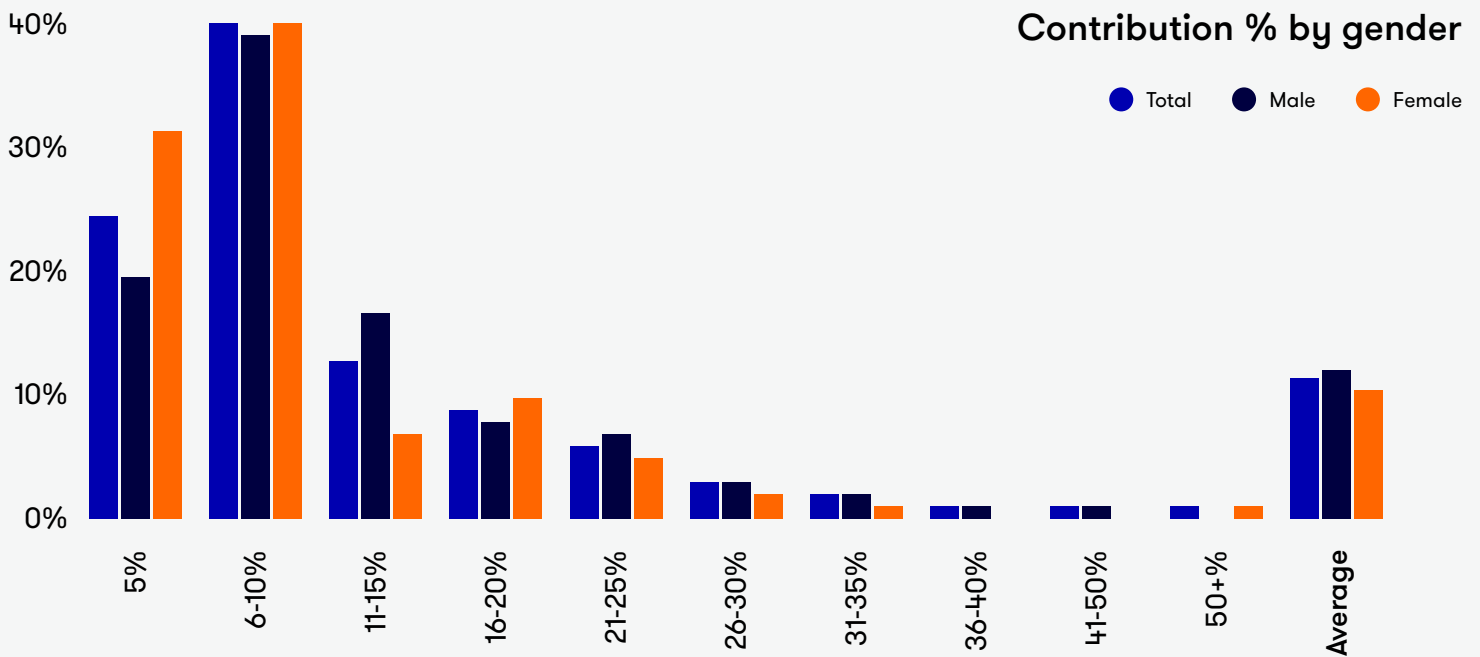


Fig 16

Contribution % by region

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	Northern Ireland
5%	14 %	31 %	34 %	13 %	28 %	20 %	16 %	28 %	24 %	26 %	25 %	15 %
6-10%	31 %	37 %	56 %	43 %	23 %	43 %	30 %	46 %	54 %	59 %	25 %	36 %
11-15%	0 %	5 %	5 %	37 %	20 %	17 %	17 %	8 %	14 %	11 %	21 %	34 %
16-20%	18 %	8 %	2 %	7 %	21 %	12 %	3 %	9 %	6 %	0 %	22 %	0 %
21-25%	26 %	10 %	3 %	0 %	8 %	4 %	7 %	5 %	0 %	4 %	7 %	0 %
26-30%	0 %	8 %	0 %	0 %	0 %	2 %	7 %	3 %	0 %	0 %	0 %	0 %
31-35%	0 %	0 %	0 %	0 %	0 %	0 %	13 %	0 %	0 %	0 %	0 %	0 %
36-40%	0 %	0 %	0 %	0 %	0 %	0 %	3 %	2 %	0 %	0 %	0 %	0 %
41-50%	0 %	0 %	0 %	0 %	0 %	0 %	3 %	0 %	0 %	0 %	0 %	15 %
More than 50%	11 %	1 %	0 %	0 %	0 %	2 %	0 %	0 %	2 %	0 %	0 %	0 %

Fig 17

When asked what employers contributed, the most common response was 'I don't know': 23% didn't know the amount in £s and 33% didn't know it as a % of salary. Almost one in five (18%) said their employer contributes nothing. More than a quarter (29%) chose between 3 and 10% of salary. Meanwhile, as we can see in fig 18 below, men are more likely to say that their employer pays a bigger percentage into their pensions than women, while women are more likely to say they 'don't know or can't remember' (41% of women versus 26% of men). Younger workers are more likely to know the % employer contribution than older workers, again perhaps reflecting a greater level of engagement among those who started working life under auto-enrolment into defined contribution schemes.

How much does your employer contribute in percentage term?

	Gender			Age		
	Total	Male	Female	18-34	35-54	55+
Nothing	18 %	18 %	17 %	8 %	14 %	28 %
3-5%	16 %	17 %	15 %	20 %	22 %	9 %
6-10%	13 %	15 %	11 %	18 %	14 %	9 %
11-15%	5 %	6 %	4 %	7 %	7 %	2 %
16-20%	3 %	4 %	2 %	5 %	3 %	1 %
21-25%	2 %	2 %	2 %	3 %	2 %	0 %
26-30%	1 %	1 %	0 %	0 %	1 %	1 %
31-35%	1 %	2 %	1 %	3 %	1 %	0 %
36-40%	1 %	1 %	0 %	2 %	0 %	0 %
41-50%	1 %	1 %	0 %	1 %	1 %	0 %
More than 50%	1 %	1 %	0 %	1 %	0 %	1 %
Don't know/ can't remember	33 %	26 %	41 %	24 %	27 %	46 %

Fig 18



Do you know what fee you pay for your pension?

There is an astonishing lack of awareness about what fees people pay for their pension. Given pension fees can run into hundreds of pounds a year, even for younger workers who are yet to amass significant sums in their pension pot, this lack of awareness is costing people a lot of money.

Younger people are more likely to say they know or could guess the fee they pay than older generations. 38% of 18- to 34-year-olds know or could guess their fee, compared to just 10% of over 55s. This is troubling as older generations, who have larger pots, have far more to save.

The amount someone aged 55 with a pot size of £132,464 could save by moving their pension from a provider charging 0.48%*** - equivalent to £635 a year compared to ii's pension builder at £12.99 a month or £156 a year, is £479 a year or £9596 over 20 years - equivalent to around 1 year of full state pension entitlement (£9,339).

People seem more likely to switch broadband provider for a saving of £143 a year, according to Which?, than they are to switch pension provider, despite the chance for considerable savings.

Do you know how much you pay in fees?

	Gender			Age		
	Total	Male	Female	18-34	35-54	55+
Yes - I know or could guess the amount in £	12 %	14 %	9 %	20 %	13 %	5 %
Yes - I know or could guess the amount in %	12 %	16 %	8 %	21 %	13 %	5 %
No- I could not guess the amount in £ or %	77 %	71 %	84 %	62 %	75 %	90 %
NET: Yes	23 %	29 %	16 %	38 %	25 %	10 %

Fig 19

Do you know how much you pay in fees? Answer: yes

North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	Northern Ireland
16 %	9 %	7 %	10 %	13 %	10 %	21 %	11 %	12 %	6 %	12 %	13 %
10 %	15 %	10 %	7 %	15 %	8 %	20 %	12 %	13 %	10 %	9 %	5 %
74 %	77 %	83 %	83 %	73 %	83 %	65 %	78 %	77 %	84 %	78 %	82 %
26 %	23 %	17 %	17 %	27 %	17 %	35 %	22 %	23 %	16 %	22 %	18 %

Fig 20



We asked those who said they knew how much they paid in fees what they paid. In £s, the average amount was £1,388. In %, the average was 1.12%. It's difficult to know from this data whether the fee people think they are paying is the fee they are actually paying.

Do you consider the fee you pay to be good value?

When we asked everyone if they considered the fee they pay to be good value, 60% said they didn't know – indicating that many people have no frame of reference when comparing the fee they pay for their pension. A quarter (25%) said yes and 15% said no.

The lack of awareness here, too, is astonishing. It also appears to rise with age. Younger people are more likely to say they know whether it is good value but are also more polarised over whether the fee is good or poor value.

There are no benchmarks for comparison for pension fees currently – it is not a competitive market. Again, it seems fair to assume that people are more likely to know if their broadband or energy tariff is good value or not than their pension, despite the overall amounts involved being much larger and arguably more significant.

The proportion of women who didn't know was higher at 69%, compared to 52% of men. Encouragingly, younger people aged 18 to 34 were less likely to say they didn't know – only 44% of this age group said they didn't know if the fee was good value and 34% said they thought it was good value. The older age group was far more likely to say they didn't know if their pension was good value or not – 73% – almost three quarters, have no idea. This is troubling because it means older workers could be more vulnerable to being ripped off on fees.

£1,388 is the average amount of fees people think they pay annually

	Gender			Age		
	Total	Male	Female	18-34	35-54	55+
Yes	25 %	31 %	19 %	34 %	26 %	19 %
No	15 %	17 %	12 %	23 %	16 %	8 %
Don't know	60 %	52 %	69 %	44 %	59 %	73 %

Almost **65%** of people don't know what assets classes their pension is invested in.

Do you know what asset classes your pension is invested in?

Almost two thirds of people (65%) do not know what asset classes their pension is invested in. Nearly one in five (18%) said equities, 14% said fixed income, 14% said cash and 10% said property or other tangible assets. More women than men said they didn't know what assets they were invested in: 74% compared with 56%.

Far more older pension holders were likely to say they don't know what assets their pensions are invested in – 79% of the over 55s said they didn't know compared to 64% of 35- to 54-year-olds and 46% of 18- to 34-year-olds. This is concerning, as the years approaching retirement are arguably the years when most attention should be paid to which asset classes you are invested in, in case your portfolio has either too much or too little risk, depending on your own individual retirement plans.

It is equally worrying that nearly one quarter (24%) of 18- to 34-year-olds say their pension is invested in cash, as this is the age group that would most benefit from a higher proportion of equities. It may be that they are just plain wrong about what they are invested in, or it may be that they selected a lower risk fund when setting up their pension under the misguided belief that safer was better.

Conversely, only 6% of those aged 55 and over said their pension was invested in cash.

Those aged 35 to 54 were the most likely to state that their pension was invested in equities, suggesting that by this age, they have perhaps taken on board the message that a higher proportion of equities can help generate more investment growth.

	Gender			Age		
	Total	Male	Female	18-34	35-54	55+
Equities	18 %	24 %	12 %	17 %	21 %	17 %
Fixed Income (bonds)	14 %	18 %	10 %	18 %	15 %	11 %
Cash	14 %	18 %	9 %	24 %	13 %	6 %
Properties and tangible assets	10 %	12 %	6 %	14 %	9 %	7 %
No, I can't remember/ Don't know	65 %	56 %	74 %	46 %	64 %	79 %

Fig 22

Do you know if part or all your pension is invested in Environmental, Social and Governance (ESG) funds?

Overall, most people - 63% - do not know if their pension is invested in ESG funds.

There is a clear age bias in answers to this question: younger people are more likely to know – 38% of 18- to 34-year-olds said they knew. 20% of this age group said part of their pension was invested in ESG while 18% - nearly one in five – said their whole pension was invested in ESG funds. These proportions are substantially lower up the age ranges. More than a quarter of those older than 55 don't know and only 9% said yes.

	Gender			Age		
	Total	Male	Female	18-34	35-54	55+
Yes, part of my pension is invested in these type of funds	13 %	16 %	10 %	20 %	14 %	7 %
Yes, all my pension is invested in these type of funds	9 %	10 %	7 %	18 %	9 %	2 %
No, I know it is not invested in any of these type of funds	15 %	17 %	13 %	16 %	16 %	13 %
Don't know	63 %	57 %	70 %	46 %	60 %	77 %
NET: Yes	22 %	27 %	17 %	38 %	24 %	9 %

Fig 23

Do you know the names of any funds or companies your pension is invested in?

A whopping 86% do not know the names of any funds they are invested in. Younger investors are slightly more likely to know, but not much more likely. This indicates a clear need for more transparency from large pension providers, to meet the growing interest in where people’s money is invested on their behalf.

86% don't know the names of any funds they are invested in.

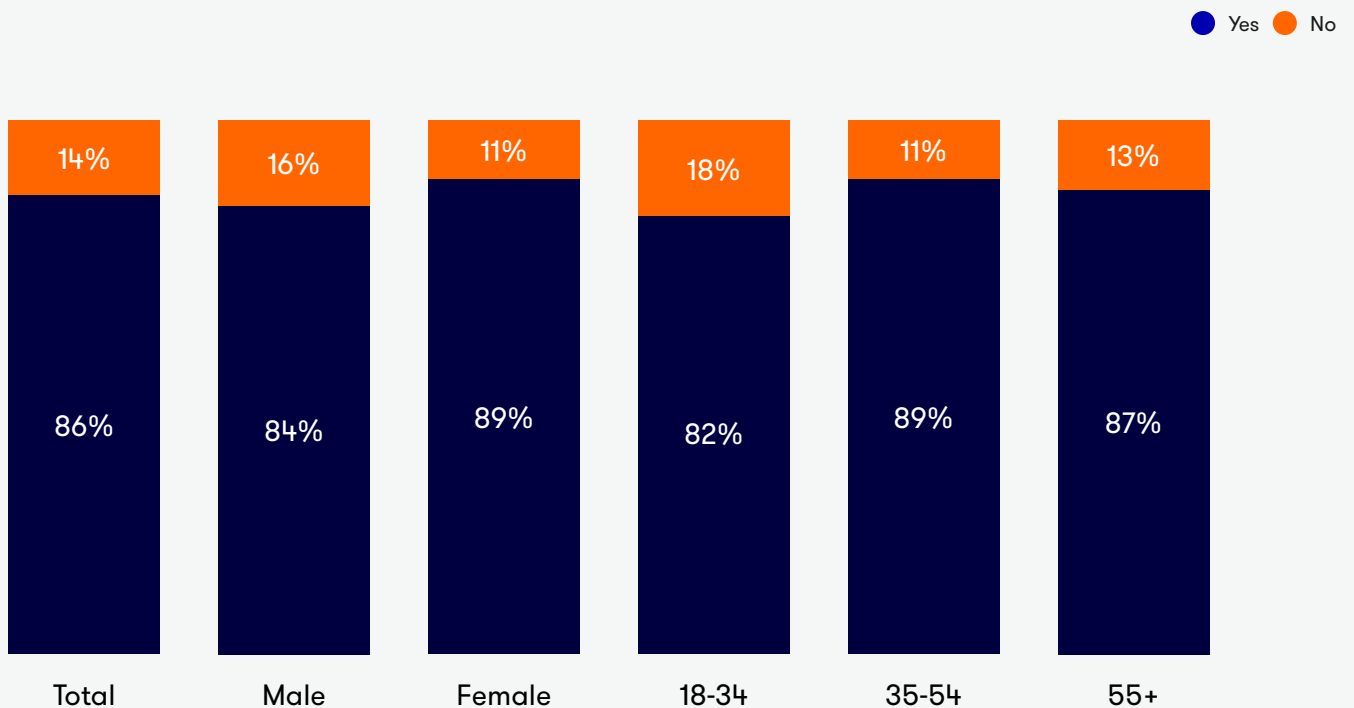


Fig 24

Do you know if your pension is in a fund that de-risks?

More than half of respondents didn't know, rising to 65% of women and 67% of over 55s – unexpectedly high, given this age group is the most likely to be imminently affected by a pension fund de-risking, potentially too early.

A quarter of people said their pension de-risks and younger investors were more likely to say this.

	Total	Gender		Age		
		Male	Female	18-34	35-54	55+
Yes – my pension is invested in a fund/funds that de-risk	25 %	31 %	19 %	35 %	27 %	17 %
No – my pension is not invested in a fund/funds that de-risk	20 %	24 %	17 %	25 %	21 %	16 %
Don't know/ can't remember	54 %	45 %	65 %	40 %	52 %	67 %

Fig 25

Have any changes been made to your pension?

Awareness of changes is not bad, with 37% of people recalling some changes have been made within the last three years. However 58% don't know or just don't remember. Again, younger people appear to be more positively aware, with more than half of 18- to 34 year-olds (54%) saying they knew changes had been made in the last three years, compared to four in ten (41%) of 35- to 54 year-olds and just 21% of those aged 55 or over.



	Gender			Age		
	Total	Male	Female	18-34	35-54	55+
Within the last 3 months	9 %	11 %	6 %	13 %	9 %	5 %
Within the last 6 months	8 %	10 %	7 %	16 %	9 %	3 %
Within the last year	11 %	13 %	10 %	16 %	12 %	7 %
Within the last 2 years	5 %	7 %	4 %	6 %	7 %	3 %
Within the last 3 years	3 %	3 %	3 %	2 %	4 %	3 %
Over 3 years ago	5 %	6 %	4 %	1 %	7 %	7 %
Don't know/ can't remember	22 %	19 %	25 %	19 %	18 %	27 %
I don't recall this being communicated to me	36 %	32 %	42 %	27 %	34 %	46 %
NET: In the last year	28 %	34 %	23 %	45 %	30 %	15 %
NET: In the last 3 years	37 %	43 %	29 %	54 %	41 %	21 %

Fig 26

Do you know what type of pension you have?

- People are aware of the type of pension they have. 19 out of 20 people know what type of pension they have
- Only 5% of people said they had a pension, but don't know what type it is.

How often do you check in on your pension?

- 53% had checked their paper statement and 54% their online pension information in the last year. This is encouraging – most people are curious enough to look at least once a year.
- The most common answer to the question 'When did you last look at your pension information?' was 'don't know'. Of respondents, 30% didn't know roughly when they last looked at paper-based information about their pension and 34% didn't know the last time they had checked it online. This suggests that the information they look at is hardly memorable.

What is your risk level?

Most people know their risk level, at 66%, which is encouraging. However, what is less encouraging is that the most common answer to the question: 'what is your risk level?' is 'low risk', at 36%. Only 4% of 18- to 34-year-olds, who in theory are the group who have the most to gain from a higher proportion of equities, are in higher risk funds.

Given the potential inadequacy of retirement pots in the future, there is an urgent need for better education around risk levels, particularly for younger pension savers, who could be missing out on thousands of pounds in retirement as a result.

5%

of people said they had a pension, but don't know what type it is.

	Gender			Age		
	Total	Male	Female	18-34	35-54	55+
Low risk	36 %	35 %	37 %	30 %	31 %	44 %
Moderate risk	27 %	36 %	17 %	31 %	31 %	20 %
High risk	4 %	4 %	3 %	4 %	5 %	2 %
Don't know/ can't remember	34 %	26 %	43 %	35 %	33 %	34 %

Fig 27

This lack of awareness could be critical for retirement plans. Some pensions could de-risk too early, for example for someone who wants to carry on working past retirement and plans to take income slowly from their pension through drawdown, some too late, for example, if they retire early either through choice or through ill health preventing them from working.

Conclusion

If engagement is key to retirement outcomes, there are mountains to move. Most of the population are in the dark about some key aspects of pension saving: contribution levels, risk levels and what fees they are paying.

The sum of this giant engagement gap over an adult lifetime of pension saving could, by our estimates, add up to £118,800 in unnecessary fees and missed investment growth for someone on average salary, who makes 8% contributions for 45 years. The saving someone paying a 0.48% annual pension fee for 45 years could make by paying a £12.99 a month flat fee with ii pension builder instead is £8,505. Over 45 years, the extra value generated by someone switching from a low risk fund with average annual returns of 2% to a higher growth fund with an average 4% annual return could be £110,295.*

Over 45 years, the extra value generated by someone switching from a low risk fund with average annual returns of 1% to a higher growth fund with an average 5% annual return could be £105,830.*

Given a renewed focus on outcomes from the regulator and more focus on engagement from both the Department for Work and Pensions and the regulator, we expect improvements in the awareness levels among the general population. It would be desirable for this increase in awareness to also demonstrate an increase in contributions and perhaps a shift away from low-risk funds for those who have decades to retirement as a key illustrator of understanding of how risk can translate into more growth over the long term, among pension holders.

Pensions are investments and it's vital that everyone has one. It will also make a huge difference to outcomes if more people understand more about how investing for the long-term works and what it can do for all our futures.



Becky O'Connor
Head of pensions and savings

Please contact Becky O'Connor, Head of Pensions and Savings, Rebecca.oconnor@ii.co.uk, with any comments or thoughts you would like to share on this report.