The Great British Retirement Survey 2020

interactive investor

October 2020

Foreword

What a difference a year makes. When we launched our Great British Retirement Survey last year we drew one of the most detailed portraits ever seen of the retirement landscape in the UK.

Nearly 10,000 people completed our in-depth survey in 2019. This year the numbers are even more impressive. Working in collaboration with global market research consultancy CoreData, we handled responses from over 12,000 adults at all stages of the retirement journey.

This year's survey offers policymakers and the financial services sector valuable insights into just how Covid-19 has affected the nation in terms of retirement finances. It offers a vital glimpse of storm clouds brewing as pressures grow on the finances of the retired, those approaching retirement and younger savers, too.

Much of the policymaker attention during the Covid crisis has understandably been focused on preserving the incomes of workers. The furlough scheme felt like a "Dunkirk moment" in the economic battle against the effects of the virus. It rescued more than nine million people, although further support schemes have not gone as far as furlough did and unemployment, at least at time of writing, looks set to soar.

However, less attention has been paid to the "drawdown generation" whose savings were seriously dented by plunging stock markets in March. Even with subsequent market highs and lows, it's hard to be an optimist in uncertain times – memories are long, and this can make retirement planning difficult. Little thought has also been given to how many are (perhaps unwittingly) jeopardising their own futures to help younger family members or to how well equipped these older savers are to cope with the psychological drama of bear markets. Many UK investors also have much more exposure to domestic markets than global ones, and our respondents have shared their pain with us.
As the furlough scheme is wound down and the redundancy notices show no sign of waning, it is not surprising that so many people – particularly those approaching retirement – are worrying about what the future holds.

We recognise the enormous difficulties facing policymakers and have made prudent and practical suggestions that might help those most at risk.

There are lessons here for everyone, and we owe a debt of thanks to the many people who took the time to complete this survey and share their stories and concerns.

Richard Wilson, CEO,
interactive investor

Introduction

We have given this year's survey a subtitle – "Retirement storm brewing". Given the crisis that has broken over the global economy this year, that may seem somewhat strange. But we see in this crisis the seeds of another that could be equally serious.

A decade or more of quantitative easing has brought interest rates and, consequently, annuity rates to near record lows. Little wonder so few people find annuities attractive and are opting for drawdown. Only 20% of our retired respondents are using an annuity for retirement income. The FCA's own research suggests that only 11% of those entering retirement are now buying an annuity.[1]

Pension freedoms – the ability to choose between an annuity and managed drawdown – is a wonderful thing for those equipped to understand what they need in retirement and how markets work. But the finances of those heading into retirement and in its early stages – what we call the "drawdown generation" – are being stretched as never before.

In chapter one we explore the effects of Covid-19 and hear how the market turmoil that followed has affected people's finances and their expectations. Many now fear they will never be able to retire. This is the first crisis to hit savers since pension freedoms were introduced in 2015, so it is interesting to see how the recently retired are managing, too.

In chapter two we focus on intergenerational support and learn about the increased pressure on the Bank of Mum and Dad. The worry is that many parents and grandparents might be unwittingly putting their own finances at risk to help out their loved ones. And it is not just financial help – there appears to have been a sharp rise in the number of grandparents providing free childcare.

In chapter three we explore factors that can derail a comfortable retirement and ask how policymakers can help safeguard against some of these threats.

We also include some sections on other important areas, including ethical investing (chapter four). It is clear there is keen investor interest in this but also a lack of awareness – over half of respondents have no idea whether their pension is aligned with their moral values. Where people plan to retire to (chapter five) is also covered, and Covid-19 has certainly made people think about where they want to live when they give up work. It is perhaps not surprising that many want to leave the congestion of London.

In chapter six we look at the ways people source financial information and advice, and discuss the problem of 'secrets and lies'. Last year we discovered that money could be a taboo subject for many couples, and in this survey we have explored this topic further.

In chapter seven we learn about the alarming number of savers who have been scammed – particularly older people.

We end with some policy recommendations. Many of these are focused on the need for better financial education and the availability of retirement finance advice for all generations. But we believe that some of the worrying aspects of this survey need to be monitored. We will be sharing these findings with the regulator and exploring ways in which we can help to ensure policymakers are fully informed and do not overlook this vital aspect of the nation's long-term wellbeing.

Moira O'Neill, Head of Personal Finance, interactive investor

[1] Just over 645,000 pension plans were accessed for the first time between April 2018 and March 2019. 74,000 were used to buy an annuity. https://www.fca.org.uk/data/retirement-income-market-data

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Key Findings

COVID-19 has sabotaged pension plans

The effects of the Covid-19 pandemic have impacted the retirement plans of a significant number of people. More than one in eight of our survey respondents who are yet to retire think they will need to delay retirement because of the downturn in financial markets caused by the coronavirus pandemic. This rises to one in five of pre-retirement respondents in the 60-to-65 age range.

Anxiety about stock markets has escalated

Retired people are very anxious about financial markets and the potential impact that further crises could have on their finances. The top financial concern among retired responders this year is the prospect of a stock market crisis, with a majority now saying this is their biggest money worry. This level of unease has increased significantly since last year's survey, with plummeting stock markets in February and March 2020 providing a real-time illustration of the potential for falls in investments that may have been considered relatively secure.

Increasing numbers of parents help their children financially

A high number of parents have helped or are planning to help their adult children get on to the property ladder, potentially jeopardising their own retirement income. More than half of our retired parents have helped their child with a house deposit – a rising number have gifted money (two in five retired parents), and others have provided loans (one in 10). More than half of our non-retired parents thought they would need to help their children buy a house in the future. Of non-retired parents who have taken a lump sum from their pension, one in five have used it to help their children.

Financial scams are widespread, and most victims are left out of pocket

More than one in eight of the respondents to our survey reported having been victims of a financial scam. Older people are particularly vulnerable, with one in five respondents aged over 77 years falling victim. Many of these scams involved investment fraud and current account fraud. A high number of responders described experiencing credit card fraud. More than half of these victims did not get their money back, with the elderly least likely to be reimbursed.

Unexpected life events wreck the pension plans of one in four

A significant number of people find that their financial plans for retirement suffer major setbacks from life events that are hard to plan for and mitigate. Nearly one in four of our survey respondents reported this happening to them. Illness and divorce were the most frequently cited reasons, along with redundancy, bereavement and caring responsibilities. Many described difficult circumstances that had devastated their retirement finances, with little opportunity to get back on track. Women and people with children were more likely to be affected.

1950s-born women often suffer financial hardship

More than one in five women aged between 60 and 65 reported being in financial hardship because they did not have time to prepare their finances when the state pension age was levelled. In total, two thirds of women in this age group said their finances had been adversely affected, with four in 10 needing to work longer than they had planned.

Pensions were not discussed in most divorcees' settlements

Only two in five of our divorced respondents said that pensions were discussed as part of their divorce settlement. The equitable division of pension rights during divorce proceedings was a subject that evidently provoked strong feelings. Even though some of our respondents may have divorced prior to the 1999 Welfare Reform and Pensions Act that introduced the concept of pension sharing, this is still a high proportion of cases.

Long-term care costs a widespread concern for retired people

Many people do not think about how they will fund long-term later-life care until they retire. When they do it becomes a significant worry. Only one in four retired people have made preparations for the cost of long-term care should they need it. More than half have not but are worried about it. Many are concerned about its impact on their dreams of leaving an inheritance for loved ones.

Ethical investing is a popular concept, but most pension savers remain in the dark

More than half of respondents either invest ethically already or would like to do so, with enthusiasm higher in younger age groups. Many (more than one in three) would accept lower returns to invest ethically (although the evidence[2] suggests that you don't need to) with only one in five sure that a smaller financial reward would be unacceptable. However, most people do not know if their pension is invested in a way that aligns to their moral values.

The dream of relocating in retirement lives on

A quarter of non-retired respondents are planning to move when they retire. This rises to more than a third of Londoners (37%). Those in the South East (excluding London) are not far behind Londoners in wanting to move (33%), whilst residents of Northern Ireland, Wales and the North West of England are least likely to relocate (16%, 17% and 18% respectively). Overall, most plan to move within the UK, but some still dream of a retirement overseas. One in 12 have plans to downsize to release equity whilst one in ten want to move to another part of the UK, rising to more than one in seven Londoners.

Many couples still can't talk to each other openly about money

Almost a fifth (18%) of respondents admitted to being economical with the truth about money with their partner. Whilst half of the lies involved downplaying the price of things, 8% of us have a secret investment stash, and there are some illuminating regional and gender differences around this whole issue. People in some regions were more likely to have a 'runaway fund' than in others.

One in three have no financial guidance at all

A significant number of people are unable or unwilling to access any advice at all on financial matters and are not even asking family and friends or doing their own research online. Women are even more likely to miss out on any advice, with nearly four in 10 not receiving any guidance. If they do source advice it is most likely to be from their own online research or by paying a financial adviser. Men are most likely to do online research or read the financial press.

2

https://www.db.com/newsroom_news/ESG_study_Jan16.pdf. A 'study of studies' conducted by Deutsche Asset and Wealth Management in conjunction with the University of Hamburg in 2015, which looked at 2,000 studies since 1970 into the impact on returns of investing along ESG lines, found that in 62.6% of studies, the use of ESG criteria had a positive impact on corporate financial performance,

01
The effects of Covid-19 on retirement

The Covid-19 pandemic has created uncertainty for everyone. The economic impacts have jeopardised people's jobs, reduced their income and impacted their ability to save. The crisis has had a significant impact on the financial markets and, consequently, the value of existing pension pots. Even as pension pots recover and inevitably fluctuate, the psychological impact of the last unprecedented year, economically, socially, and emotionally, can have an enormous impact on how we plan our futures.

Market impact

On 23 March 2020, the first day of full lockdown in the UK, the FTSE 100 Index closed more than 34% down from its highest value this year on 17 January 2020[3]. Nearly 10 years of growth had been wiped out in the space of a few weeks. While the market ups and downs inevitably continue, home bias means many investors have more exposure to domestic stocks and so if not still underwater, are definitely over exposed to the fluctuating fortunes of the UK.

Many of our respondents highlighted the hit that their pension savings had taken:

"Coronavirus has wiped out £60k of our savings in our portfolio. This was my husband's pension pot. He has no [other] pension."

– survey respondent 11917, retired

"Coronavirus has probably knocked 25% off the value of my pension pots and investments just as I am about to start drawing money down."

– survey respondent 11072, retired but still doing some paid work

"Coronavirus has taken 20% of my SIPP. Hopefully, this will come back in the next two or three years whilst I live on savings."

– survey respondent 08137, retired

"Before the stock market crash of February and March of 2020 I felt that my capital and income were sufficient for my needs. However, over £800 of dividend income for next year has already been cancelled."

– survey respondent 07905, retired

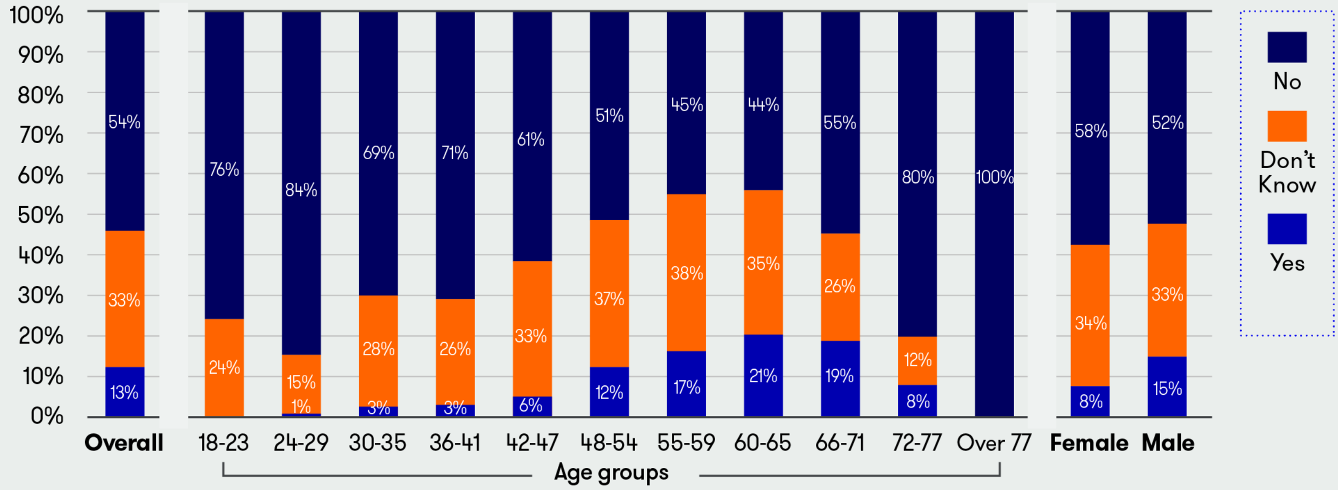
More retired people have needed to use income drawdown for pension income (26% vs 22% last year). This may be due to reduced returns from other investments.

Postponing retirement

We asked our respondents whether they would have to delay their retirement because of the coronavirus-linked downturn in the markets. Overall, 13% of respondents who are yet to retire said they would have to delay. Another 33% were unsure if they would be able to retire as planned.

3 https://www.londonstockexchange.com/indices/ftse-100?lang=en. FTSE 100 index closed at 7674.56 on 17th January 2020 and at 4993.89 on 23rd March 2020. The previous time it closed lower than this was on 4th October 2011.

Will you delay retirement because of the coronavirus-linked downturn in markets?

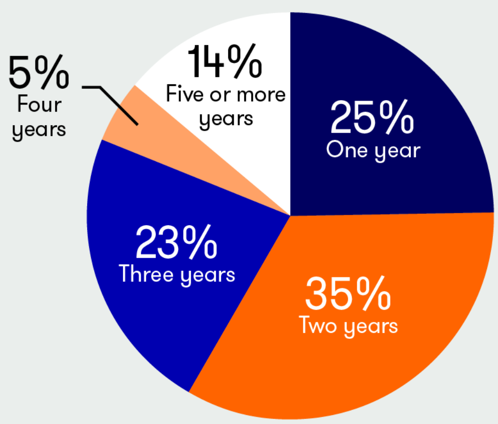


The impact is felt most keenly by those closest to retiring age. Of those still to retire, one in five (21%) of those aged between 60 and 65 and 19% of those aged 66 to 71 said they would need to postpone giving up work.

One in four (25%) of these people delaying retirement thought that they would have to wait a further year beyond their planned retirement date before giving up work. One in three (34%) expected to wait an additional two years; a further 23% thought they would have to postpone for three years, 5% for four years and 14% for five years or more.

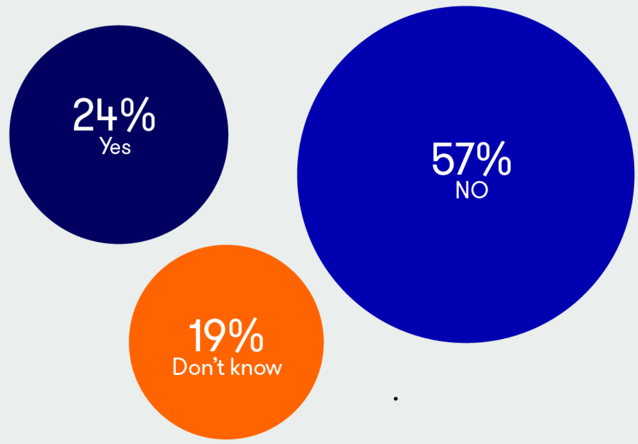
These plans are by no means certain. One in four (24%) of those who thought they would have to delay retirement said they were worried that the investment losses suffered due to coronavirus would mean they would actually never be able to retire.

How long will you delay your retirement because of the coronavirus-linked fall in the markets?



Base: non-retired respondents who said they would need to delay retirement

Do you fear that you'll never be able to afford retirement owing to coronavirus linked investment losses?



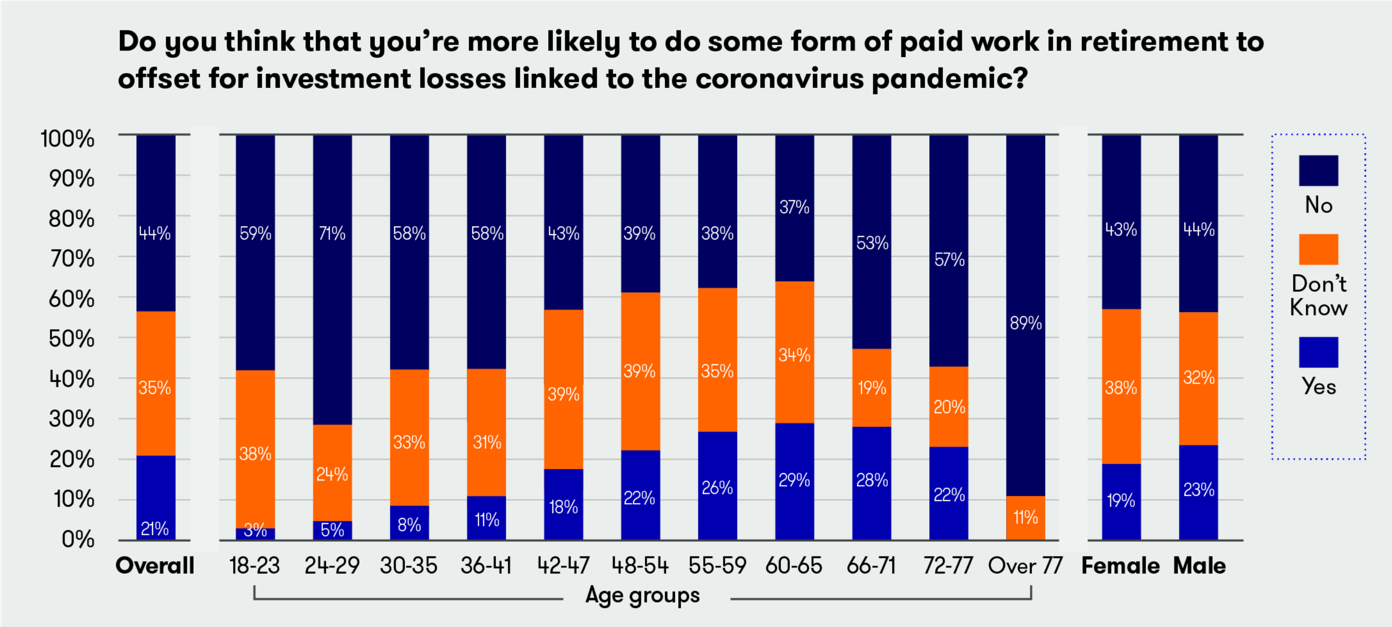
Base: non-retired respondents who said they would need to delay retirement

21% of non-retired respondents thought the pandemic-linked market downturn would make them more likely to do some form of paid work after retirement. This was most prevalent among those in their late fifties and sixties – 26% of non-retired people aged 55 to 59, 29% of those aged 60 to 65.

There was actually a slight drop in those working in retirement (23% vs 25%), potentially due to job losses during the coronavirus crisis. A greater proportion of those still working in retirement said it was because they enjoyed it rather than for financial need (up to 44% from 37% of those working), which might indicate that those who most needed the money to top up their pension were more likely to have lost their employment income.

1

Individual Savings Account (ISA) Statistics
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797786/Full_ISA_Statistics_Release_April_2019.pdf



Attitude towards annuities

The uncertainty in the markets has not led to a wide change in the likelihood of respondents purchasing an annuity. Only 20% of our respondents were relying on annuities for retirement income – the same as last year. We asked the non-retired whether they were more likely to take out an annuity now, due to the coronavirus pandemic and the investment uncertainty. Only 7% people said yes, with 57% saying no and 36% not sure. However, this rose to 9% in the North East and South West of England.

Respondents continued to show mixed views on annuities, with some holding off making a decision:

"Covid-19 [caused the] stock market collapse just as I was retiring. Annuity quotes went down and are not fixed till I actually start to take payment. On hold."

– survey respondent 05518, retired but still doing some paid work

"Annuity rates are so low compared to 10 years ago that I am thinking of cashing in my SIPP and stakeholder pension for a cash sum if I can."

– survey respondent 04084, not retired

Growing fear

The Covid-19 pandemic has increased the focus of many on the uncertainties of life and the difficulties of financial planning:

"The effect of the Covid-19 virus on the stock market has badly affected the value of my remaining pension pot, which shows that nothing is certain at any stage of life."

– survey respondent 04963, retired

"Following the financial crash of 2008, my plans took a sizeable hit. The coronavirus crisis looks likely to be another big hit and shows just how fragile our financial processes are."

– survey respondent 10743, retired

There has been a significant increase in the proportion of retired people citing worry about stock market crises as their major financial concern (52% vs 42%). This replaced the rising cost of living as the top financial worry (42% vs 50%) among retired people. The main concern for non-retired people remains running out of money (25%).

More people are uncomfortable with equity release (41% vs 34%) – particularly retired people (44% vs 35%) – than last year. This may reflect an increased desire for financial security in these uncertain times. Fewer non-retired people want to move to release equity when they retire (8% vs 14%).

The greater sense of uncertainty could stretch beyond the coronavirus situation and affect people's attitudes and behaviour more broadly. The FCA is aware of the number of people holding cash on investment platforms. In the past the regulator has expressed concern at the number of people who turn to cash because of anxiety around investment risk. In its Retirement Outcomes Review[4] in June 2018 the FCA reported: "Overall, 33% of non-advised drawdown consumers are wholly holding cash. Holding funds in cash may be suited to consumers planning to draw down their entire pot over a short period. But it is highly unlikely to be suited for someone planning to draw down their pot over a longer period. We estimate that over half of these consumers are likely to be losing out on income in retirement by holding cash."

Some key shifts between 2019 and 2020

Going UP	2019	2020	Shift
I don't know if my lifestyle will improve once I retire (non-retired)	11%	22%	11% ▲
I will look after my grandchildren when I retire (non-retired)	20%	36%	16% ▲
I look after my grandchildren (retired with grandchildren)	18%	29%	11% ▲
My biggest financial concern is a stock market crisis (retired)	42%	52%	10% ▲
Using pension lump sums to help children (of non-retired parents who have taken lump sums)	14%	21%	7% ▲
I have enough time to manage my finances (non-retired)	75%	80%	5% ▲
I regret buying an annuity (retired)	2%	7%	5% ▲

Going DOWN	2019	2020	Shift
My lifestyle will improve once I retire (non-retired)	51%	27%	24% ▼
I will do voluntary work when I retire (non-retired)	52%	44%	8% ▼
I still do some paid work (retired)	25%	23%	2% ▼
My biggest concern is the rising cost of living (retired)	50%	42%	8% ▼
I plan to move to release equity when I retire (non-retired)	14%	8%	6% ▼
I haven't written a will/my will needs updating (all respondents)	50%	47%	3% ▼
I regret putting money into savings (retired)	8%	1%	7% ▼

Rise in financial regrets

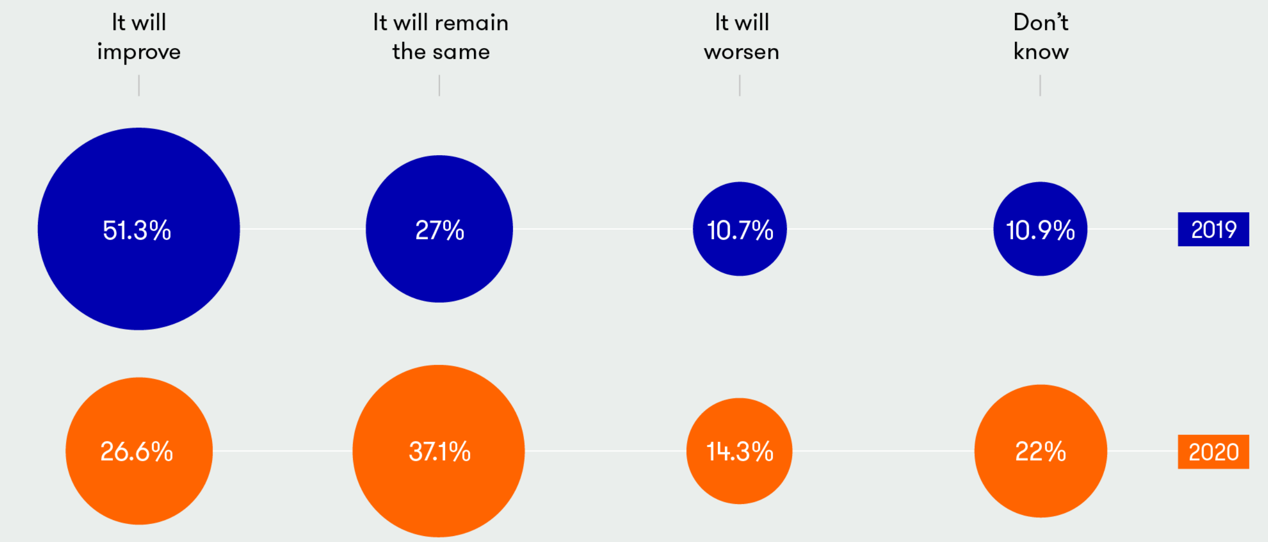
With the financial market downturn, more people have regretted some of the financial decisions they have made. The number of those regretting poor investment decisions has increased (21% vs 16%), as has the number of retirees who regret buying an annuity (7% vs 2%). However, virtually no retired people now regret paying into savings (1% vs 8%).

Retirement dreams crushed

Non-retired are less optimistic about their lifestyle in retirement. Last year more than half (51%) of those yet to retire thought their lifestyle would improve when they retire. This year that number has fallen to just over a quarter (27%). Now they are more likely to say it will at best stay the same (37%). More non-retired think it will get worse (14% vs 11%), and more are uncertain (22% vs 11%).

4 https://www.fca.org.uk/publication/market-studies/ms16-1-3.pdf

Do you think your lifestyle will improve when you retire?



Some upsides

Although our survey responses showed widespread anxiety about the effects of the pandemic on retirement, not everyone was downbeat:

"Coronavirus should hopefully be a temporary problem. Considering my long-term time horizon, it should represent an opportunity to buy."

– survey respondent 01257, not retired

"There is a general assumption that investments have performed badly during the coronavirus events. But some investments have held up relatively well and in some cases have lost little or no value – and others have actually increased in value."

– survey respondent 02697, retired but still doing some paid work

It appears that the lockdown has also allowed non-retired people a greater amount of time to manage their finances, with more saying they had sufficient time for financial administration (80% vs 75%). There was a slight overall increase in those who had up-to-date wills (53% vs 50%) and taken out lasting power of attorney (LPA) (26% vs 22%).

02

Generational bailout

This year we have seen a significant increase in older people helping their children and grandchildren. This may have had an influence on the numbers feeling their dreams and hopes for retirement have been diminished.

Providing free childcare

Many more non-retired now expect to look after grandchildren once they retire (36% vs 20% of non-retired respondents with grandchildren), and fewer are envisaging being able to do voluntary work (44% vs 52%) or see retirement as time to dedicate to themselves (50% vs 55%). This may be in recognition of the increased precariousness of the job market and tighter household finances meaning grandparents are needed to provide free childcare.

This change in expectation is mirrored in the reality for our retired respondents, with an increase in retired people who look after their grandchildren (29% vs 18% of retired people with grandchildren).

Housing ladder help

The majority of older respondents believe their children and grandchildren have it tougher than they did, particularly when it comes to getting on to the housing ladder.

The rise in house prices over recent decades has had a considerable positive effect on the overall net worth of many homeowners. Someone who retired at 65 in 2020 and bought a house 40 years ago would on average have seen the value of their property rise by 1170%.

According to the Land Registry[5], an average house in the UK cost £20,044 in April 1980 and £234,612 in April 2020. House prices in London have increased by 1900% on average over the same period.

Many of our survey respondents acknowledged that they had benefitted from this property bonanza:

"We were lucky to benefit from the house-price boom in the '80s and were able to get on to and move up the ladder in a way [young people] cannot today."
– survey respondent 07007, retired

"We have benefited hugely from the rise in house prices in the South East of England over the last 20 years, so enhancing our equity."
– survey respondent 03404, retired

When it comes to money do you think younger generations have it tougher than you did?

But this substantial increase in property values has had an impact on the housing prospects of the next generation. In 2019, according to the ONS, average house prices stood at 12.7 times average earnings in London – the region with the highest ratio[6]. They were still 5.2 times average earnings in the North East, the region with the lowest ratio in England and Wales.

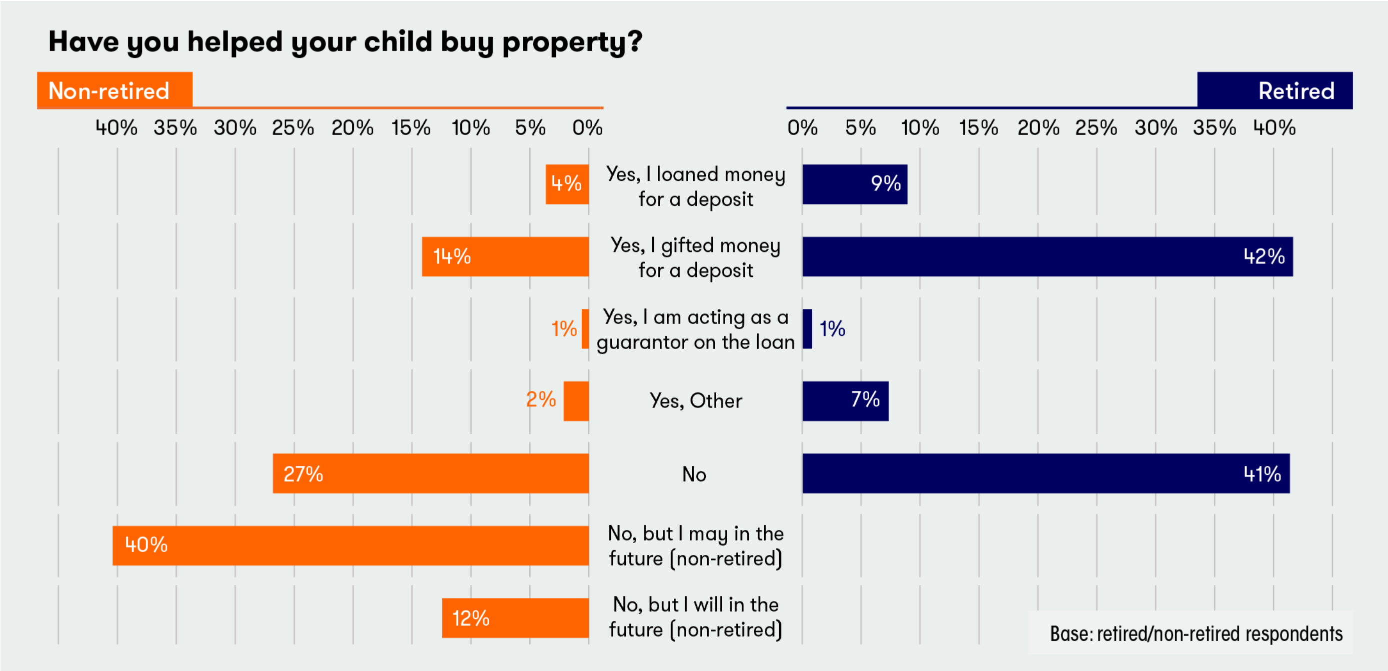
Many parents are keen to help their adult children get on to the property ladder by offering support with deposits, guarantees or other measures. This can have a significant impact on the older generation's retirement savings.

More than half (51%) of our retired respondents with children had helped the next generation buy property, 10% by loaning and 41% by gifting money, an increase of 6% over last year's figure. More than half (52%) of non-retired parents expected that they would or might need to give financial support to help their adult children get a foot on the property ladder at some point in the future. One in five (21%) non-retired respondents with children who had taken a lump sum from their pension had used it to help the younger generation.

Overall 40% of our respondents had helped their child buy property, with the vast majority (32%) helping in the form of gifts, rather than loans (7%). Scots were most likely to gift the money (35%), with those in Yorkshire and the Humber less likely to gift the money (29%). Parents in the East of England were most likely to offer loans (9%).

5 https://landregistry.data.gov.uk/app/ukhpi

6 https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian



"The price of housing has risen in the cities. My children could not afford to live where we did."

– survey respondent 03054, retired.

"It is much harder for my children to save or get worthwhile careers. Property in our area is far too expensive."

– survey respondent 01347, retired

"I have offered to help but am limited in what I can give. I'm hoping a house-price drop will make it possible."

– survey respondent 08572, retired

"I worry about [my] adult children. I am providing guarantor and rent contribution for flat rental in London and hoping to provide deposit when/if they can ever afford to buy."

– survey respondent 06510, retired

Not all agreed that the next generation should receive help:

"I worked hard for what I have, and I expect the next generation to do the same."

– survey respondent 02204, retired

"Their problems are caused by their laziness. They get no sympathy from me."

– survey respondent 10067, retired

But only 3% of our retired respondents expressed regret at giving too much money to their children.

Undermining pensions to help out

It is concerning how many people have used their pensions to help support the next generations. While the overall percentage of non-retired people aged over 55 taking lump sums from their pension has remained stable (26%), an increasing proportion of non-retired parents have used lump sums from their pension to help their children (21% vs 14% of those who have taken sums).

Young people helping parents

While the help given by parents to adult children is widely discussed, either for property purchases or more general help from the bank of Mum and Dad, less attention is paid to financial assistance given in the other direction.

We asked our respondents whether they thought adult children had a duty to give financial help to their retired parents. Overall, a minority (10%) thought that adult children should be expected to provide financial assistance to their retired parents in all circumstances. However, the majority (56%) of respondents thought that it would be appropriate to expect adult children to help if they were earning good wages and their parents were really poor. Around one in three (35%) respondents thought that adult children had no duty to help with retired parents' finances and that parents should take care of themselves.

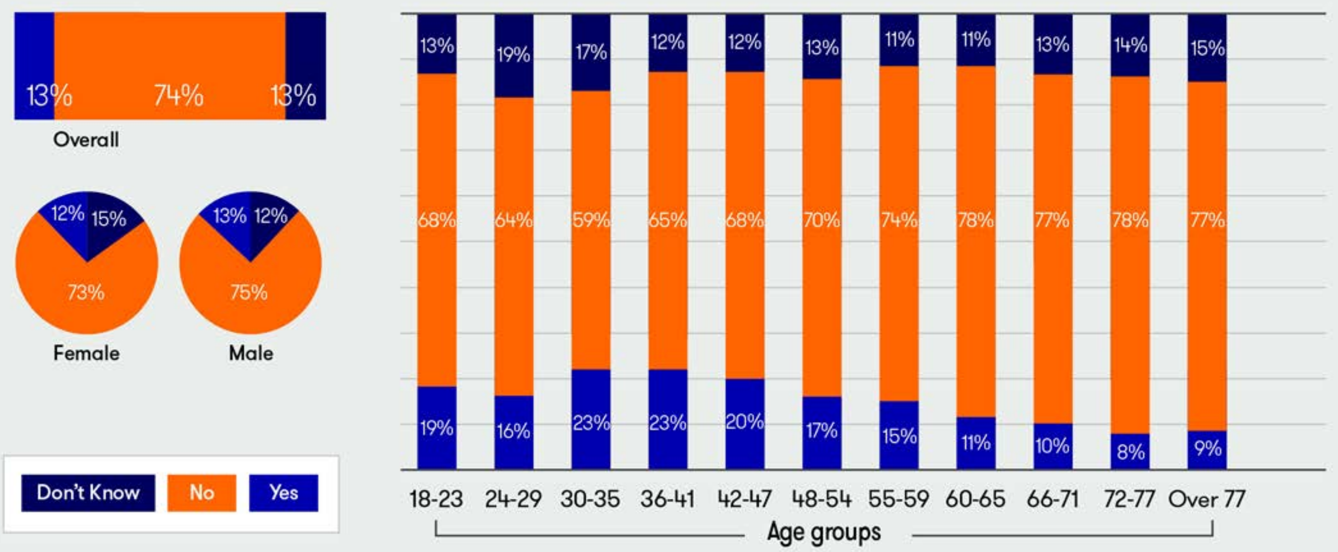
Young respondents were more open to giving financial help to their retired parents than older respondents were to expect it. 37% of people over 55 thought that adult children had no duty to give financial help to retired parents and that they should take care of themselves, whereas only 14% of those under 35 thought so.

The proportion who thought that adult children had a general duty to give financial help to their retired parents was significantly higher among respondents identifying themselves as Asian/Asian British (32%) and other ethnicities (21%).

We also asked whether our respondents thought it was usual for young people (in their community) to help their retired parents financially. 13% thought that it was, 75% thought that it was not, and 13% did not know.

There was a substantial difference in those who thought that it was usual by the self-identified ethnic group of respondents. Those who were Asian/Asian British were much more likely (52%) to say that it was usual for young people in their community to help parents financially, as did 29% of those from other ethnic groups.

Will you delay retirement because of the coronavirus-linked downturn in markets?



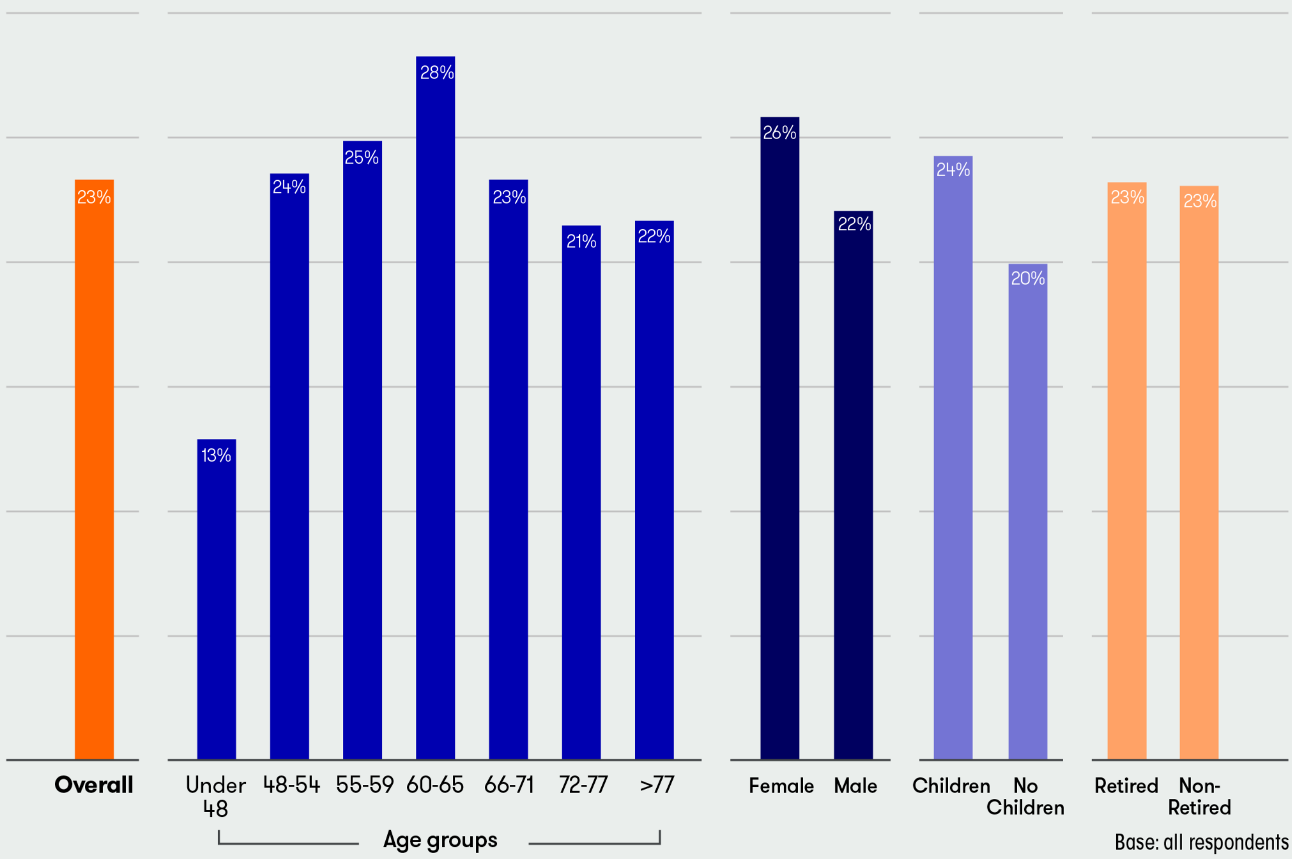
Base: respondents who had experienced a major life event that had derailed their retirement plans/current retirement finances

03
Major life events that derail retirement plans

Even the most carefully made retirement plans can be knocked off track by an unexpected life event. Our survey has revealed that this happens to a significant proportion of people.

Nearly one in four of our respondents said they had experienced a major life event that had derailed their retirement plans or income. People were most vulnerable to this in the years just before retirement (ages 60 to 65). Women and those with children also had a higher likelihood of being affected.

Will you delay retirement because of the coronavirus-linked downturn in markets?

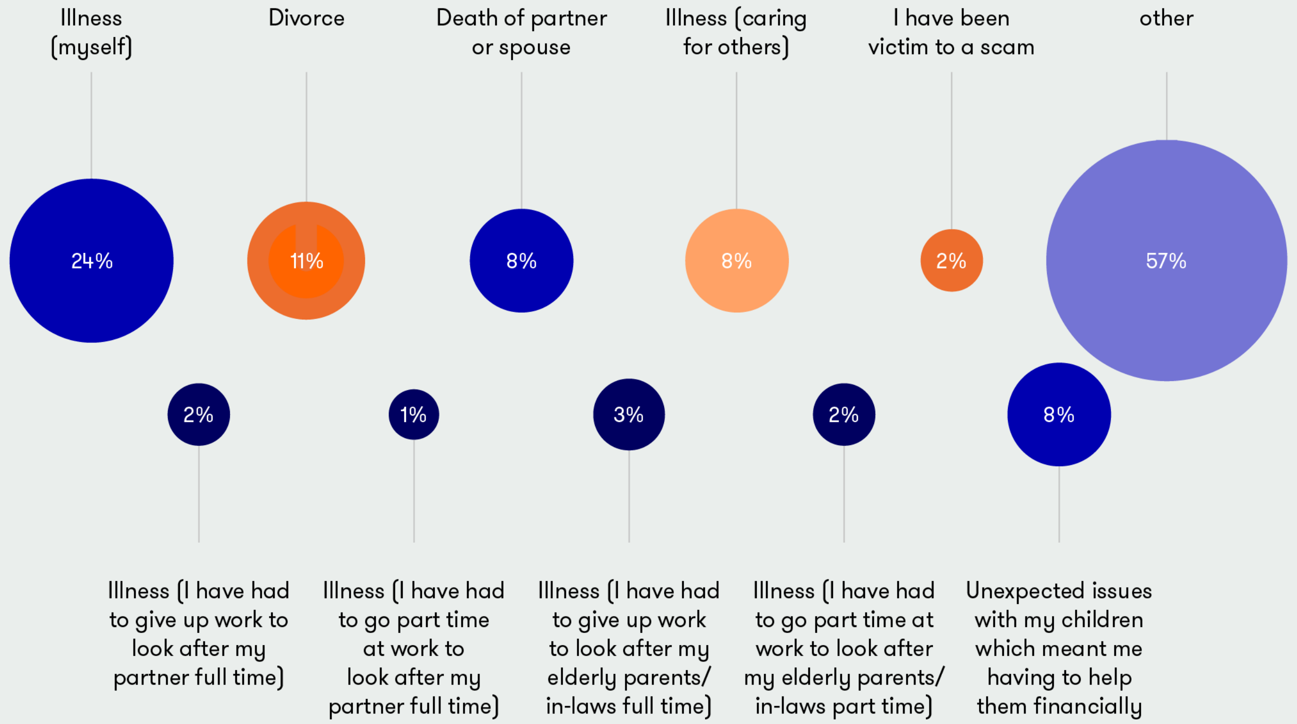


Base: all respondents

Illness and care responsibilities

The most likely reason for the derailment of respondents' retirement plans or a reduction in pension income was falling ill themselves. A quarter of people in this situation cited their own ill health as the event that hindered their financial wellbeing. Divorce was the next most likely event (11% of people impacted), followed by the death of a partner or spouse (8%), caring for an ill family member (8%) and children who required financial help (8%).

What major life event has derailed your retirement plans/current retirement finances?



Base: respondents who had experienced a major life event that had derailed their retirement plans/current retirement finances

Other reasons encompassed myriad situations, including coronavirus affecting investments and jobs, redundancy, unemployment, bankruptcy, business failure, unexpected caring responsibilities, the 2008 financial crash, Brexit and accidents:

"Being made redundant at 58 after 22 years of service, only to get statutory redundancy."

– survey respondent 03233, retired

"[My] spouse's business went bust several years ago. A loan against [it] was secured on our private mortgage."

– survey respondent 01775, not retired

“Having a disabled child, which meant I had to abandon my original career and work in a more lowly paid occupation so I was able to work and fit in care commitments”

– survey respondent 01312, not retired

“I had to retire to help look after my grandchildren (as guardians) after my son had a stroke.”

– survey respondent 06759, retired

“I had to finish work early, as I had an accident at work. I retired at 50 [and was] not able to work after this.”

– survey respondent 08058, retired

Many of the situations were not predictable and hard to mitigate against once they had occurred. This raises questions about how people could try to insulate themselves financially from these types of events.

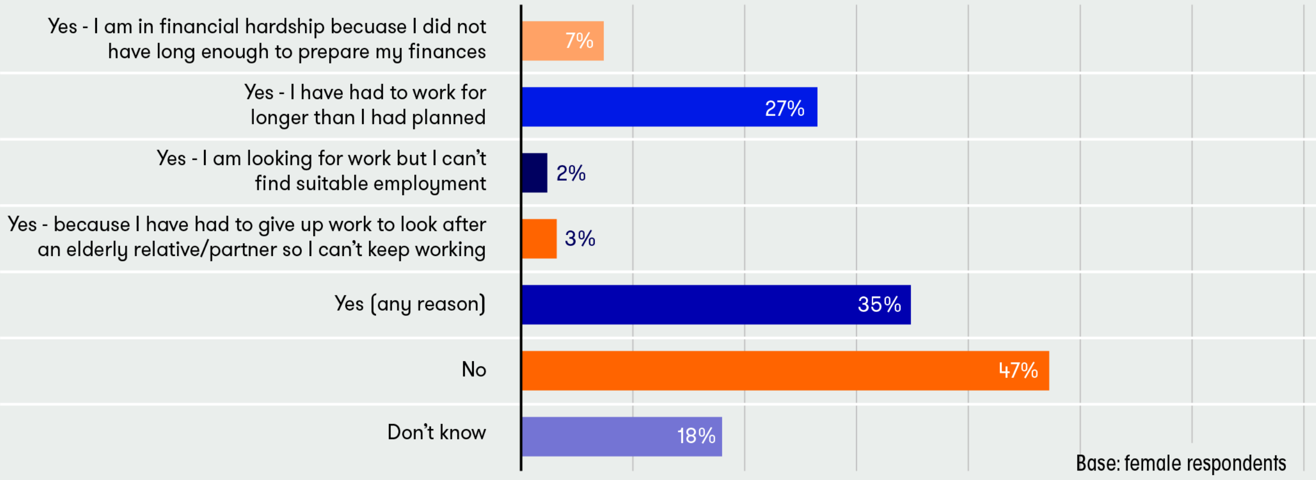
The levelling of state pension age

Between April 2010 and November 2018 the state pension age for women increased from 60 to 65 so that it equalled that of men. Further increases in pension age were then implemented sooner than originally announced. A longstanding campaign argued that some women, particularly those born in the 1950s, have been hit hard by these changes and that notifications did not provide an appropriate amount of time for them to make new financial plans for retirement. Whilst their case was overturned by the Court of Appeal in September this year, it is impossible not to sympathise and we have seen some devastating accounts from respondents.

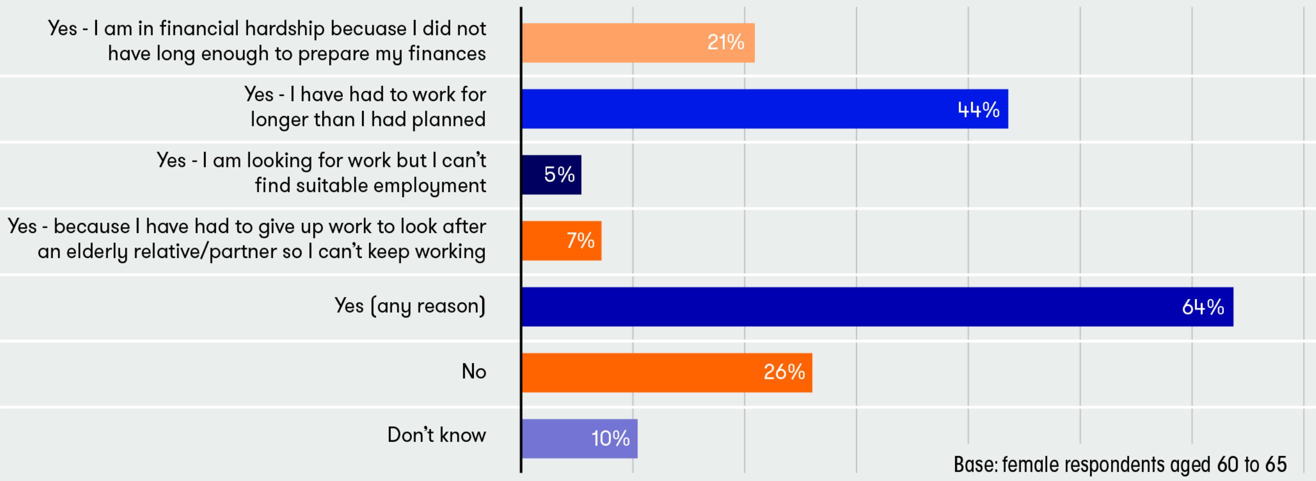
Our 2019 Great British Retirement Survey highlighted comments from women who said they had been adversely affected by the levelling of the state pension age. We decided to investigate this further in our 2020 survey and included specific questions to quantify this issue.

More than one in three (35%) of our female respondents said the levelling of the state pension age had adversely affected their finances.

All women: Has the levelling of the state pension age adversely affected your finances?

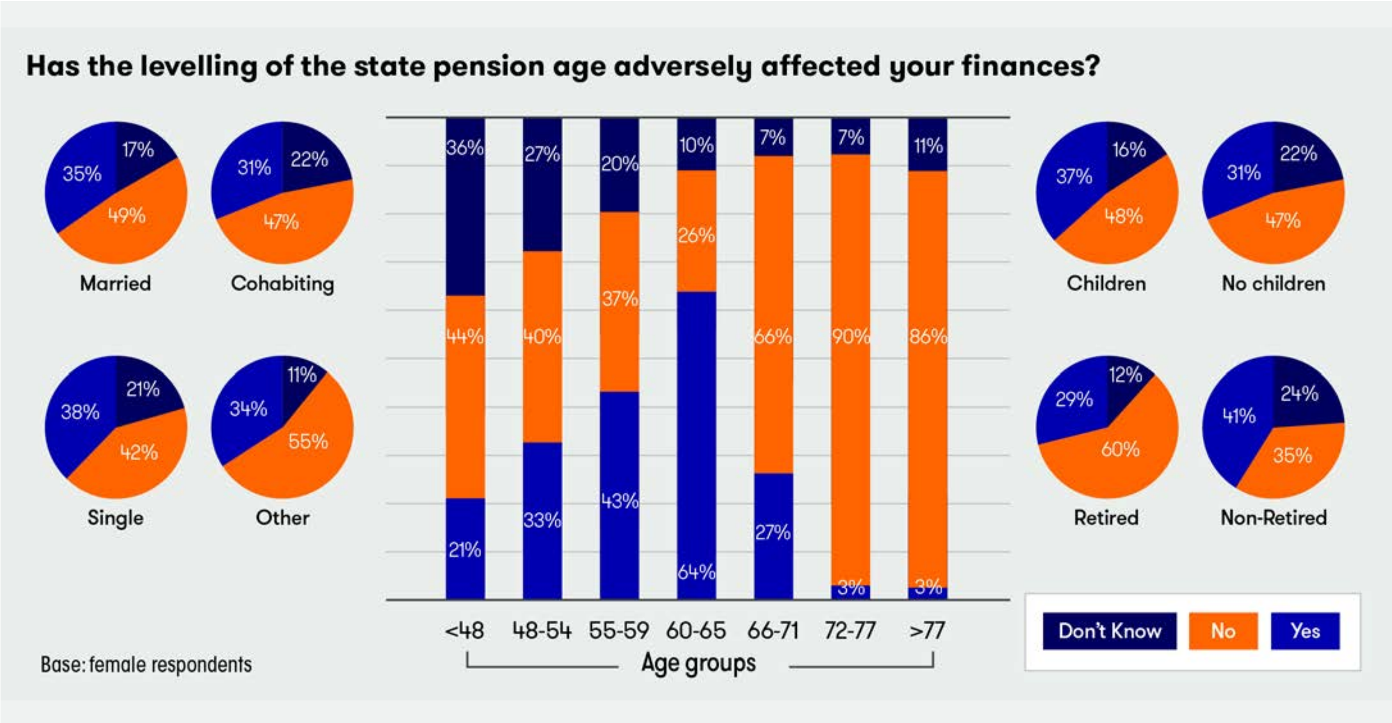


Women aged 60-65: Has the levelling of the state pension age adversely affected your finances?



Unsurprisingly, the most significantly affected age group was those aged 60 to 65, where nearly two thirds (64%) said they had been adversely affected. 44% of women in this age group have had to work for longer than they planned, and 21% said they were in financial hardship because they had not had long enough to prepare their finances.

As well as this age group being disproportionately affected, single women were slightly more likely to be adversely affected (38%), as were women with children (37%).



Comments from our respondents reflected the difficulties that this change in pension age had brought them:

"My life has been totally ruined by not receiving my state pension. Five years' notice was all I got, and I had finished work and was living on savings due to ill health, thinking I only had five years to go. Then it was 11 years, and I could not get a job due to my age. I am now working in a large supermarket. At 62, I am so worn out with it, especially now with Covid-19."

– survey respondent 02426, not retired

"I wouldn't still be teaching if I could maintain my standard of living without working. I'm exhausted."

– survey respondent 02370, retired but still doing some paid work

"I cannot ever remember receiving any information regarding the changes. As a result, I now find myself having to work far longer than expected."

– survey respondent 09395, not retired

"I knew [the state pension age] was going up to 64 and planned accordingly. After I had agreed to take redundancy it was put up again. It has made me very bitter."

– survey respondent 08796, retired but still doing some paid work

[3] Individual Savings Account (ISA) Statistics
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797786/Full_ISA_Statistics_Release_April_2019.pdf

"I planned to retire at 58 from nursing due to health reasons. I had to sell my home to cover a shortfall in income due to the rise in state pension age. [I had] no time to change plans, as I was unaware of the changes."

– survey respondent 02491, retired

"The government's decision to raise women's retirement age to 65 [has derailed my plans]. Then to raise it again to 66... I started work at 15 with the belief I could retire at 60. The added six years has had an effect. I had a strenuous mental and physical job. At 62 I accepted voluntary redundancy, as I did not feel strong enough to continue."

– survey respondent 09333, retired

Some respondents also highlighted how the changes to state pension age had impacted them on top of the disadvantages that women already tend to experience when it comes to pensions:

"Retirement for me means coming to terms with shattered hopes and dreams for what this period should have been. I've been shafted by my ex-husband. I've been shafted by the change in the state pension age. I used to do casual work to bring in extra cash, [but] due to the Covid crisis there's no work available. I took a severance at age 45 to help care for my elderly parents. That messed up my pension provision. [I'm] definitely discriminated against as a woman."

– survey respondent 02786, retired but still doing some paid work

"I also faced discrimination as a woman when choosing a career and was not allowed to join a pension scheme in my own right, and now I face a seven-year delay before receiving my state pension."

– survey respondent 06510, retired

"Not finding out about the change in pension age until I was 58 has left me in financial hardship. I had to take early retirement at 55 because of ill health/disability and also was abandoned by my husband shortly after and had no option but to apply for disability benefits, as my work pension isn't enough to live on. If I had received my state pension when I expected it I wouldn't be comfortably off but would at least be able to make ends meet. I have to borrow money from my children to get by."

– survey respondent 11777, retired

Divorce

Divorce was identified in our survey as a major life event that had derailed retirement plans for many people:

"Divorce is the one thing that financial advisers do not like to talk about. But it has a massive impact."

– survey respondent 09843, retired

"I think divorce is – or was when it happened to me – a major financial catastrophe for a man. Financially, I lost everything."

– survey respondent 02706, retired

3

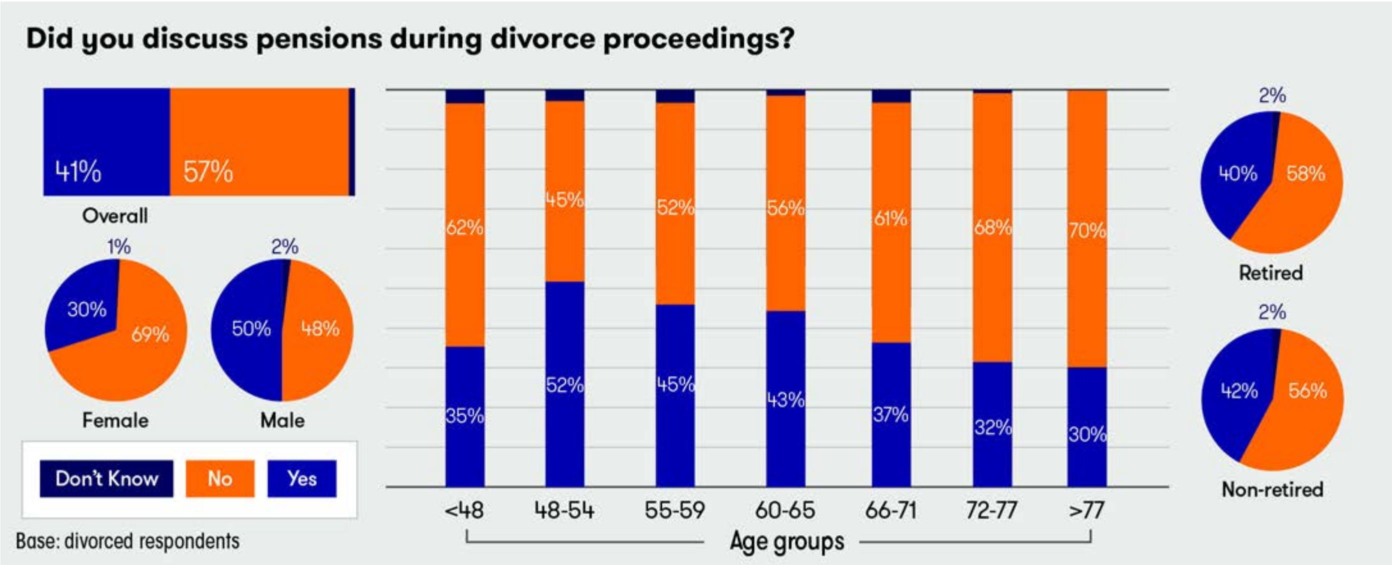
Individual Savings Account (ISA) Statistics
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797786/Full_ISA_Statistics_Release_April_2019.pdf

"I got no pension from my first husband after being married for 30 years."

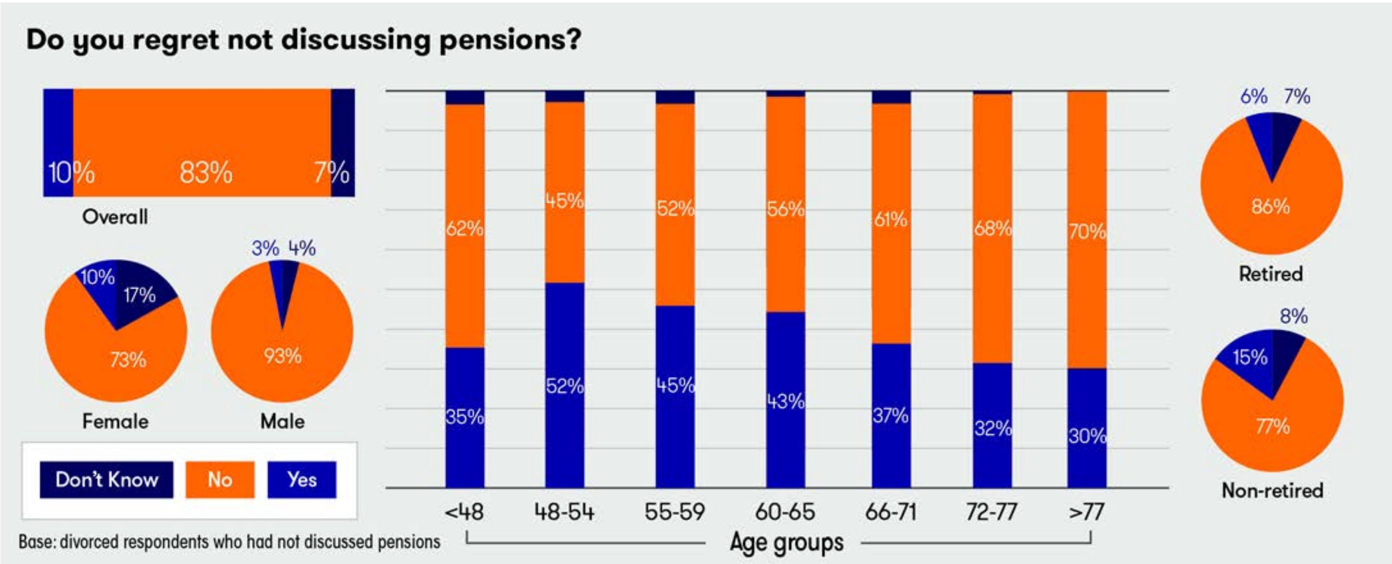
– survey respondent 01403, retired

We asked whether our divorced respondents had discussed pensions during divorce proceedings. The Welfare Reform and Pensions Act 1999 introduced the concept of pension sharing as a solution for a former spouse to share in the pension rights of their ex-partner. It is likely that some of our responders divorced before this Act took effect, but the proportion who said they did not discuss pensions is still surprisingly high.

Less than half (41%) said they had, while 57% said they had not. The proportion who had was higher among people aged 48 to 54, and this reduced towards older age categories. Men (50%) were also more likely to say they had discussed it than women (30%), as were those with children (45%).



We then asked those who had not discussed pensions during divorce proceedings whether they regretted this. The vast majority (83%) said they did not, while 10% said they did regret it. The proportion who were regretful was higher among people aged under 48 (19%) and women (17%).



"[I regret] not taking my full financial share from the marital home following my divorce."

– survey respondent 10640, retired

[3] Individual Savings Account (ISA) Statistics
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797786/Full_ISA_Statistics_Release_April_2019.pdf

"[I regret] not being advised to request a share of my husband's pension upon divorce."

– survey respondent 02867, not retired

"I did not discuss pension provision in my divorce. It was not in the law then, so I could not command any part of his pension even after 20 years of marriage."

– survey respondent 07864, retired

Issues like these, which affect women more than men, are particularly concerning. Our report on last year's survey shone a spotlight on the issues that impaired women's prospects. These included attitudes to investing – women were less confident about investing and therefore likely to be over cautious – as well as the fact that women often have lower savings, in large part a result of their commitment to childcare and historic wage discrimination. Though we have chosen to focus largely on Covid-19 impacts, our concerns around the different retirement outcomes for men and women, on average, remain. Little in this year's survey suggests the situation has improved.

One in 10 (10%) of non-retired women expected to receive a household income of less than £10,000 a year, compared with only 2% of non-retired men. 9% anticipated a sum above £50,000 a year, compared with 22% of men. More than a third of women (36%) had no idea what their income would be in retirement – more than double the amount for men (17%). Of those planning to carry on doing some paid work during retirement (54% of respondents), 22% of women said they would need – rather than want – to plug the income gap, compared with 10% of men. Only 18% of women said they would work into retirement for the love of it, compared with 29% of men.

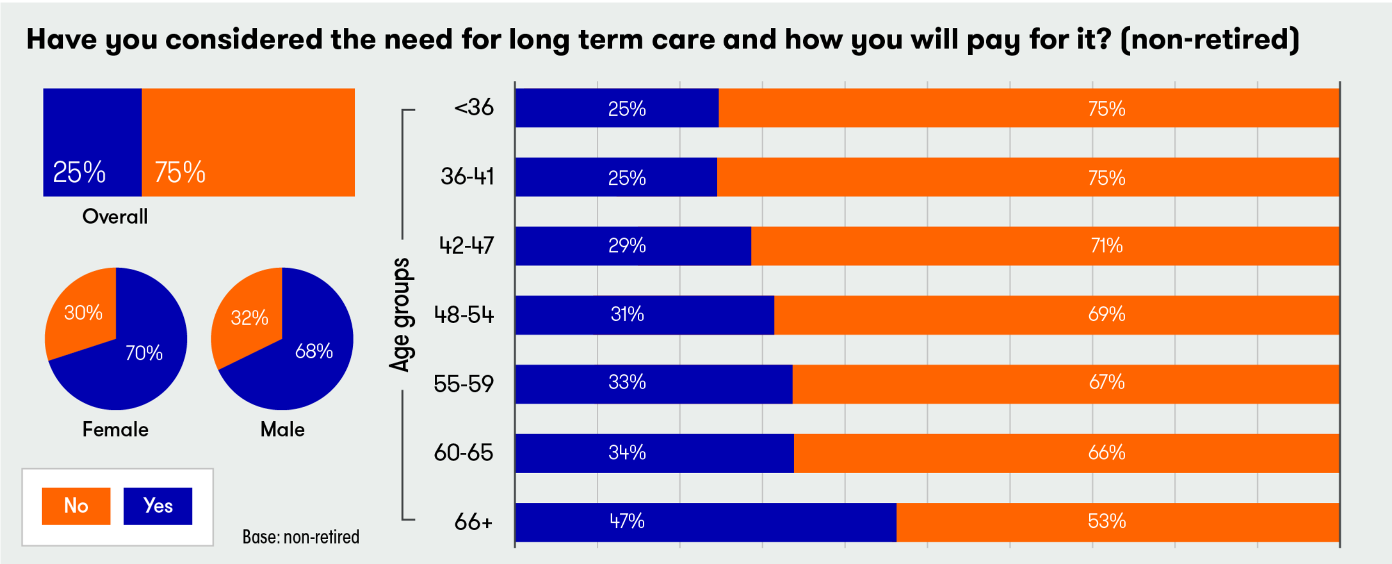
Men were more confident of being able to manage their finances (78% vs 58% of women) and were found to be more likely to spend time on money management. Women (31%) were twice as likely than men (14%) to spend less than an hour a month managing their finances.

Additionally, men were more likely to take satisfaction in money management (41% vs 23% of women), with only 14% describing it as a chore (vs 32% of women).

Long-term care costs and passing on wealth

The total expenditure in the UK on long-term care in 2018 was £48.3 billion[7] and the costs are growing each year. Over the past five years costs have risen on average 2.9% annually in real terms. Around two-thirds (64%) of the total cost of long-term care was financed by the Government, but 26% was financed privately (with the remaining amount financed through charities). The funding of long-term care continues to be something politicians and many individuals may well prefer to not think about, but for those in later life it is often a serious worry.

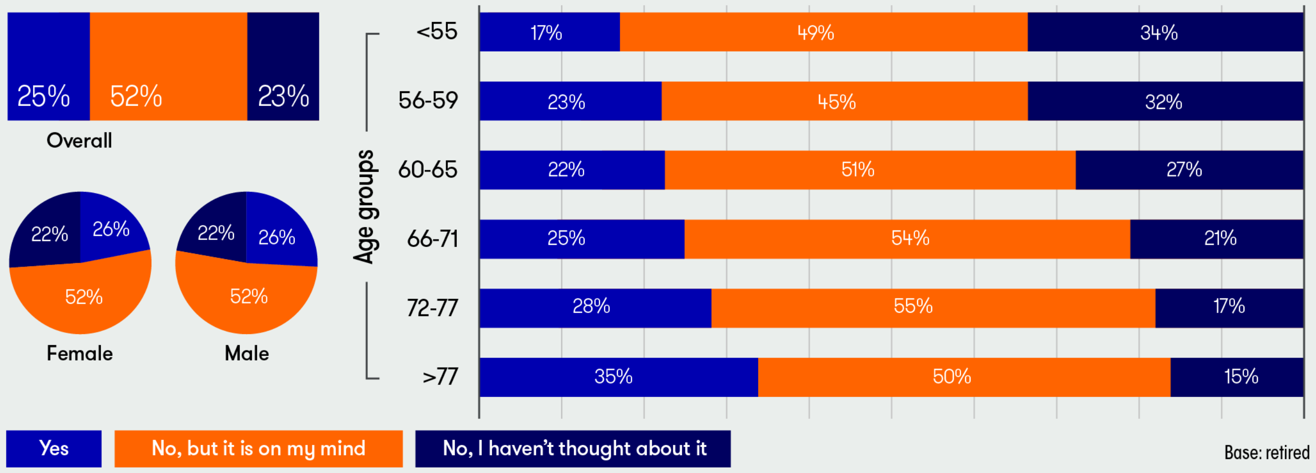
When we asked our non-retired respondents if they had considered the need for long-term care and how they would pay for it, more than two-thirds (69%) had not yet given it any thought. The proportion who had contemplated the issue rose with age as the potential need grew nearer, with nearly half of those over 65 who had not yet retired giving it consideration. Those who do think about it often end up worrying about the problem. Overall, one in three (33%) non-retired respondents said that not being able to afford good quality long-term care was one of their top financial concerns.



7 https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthcaresystem/bulletins/ukhealthaccounts/2018#long-term-care-expenditure

Among retired people, concern about long-term care was much more widespread. One in four retired respondents (25%) had actively prepared for the cost should they need it. Again, this proportion rose with age, with more than one in three of those over the age of 77 having made preparations. Overall, the biggest proportion of retired respondents (52%) had not prepared but were worried about it, saying that it was on their mind. Only 23% of retired respondents had not thought about it at all.

Have you prepared for the cost of long-term care should you need it? (Retired)



Long-term care costs can have an enormous impact on the size of an inheritance, with the potential to wipe out a remaining estate entirely. The overwhelming desire to leave an inheritance was highlighted within our survey.

More than four out of five (81%) of retired respondents said they wanted to leave an inheritance for their children or other loved ones. Half of these said it was a priority, the other half said that they wanted to leave money but recognised that they would only do so if they could afford it.

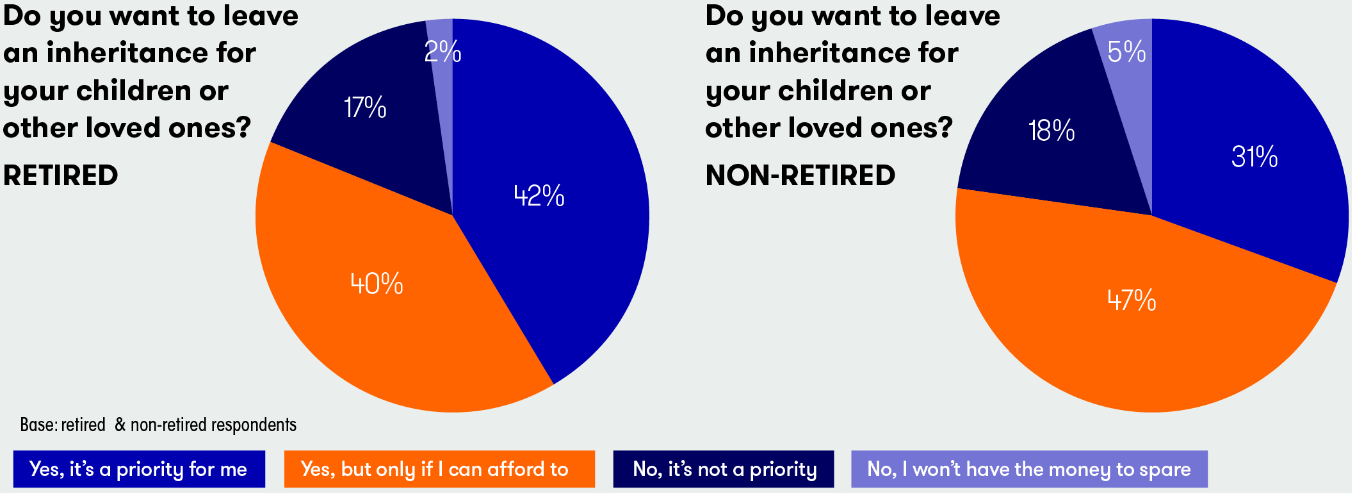
A similarly high proportion (78%) of non-retired respondents wanted to pass down money, but a greater proportion (47% of all non-retired respondents) acknowledged this would be if financial circumstances allowed.

Do you want to leave an inheritance for your children or other loved ones?

RETIRED

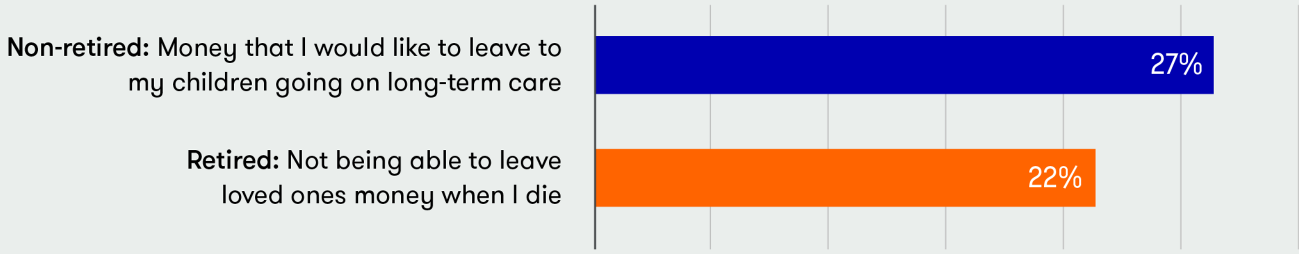
Do you want to leave an inheritance for your children or other loved ones?

NON-RETIRED



The potential of long-term care costs to derail these final financial planning dreams was cited as a concern for many of our respondents. When we asked about their biggest financial worries, more than a quarter (27%) of those pre-retirement said that they were worried that the money they would like to leave to their children would go on long-term care. It was also an issue for our retired respondents, where more than one in five said that not being able to leave money to loved ones when they die was one of their top financial concerns.

What are your biggest financial concerns?



Base: retired & non-retired respondents

04
Ethical investing

We asked our respondents about their attitudes to ethical investing.

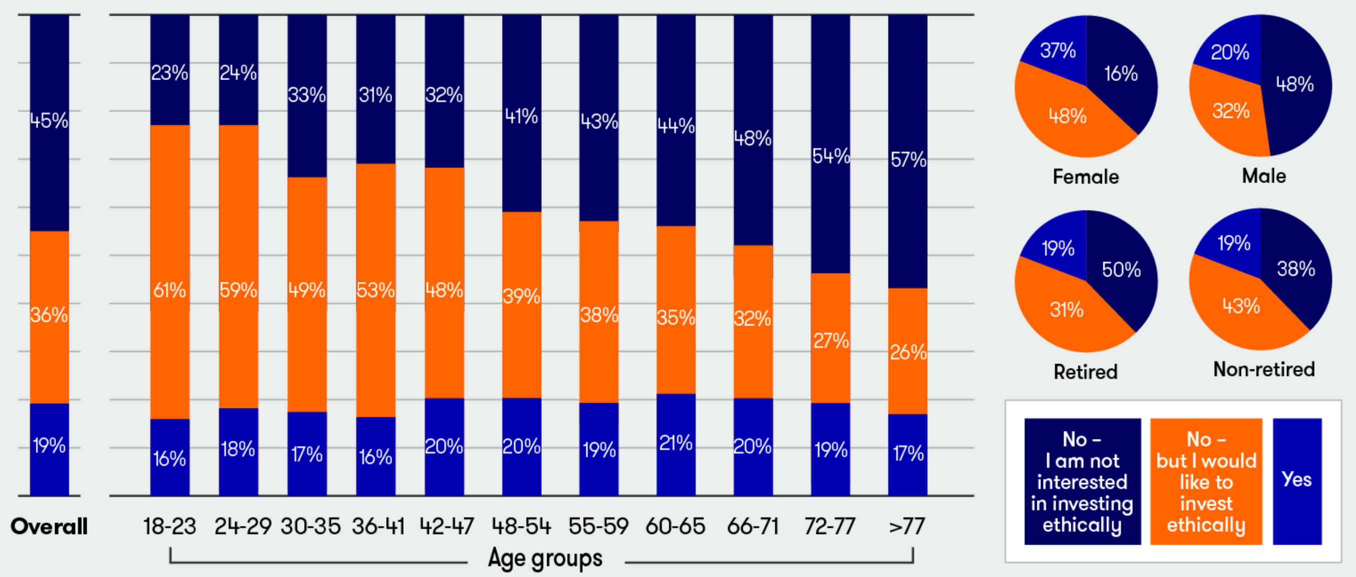
Overall, nearly one in five (19%) said that they were currently investing ethically. This proportion was quite stable across different genders and life stages, with the lowest proportion among those aged between 36 and 41 (16%) and the highest among those aged 60 to 65 (21%).

However, there were considerable differences by age and gender in those who are not investing ethically currently but would like to be able to and those showing no interest at all. Overall, more than a third (36%) of our respondents said that, although they were not currently investing ethically, they would like to be able to do so.

Younger people were most keen – 61% of those aged 18 to 23 and 59% of those aged 24 to 29. This interest gradually declined across the age groups, with those least interested appearing in the oldest cohorts – only 27% of the 72-to-77 age group and 26% of those aged over 77 said they would like to invest ethically, with 54% and 57% respectively saying they were not interested at all.

Women in our survey also showed more interest in ethical investing than men. 42% of women (vs 32% of men) said they would like to be able to invest ethically.

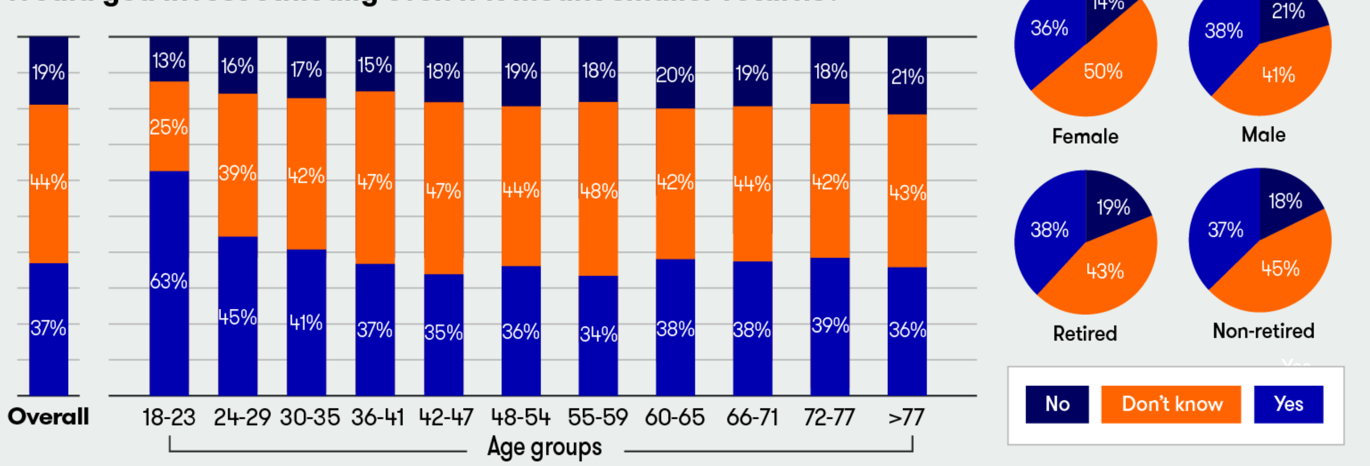
Do you invest ethically?



We also asked if our respondents would be prepared to accept smaller returns in order to make ethical investments. Overall, 37% said they would, 44% said they were not sure, and 19% said they would not accept lower returns. There is no evidence to suggest ethical investing means you have to compromise returns, and often it is quite the reverse. But it is interesting to see so many would be prepared to sacrifice returns, illustrating the depth of feeling on this important issue.

The attitude of accepting lower returns was again more prevalent in younger age groups, with 63% of respondents aged 18 to 23 and 45% of those aged 24 to 29 saying they would accept smaller returns.

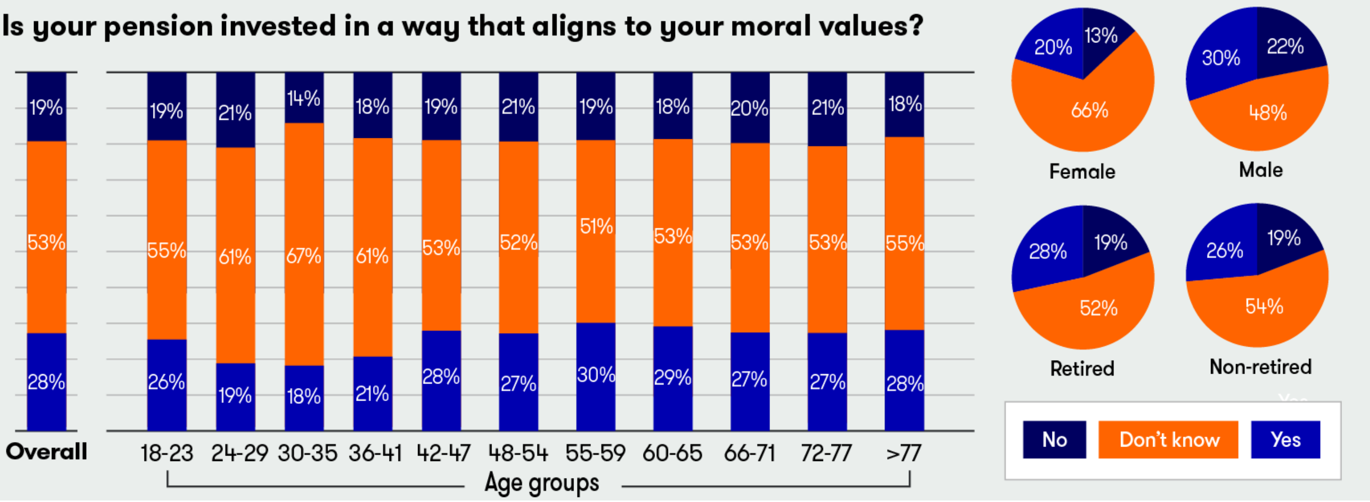
Would you invest ethically even if it meant smaller returns?



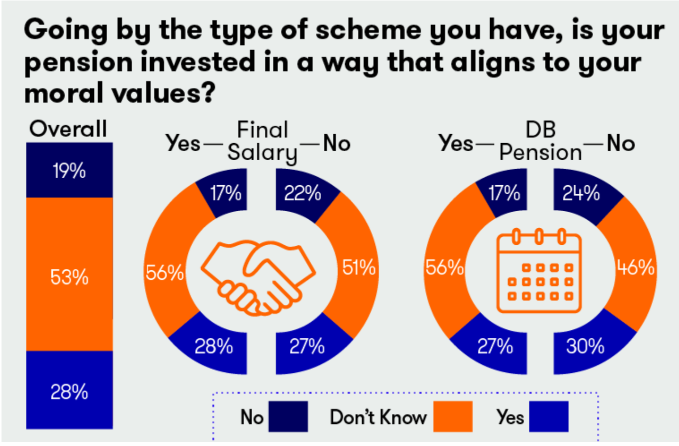
When asked whether their pension was invested in a way aligned with their moral values, 28% responded that it was, 19% said it was not aligned. The majority (53%) did not know. This underlines a gap highlighted by the Make My Money Matter campaign, launched earlier this year by film director Richard Curtis, which aims to increase the transparency of how pensions savings are invested. Interactive Investor has long been aware of the transparency issue and led the charge last year with the launch of an 'ethical investing long list' to help people navigate the sector. This was broken down into three key styles: 'Avoids', 'Considers' and 'Embraces'. We also launched the UK's first ethical rated list – ACE 40 – and an ethical growth portfolio.

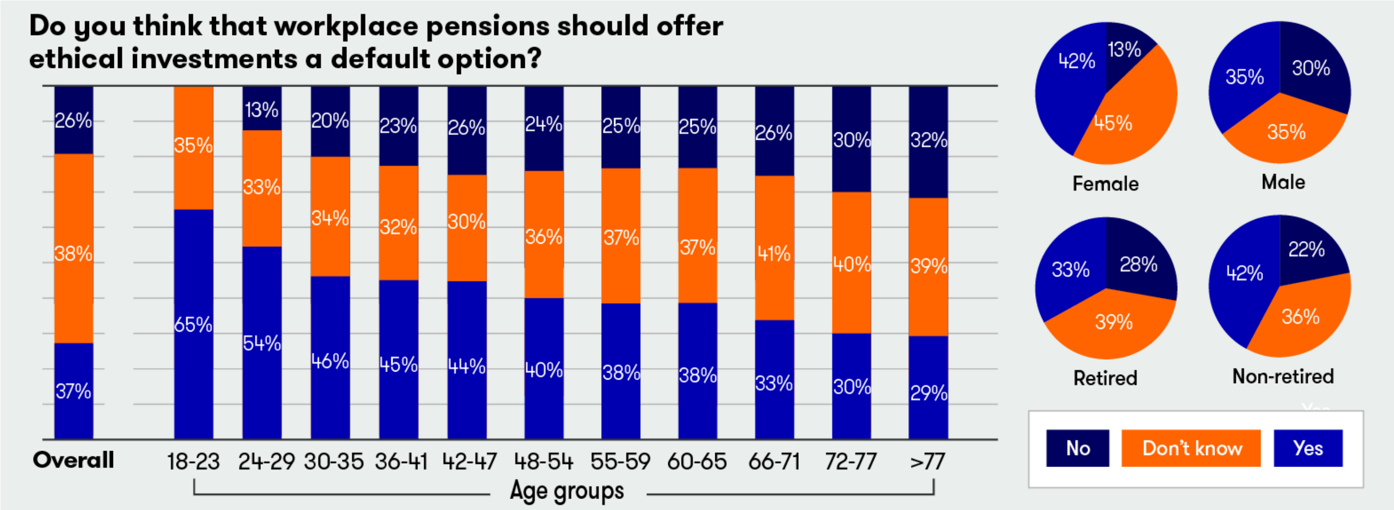
Groups in our survey most likely to be unsure about the way their pension was invested were women (66%), young people (63% of those aged under 42) and those with final salary or defined benefit pensions (56%).

Is your pension invested in a way that aligns to your moral values?



When asked whether workplace pensions should offer ethical investments as a default option, younger people (65% of those aged 18 to 23 and 54% of those aged between 24 and 29) and women (42%) were most in favour.





A number of our respondents commented that the issue of ethical investing was not necessarily straightforward:

"BP and Shell are considered unethical because they are oil companies. It does not seem to be recognised that they are also huge renewable energy investors."

– survey respondent 09134, retired

"Ethical investing is in the eye of the investor. I invest ethically, but that includes, for example, BP and Shell."

– survey respondent 08391, not retired

"I feel that there is not just one version of 'ethical' and that we all imagine that we invest to our own ethics. I have looked at options and never found one that matches me. I don't invest in smoking or weapons, but I still have some oils and mining."

– survey respondent 08946, retired

"I have tried to avoid investment in tobacco companies but find other 'ethical investment' decisions much more complicated – e.g. I still have investment in some oil/gas companies."

– survey respondent 02730, retired

Others disagreed with the concept of ethical investments:

"Whilst I do not believe in ethical investment per se, I do believe it is important to invest in good corporate citizens. I do not believe people should be discouraged from investing in 'sin' stocks. I simply believe there are often better investment opportunities elsewhere."

– survey respondent 00525, not retired

"I think ethical investments are a fad and will end up losing people a lot of money."

– survey respondent 04293, retired

05

Location, location, location

Regional accents – how retirement attitudes vary across the country

Regional accents - how retirement attitudes vary across the country

Scotland
...is the region where respondents are most likely to...
have registered a Lasting Power of Attorney (LPA) **29%**

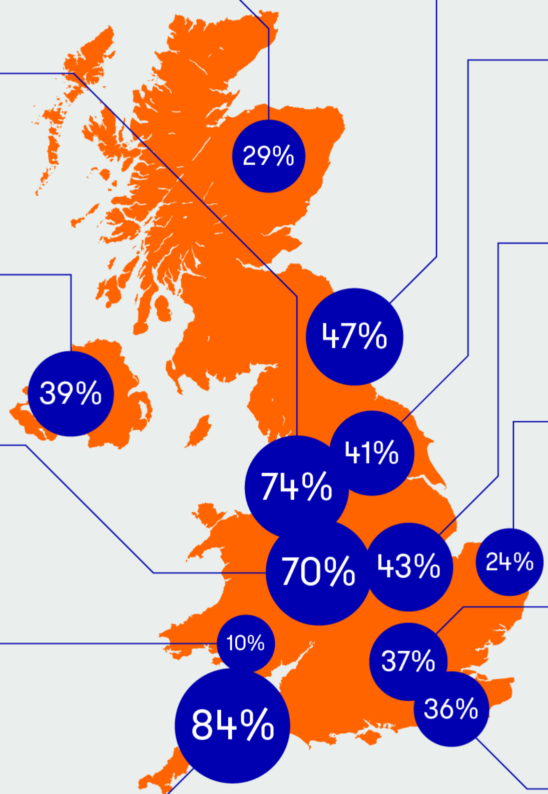
North West
...is the region where respondents are most likely to...
have money to spare at the end of the month in retirement **74%**

Northern Ireland
...is the region where respondents are most likely to...
...look after their grandchildren **39%**

West Midlands
...is the region where respondents are most likely to...
have a retirement pension paid by employer's pension scheme **70%**

Wales
...is the region where respondents are most likely to...
say they do not plan to ever retire **10%**

South West
...is the region where respondents are most likely to...
have written a will **84%**



North East
...is the region where respondents are most likely to...
believe retirement improves your lifestyle **47%**

Yorkshire & Humberside
...is the region where respondents are most likely to...
know what their retirement income will be **41%**

East Midlands
...is the region where respondents are most likely to...
view retirement as having a life of pleasure **43%**

East
...is the region where respondents are most likely to...
have brought an annuity for retirement **24%**

London
...is the region where respondents are most likely to...
plan to move away from after retirement **37%**

South East
...is the region where respondents are most likely to...
have considered the need for long-term care and how to pay for it **36%**

Choosing a retirement location

The choices we make about where to live are influenced by many factors – where we grew up, the whereabouts of our family and friends, proximity to leisure opportunities, the affordability of house prices – but one of the most significant considerations during our working lives is the location and availability of employment.

That changes when we retire. Overall, more than one in four (26%) of our survey respondents who had not yet retired were planning to move once they reached retirement. A similar proportion (23%) had no plans to move to a new house, while half of our respondents were not sure – either they thought they might want to move some time in the future (32%) or they simply did not know (17%).

Regional analysis showed differences in these attitudes depending on where in the country respondents lived. Significantly more Londoners were considering a new home once they were no longer tied to the capital by their jobs, with more than one in three (37%) sure they would choose to live somewhere else. With the benefit of equity from London house prices, these people often have a range of options open to them: 15% of our pre-retirement Londoners planned to move somewhere else in the UK, 13% planned to retire overseas, and 8% wanted or needed to downsize to release equity.

The opportunity to make improvements to their living circumstances was clearly important to some London respondents:

"What did retirement mean to me? Moving out of London."

– survey respondent 08140, retired

"[I plan to move to a home] with a garden but still in London."

– survey respondent 11044, not retired

"I will divide my time between London and France."

– survey respondent 03791, not retired

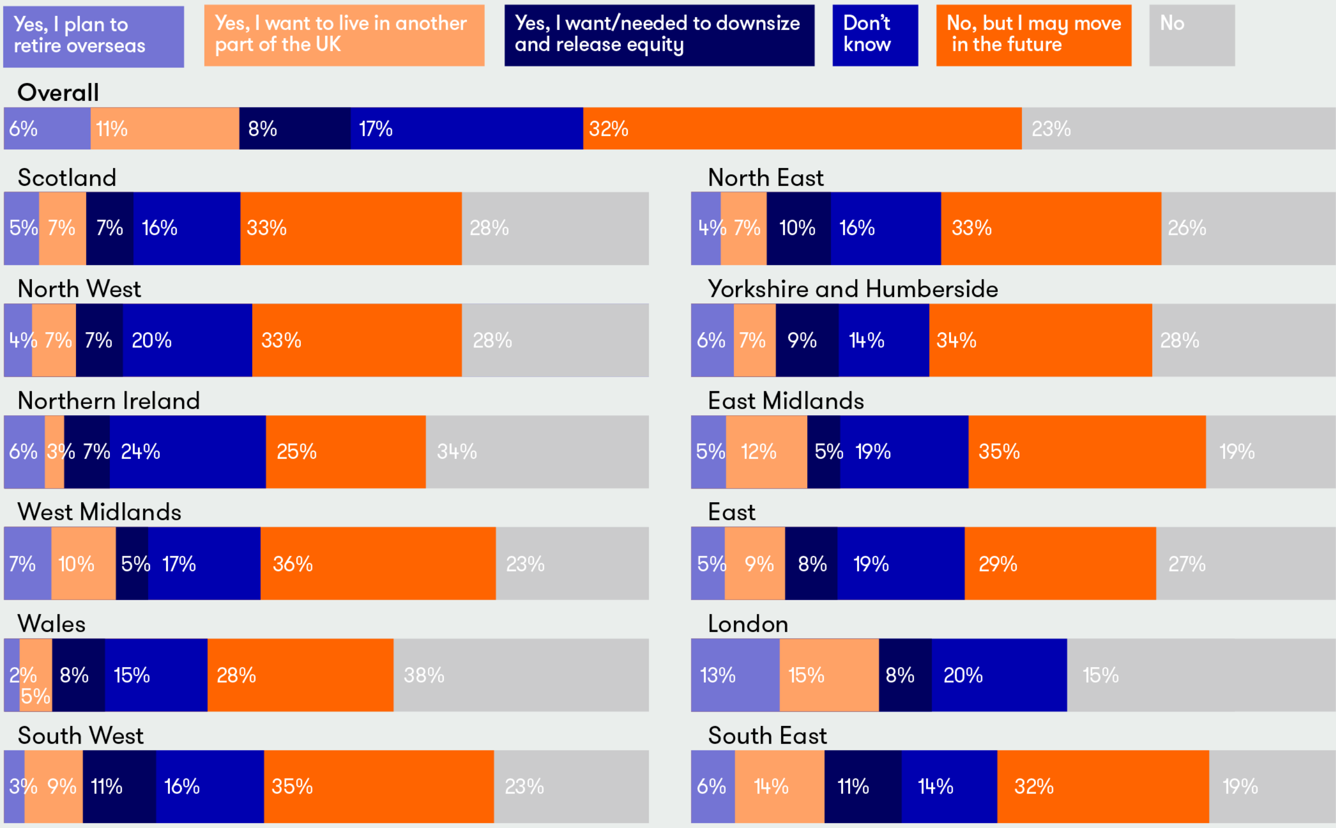
It is not hard to imagine why a move out of London to a less urban environment might be appealing at this stage of life. But the idyllic ending does not always materialise, as one of our respondents described in answer to the question on major life events derailing retirement plans:

"[I] bought a barn and converted it to live in. Norfolk – godforsaken county. Seriously over budget, [I] needed a mortgage... [I] eventually moved back to London – needed a higher mortgage to return to a higher property cost area."

– survey respondent 03905, non-retired

The regions where people are most settled in their location and therefore least likely to consider moving at retirement are Wales (38% had no plans to move) and Northern Ireland (34%).

Regional accents - how retirement attitudes vary across the country



Financial concerns by region

Regional differences clearly emerged when retired people were asked what their biggest financial concerns were.

Financial concerns by region

Biggest financial concern	Most concerned region(s)	
Stock market crisis	London and Scotland	56%
Rising cost of living	North East	47%
Not being able to afford healthcare should I need to pay for it	South West	42%
Running out of money	London and West Midlands	35%
Not being able to help younger members of my family with large expenses	Northern Ireland and the North East	33%
Not being able to leave loved ones money when I die	Northern Ireland	27%
Tax	London	26%

06

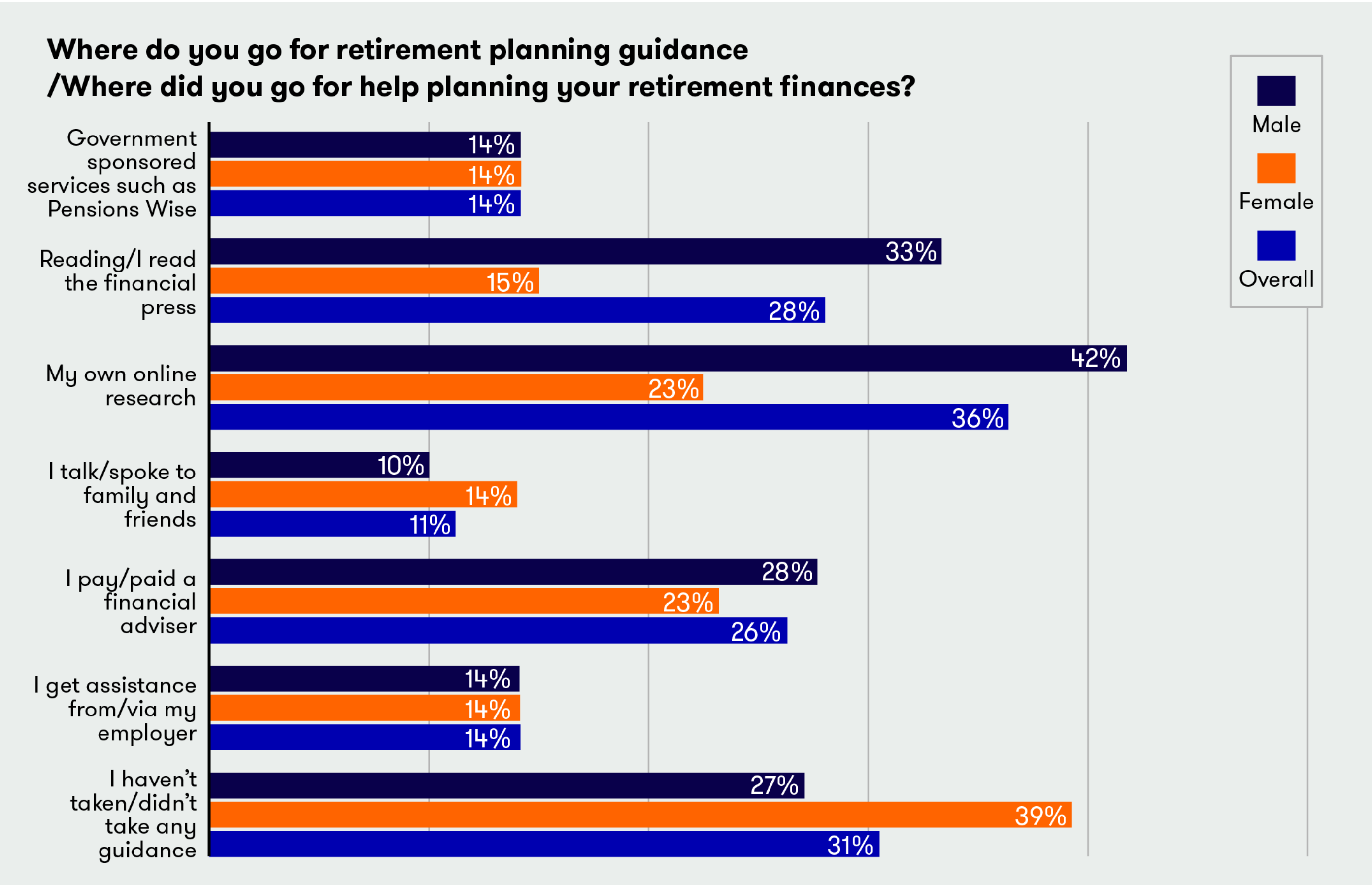
Secrets, lies and sourcing financial information and advice

In an age of uncertainty, making good financial decisions is more important than ever.

Many of us are making at least some of these decisions alone. Nearly one in three takes no financial advice, and many of us are even keeping at least some of our investments secret from our partner. Whilst 11% will actively get advice from family and friends, almost a fifth (18%) have lied to their partner about money, rising to 21% in London and Ireland, with a low of 15% in Wales.

Most of this involved downplaying the cost of things, but when it comes to investments specifically, 8% have a secret investment stash. Half of these said their partners were completely in the dark about their 'runaway fund', whilst the other half had deliberately underplayed the value of their investments. Londoners were most likely to lie about their investments to their partners (10%).

Women were more likely to be economical with the truth about money (22% vs 15%), mostly in relation to the price of things. But when it came to investments, there was no discernible differences between the genders. Women were most likely to say they had not taken any financial advice (39%) and next most likely to say they paid a financial adviser (23%) or did their own online research (23%). Men were most likely to have done their own online research (42%) or gained information from reading the financial press (33%).



Some of our respondents expressed frustration over the difficulties of finding the right products and advice:

"There are few opportunities to realistically prepare savings to cover health and social care costs, should these be needed."

– survey respondent 11264, retired

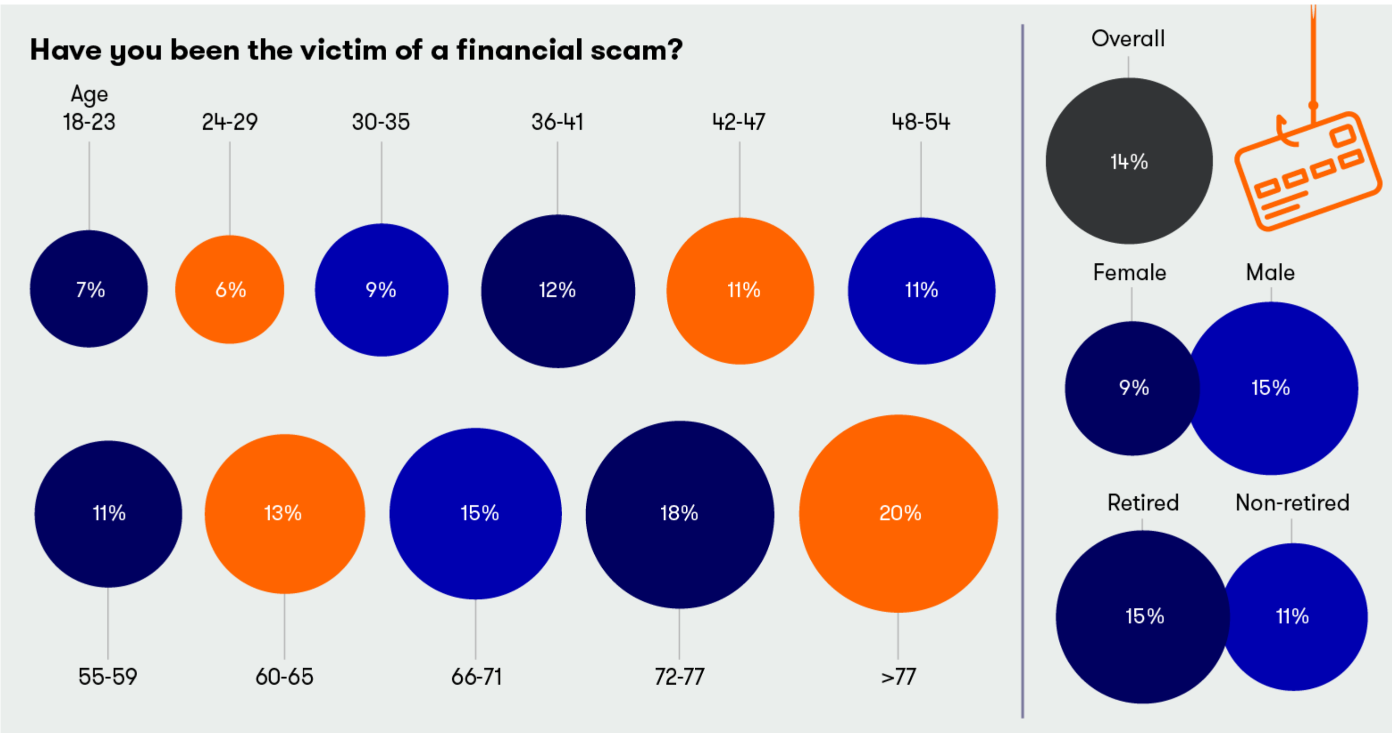
"I have a feeling that my work pension is awful, and from the looks of it I will have a terrible return. That's obviously going to be even worse now with the impact of coronavirus. There's no government or official advice to help people plan. It's either you pay for a financial planner or you just sign up and hope for the best."

– survey respondent 06358, not retired

"[It's] challenging when events like coronavirus hit and investments suffer. Learning that planning for retirement is not all about financial markets but real-world events like climate change may be more important. How do you get advice or plan for that in the current state? Very difficult."

– survey respondent 06358, not retired

07
Financial scams

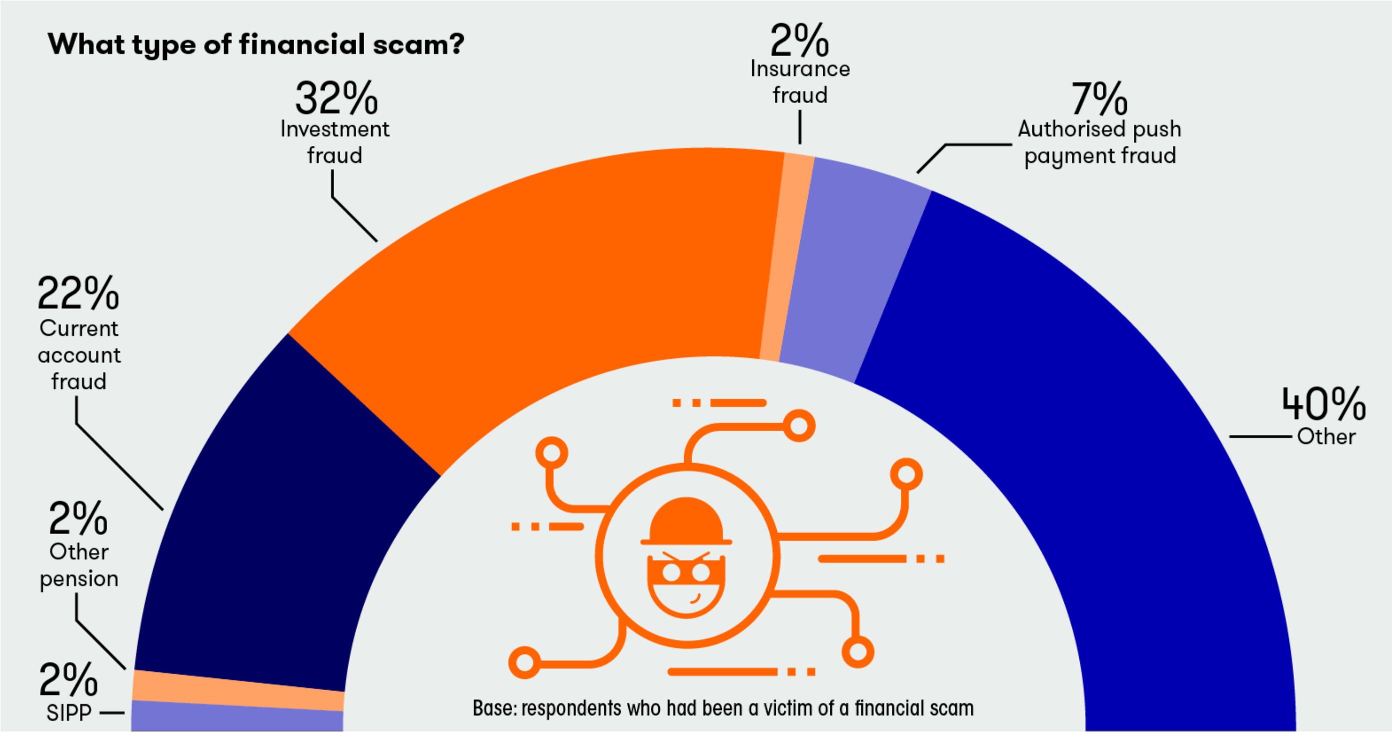


Becoming the victim of a financial scam can have a devastating impact on retirement savings and seriously affect the potential to retire comfortably. More than one in eight (13%) of the people we surveyed said they had been the victim of a financial scam.

The National Crime Agency recognises that fraud is often targeted at elderly and vulnerable individuals. In our survey older respondents were at higher risk, with the rates among those over 65 above the average – 15% for those aged 66 to 71, 18% for those between 72 and 77 and 20% for those over 77. That is one in five of those over 77. Men were more likely to be scammed than women.

The most frequent types of financial scam reported were investment fraud (32%) and current account fraud (22%), with a smaller number highlighting authorised push payment fraud (7%). Other scams involved credit cards, purchases, identity theft, property, time shares, cryptocurrency, PayPal, holidays and mobile phones.

Women and people under 40 were more likely to be victims of a current-account-related fraud. For men and people over 60 it was more likely they had been stung by an investment fraud.



Some respondents reported being vigilant:

"[I receive] endless phishing by email and phone. I haven't lost money to any yet and consider myself wary, but I don't kid myself that it's not a risk for me. Money did go out of my account once, but it was refunded by the bank."

– survey respondent 00902, retired

"[I was nearly a victim of] online fraud. Luckily, I realised what was happening before I spent any money."

– survey respondent 02113, not retired

"I was almost fooled by a cold caller over a number of days. Fortunately, I realised my gullibility just in time."

– survey respondent 03401, retired

Others had not been so fortunate:

"We were scammed of nearly £10k, and [our bank] was very unhelpful. The police never did get back to us, though we asked for victim support. But the Ombudsman found in our favour, and [our bank] paid us. Some people would not have been able to cope with the stress of the reporting and form-filling and constant letter- writing. A hellish experience that really adversely affected us mentally."

– survey respondent 02856, retired

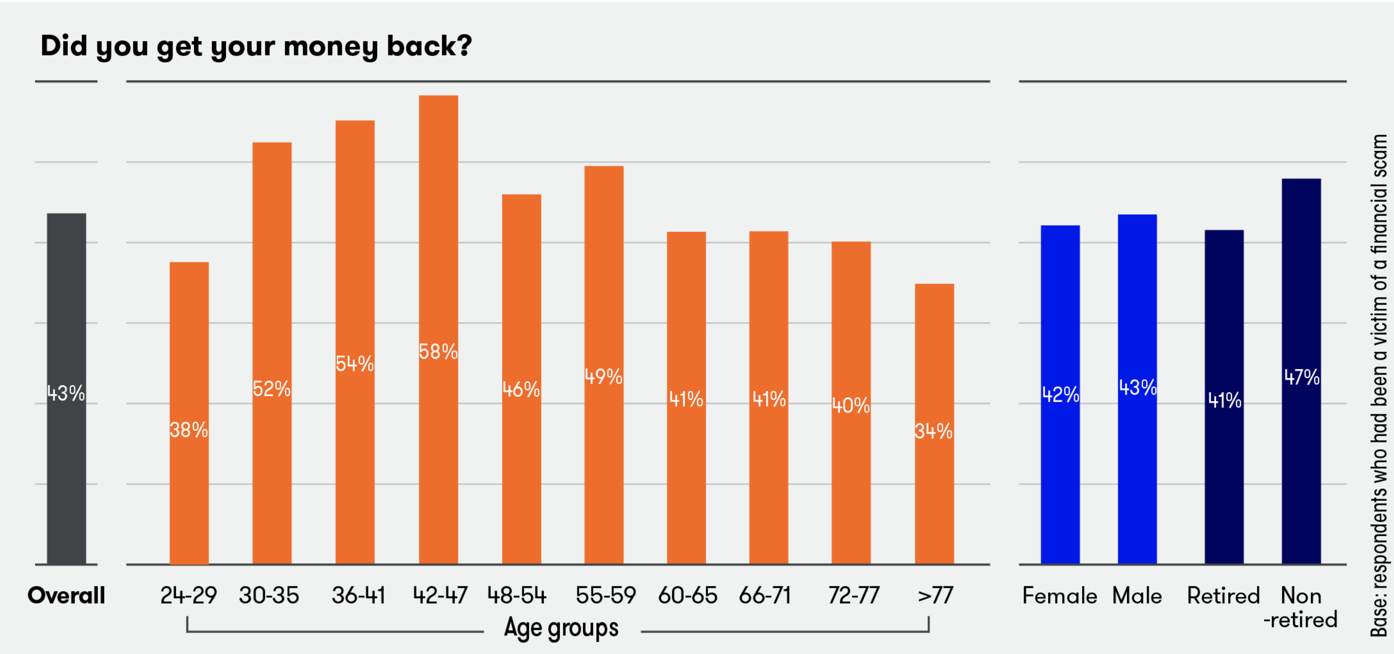
"My partner had his pension scammed, and we have nothing to fall back on."

– survey respondent 03292, retired

"Someone used our PayPal account to buy diamonds on the New York stock exchange! [We] got money back off PayPal, but it was a fight."

– survey respondent 11660, not retired

Overall, less than half (43%) of those who had been victims said they had been reimbursed. Older people were not only more likely to be a victim of a scam but also less likely to get their money back, with only 41% seeing a return (compared with 47% of non-retired people). Only a third (34%) of people over 77 had seen their money again. There was little difference between men and women.



Only a low proportion (7%) of respondents who had been scammed reported that it was at the hands of friends and family.

We asked our respondents who had fallen victim to foul play whether the fear of being scammed again had put them off getting their financial affairs in order. For most (82%) this was not the case, but a significant minority (11%) felt their confidence in dealing with their financial affairs had been knocked. This was more common among women (17%) than men (9%).

08
Brighter Horizons

This year's survey could not have been taken against a gloomier backdrop. Conducted during what is arguably the greatest health and economic emergency of our lifetimes: Covid-19; the 2020 instalment of the Great British Retirement Survey was never going to make for easy reading.

Of course, there are few guarantees and for almost a fifth of us, retirement represents both health and wealth uncertainty. So many of our respondents reported how unexpected life events can derail their retirement plans – there needs to be more tools to people prepare their finances for both the best and the worst of times.

Both this year and last year we have heard the devastating impact that the raising of the state pension age has had on women born in the 1950s. We now have confirmation that the private pension age will rise from 55 to 57 in 2028. While this at least might bring the luxury of time to plan, any increased restriction on access flies in the face of pension freedoms and feels like an extra kick in the teeth at a time when many people are reassessing their work/life balance after a terrible year socially, emotionally and economically.

But it's important that we also look at some of the positives. Our research shows that retirement is no longer a cliff edge and many people scale back work life more gradually, some switching careers, or even starting up new businesses.

So it's not necessarily a time to slow down: one tenth of us see retirement as an opportunity to return to education, and (current UK restrictions notwithstanding), more than a third of us see retirement as an opportunity to travel. Almost half see retirement as a time of freedom and independence, and many also see it as a time to finally get some time to ourselves.

What next?

To give people the best possible opportunity to have the retirements they deserve, we need a rethink. You might not agree with all our recommendations, and we certainly don't claim to have all of the answers. But we hope to inspire some debate and drive at least some change from Government and policy makers.

We are unequivocal advocates of pensions freedom. But we see in our analysis, and research elsewhere, the seeds of a future crisis.

The Covid-19 crisis has exacerbated existing problems. But it has also created opportunities. The move to the digital environment gives us a real opportunity to address some of these serious problems in imaginative and cost-effective ways.

Weather-proofing women's financial futures

We know unexpected life events wreck the pension plans of one in four, and women are more likely to be impacted. We know pensions have not been discussed in many divorcees' settlements and too many women are left short. We know women are far more likely to work into retirement due to financial necessity.

Our report last year shone a harsh spotlight on the gender retirement gap, and there has been depressingly little change. Generalisations about gender differences are unhelpful and often deeply patronising. Indeed, we know that from own customer base, women invest along very similar lines, and with a similar risk appetite, to men. But the results of this survey are clear. Amongst women, incomes tend to be lower, expectations about what retirement might look like tend to be lower, and confidence around investing tends to be lower too.

There needs to be a concerted education campaign, led by the Government, to encourage women to save more into their pension. So, we reiterate our previous call:

Woman in your 20s? An extra £25 per month into your pension can make a world of difference

Someone earning £20,000 and saving an extra £25 a month into their pension on top of the minimum automatic enrolment contributions, from age of 23 to 68, could have an extra £28,000 in their pot at retirement (see table 1) assuming a 3% annual return. Increase your risk profile too and seek out a 5% annual return, you could have over £132,000 more in your pot at retirement (table 1). If you increase your monthly contributions to an additional £50 per month along with your increased risk profile, you could potentially add even more to your retirement pot.

These types of returns are clearly hypothetical and not guaranteed, but historically speaking, nor are they outlandish (although a 7% annual return seems ambitious in these uncertain times!). Many people won't be able to afford that extra £25 per month, but many will. And for those who can't, the table illustrates how even a shift of risk profile can make a big difference over the long term. With no additional contributions but switching from a 3% to 5% targeted annual growth rate, you add almost £112,000 to your hypothetical retirement pot.

In essence, we need more conversations and education of the impact of even increasing your contributions a little, and/or, reassessing your attitude to risk. That's not to say we should all be ramping up our risk profiles – far from it. But we need to have more sensible conversations about risk and reward and how too little risk can also be potentially damaging to your portfolio.

Table 1: £20,000 starting salary, start investing from age 23 straight through to 68

Annual return	3%	5%	7%
8% auto-enrolment	£150,752	£262,389	£474,355
8% auto enrolment with an extra £25 per month employee contribution	£179,018	£311,587	£563,297
8% auto enrolment with an extra £50 per month employee contribution	£207,283	£360,785	£652,238

*Table does not consider inflation or pay increases and is for illustrative purposes only.
These are assumed annual returns and for illustrative purposes and are not guaranteed.

The 'financial motherhood penalty'

Although times are changing, women are still more likely than men to take career gaps to bring up children, with long-term consequences for future pay progression and retirement pots.

So, we looked at a scenario where someone starts making the minimum auto-enrolment contributions from age 23, stops them at 31 – and then resumes a decade later at 41 (right up to retirement at 68). With an extra £25 per month during the time worked, you would be more than £20,000 better off. This assumes a 3% average annual return. Investing an extra £50 per month would have given her an extra £40,000 at retirement. (see table 2). Again, changing your risk profile also makes a huge difference (see table 2).

Table 2: £20,000 starting salary, start investing from age 23, stop age 31, start again at age 41 through to retirement at 68

Annual return	3%	5%	7%
8% auto-enrolment	£109,349	£185,235	£331,835
8% auto enrolment with an extra £25 per month employee contribution	£129,852	£219,966	£394,054
8% auto enrolment with an extra £50 per month employee contribution	£150,355	£254,698	£456,273

*Table does not consider inflation or pay increases and is for illustrative purposes only.
These are assumed annual returns and for illustrative purposes and are not guaranteed.

Meanwhile, again based on a 3% annual average return, a woman who started her pension at 23 and stopped contributing altogether at 31, would have £8,093 more had she saved an extra £25 per month in the same period (see table 3). That would rise to £16,185 if saving an extra £50 per month. Crucially, had she ramped up her risk profile and saved an extra £50 per month between the ages of 23 and 31 and achieved 7% return a year, she would be even better off. The wonders of compounding would have given her a pot of £286,260 at retirement versus £43,160 had she generated 3% annual growth a year with no additional top-ups over the same period.

Table 3: £20,000 starting salary, start investing from age 23, stop age 31 – value at retirement age 68

Annual return	3%	5%	7%
8% auto-enrolment	£43,160	£95,413	£208,189
8% auto enrolment with an extra £25 per month employee contribution	£51,253	£113,303	£247,224
8% auto enrolment with an extra £50 per month employee contribution	£59,345	£131,193	£286,260

*Table does not consider inflation or pay increases and is for illustrative purposes only.
These are assumed annual returns and for illustrative purposes and are not guaranteed.

Lifting the lid on pensions

Swathes of consumers are moving out of older pensions from some of Britain's best-known life company brands to lower cost investment platforms such as interactive investor, as investors start to challenge service and cost. But many thousands more are completely in the dark on how much their old pensions are costing them, and we think the regulator needs to make price comparisons far easier between different types of pension product.

It's not just a cost issue, either, but transparency too. For example, over half of our survey respondents had no idea whether their pension was invested in a way aligned with their moral values and there is far more that needs to be done on the issue of transparency and knowing exactly what is in a pension. We will be doing more campaigning work on this issue, and some separate research.

Many of us will have accumulated several pensions over the years. It can be easy to lose track of them and sometimes those older plans may no longer be the best option or represent good value for money. That's why there's an argument for bringing your different pensions together under one roof, whatever stage of the investing journey you're at – but in order to do that, consumers need far better cost comparison tools, and we think the FCA has the powers to make that happen.

Consolidating your pensions in the one place makes them easier to monitor and manage, reduces hassle and paperwork and helps you identify the pension investments that aren't working, or which look more expensive than they need to be. Investors can't control the stock market, but they can control the charges they pay on their investments – which can really eat into your returns. That's important, especially during uncertain times like these.

We would stress, however, that it might not be the right thing to do for everyone and requires careful consideration of what you might be giving up as well as what you could gain. Many pensions taken out prior to April 2006 include an option to take more than 25% as a tax-free cash lump sum, while certain older plans may come with guaranteed annuity rates (GARs) that promise income considerably higher than that currently available on the annuity market.

Defined benefit plans pay a pension equivalent to a proportion of your salary, based on how long you worked for that employer. That pension is guaranteed and if you move it to a defined contribution plan, like a SIPP, you'd be giving up that guarantee and may not be able to secure the same level of income.

Essentially, people need to be in a position of knowledge, and that includes being able to compare and contrast charges. FCA – over to you.

Financial education

We'd like the Government to mandate time in the curriculum for financial education, and ensure teachers have the right guidance to teach it, ideally as a standalone subject.

Financial education should be delivered in the workplace to help employees understand the basics of money management, such as saving and budgeting, as well as the benefits of saving into a pension.

Employees should be helped to fully understand how much money is actually being paid into their pension – information that could provide them with the incentive to boost their own contributions. And the impact of charges over time is also something that more people need to be aware of, because it can make a dent in your retirement pot of potentially tens of thousands of pounds.

Pregnant women should also be offered dedicated financial education support.

Wake-up packs for key life events

The five-yearly wealth check could be supplemented with wake-up packs distributed widely to coincide with major life events that many people encounter – from the birth of a first child and beyond. These could be similar to those that pension providers are required to distribute at age 50, and every five years until the client's pension pot is fully crystallised. These include a one-page headline document, setting out the options for people as they consider whether to access their retirement savings under the pension freedoms. They could be invaluable for those going through divorce, for example, to help ensure both parties do not find themselves short-changed at retirement. It could also prove useful to young adults who have started their first job after finishing university, because the sooner you begin saving, the more time your money has to grow.

Wealth courses

Universities are learning how to deliver courses remotely and great strides are being made in the delivery of education online. We believe the government should create its own free online courses with certification to encourage people at all stages of life to become better equipped to manage their finances. These skills are transferable and might appeal to employers, too. The courses could cover a range of elements, from basic numeracy and budget planning to the basic principles of good investment portfolio management.

Final note

Once again, we would like to thank the many thousands of people who responded to this survey, and to CoreData, who had the very big job of crunching the data for us. Retirement isn't easy to plan for, and whilst work puts a curb on our spending, occupying most of our time, retirement can be costlier than you might have imagined. That is, unless we are living with coronavirus-related government restrictions, which we sincerely hope is not still a feature when we publish next year's report.

Most people want to live comfortably, whilst leaving something to pass on to loved ones. It's a big ask, and it isn't getting any easier. We can't level the playing field for everyone, but we can make life easier with some prudent policy changes, and some good financial education and targeted awareness campaigns. Thank you for reading.

Moira O'Neill, Head of Personal Finance, interactive investor

About interactive investor

interactive investor (ii) is the UK's number one flat-fee investment platform, offering ISA, SIPP, Junior ISA and general investing accounts, plus leading investment content, tools, choice and service. Customers pay a flat monthly fee, even as their investments grow, meaning they keep more of their money. interactive investor is an award-winning platform and proud to be rated 'Excellent' on Trustpilot. ii is authorised and regulated by the Financial Conduct Authority and FSCS protected.