

Communicating with customers approaching retirement

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Introduction

The aim of this research was to gain an understanding of both the process and expectations of retiring and an understanding of being retired for those who have done so. Also, we aimed to explore definitions of both retirement and being a pensioner, and negative and positive connotations of both, as well as investigate participants' ability, and desire, to plan financially for the future.

Furthermore, we aimed to explore what both pensioners and pre-pensioners knew about State Pension, Pension Credit, and other government services, and what their expectations are, or were, about government interaction and communications that took place in the lead up to attaining State Pension age.

The second wave of the research sought to explore in more depth some of the emerging themes and also looked specifically at the communication needs of vulnerable groups who have the potential to slip into poverty after reaching State Pension age.

Methodology

Eighteen discussion groups were conducted in total, across two waves of research. The first wave was conducted in November 2008, and consisted of three groups of pre-pensioners within five years of State Pension age, and four groups of State Pension customers. The second wave of the research was conducted in March 2010, and consisted of two groups of deferrers, (those eligible to claim State Pension who have opted to postpone claiming) and nine groups with individuals classified as vulnerable, namely those who were out of the labour market, those in low paid employment and lone parents.

The research was conducted across England and Wales, with discussion groups being held in Harrow, Coventry, Bradford, Swansea, Doncaster, Newcastle and Birmingham.

Views of retirement and being a pensioner

There was a clear difference in the views of retirement between those who had already retired, and those who have not yet done so. For many in full time employment, and particularly those in higher income bands who enjoyed working, there was an apprehension around what retirement will be like, and a reluctance to retire, unless circumstances force them to. For many, this was the fear of the unknown; they do not know how long they will live, and how much money they will need to save. In addition, many participants who were still working do so because they enjoy working, as well as the status associated with it, and the social interaction.

Those who had already retired from full time employment admitted that they had the same apprehensions prior to retirement, but that retired life is much better than they had anticipated. They enjoyed being able to dedicate much more time to interests and hobbies than they were previously able to during their working lives. Those who were able to gradually reduce their hours prior to retirement found it much easier to adjust to retired life.

Many participants in the second wave of the research had stopped working through circumstances beyond their control, such as ill-health. They were resigned to the fact that retired life would be very similar to the life that they currently lead. Many already described themselves as semi-retired, or retired due to the belief that they would never return to

paid employment. In this sense, State Pension age was less of a significant event than the point of retirement, but there were also apprehensions about being a pensioner that we shall discuss.

There was an overwhelming negativity towards the word 'pensioner' and, consequently, very few identified with it, as it was felt to only apply to people older than them. Conversely, the word 'retired' was viewed more positively, as it suggested comfort and rest, rather than having to survive on a restricted income.

Financial planning for retirement

Across the groups, most participants considered themselves to be careful budgeters, and able to live within their means. Those who were working and able to save were not necessarily saving specifically for retirement, rather saving for the 'unforeseen'. They felt that it was necessary to make financial plans for their retirement, but this simply amounted to working for as long as possible for many of those who were still in employment. When they retire, participants felt that they should have a financial structure in place to allow them to budget in the short term, meaning that long term financial planning to be done before retirement.

Participants in the vulnerable groups did not feel able to save money for retirement, as they were living on a week to week basis, and their income, primarily from State Benefits, was too low to be able to put money aside. However, many admitted that, though their income was now much lower than in pre-retirement, so were their outgoings, and many who were older than State Pension age talked about the discounts and reduced rates available to pensioners, such as free travel on public transport. There was little variation across the different vulnerable groups in terms of attitudes towards retirement, with the exception of those who were in low paid employment.

In the first wave of the research, few pre-pensioners had noticed any actual effects of the 'credit crunch', but the feeling of economic uncertainty at the time compounded their desire to work for as long

as possible. In the second wave of the research, participants in the vulnerable groups had noticed an increase in high street prices, but, since their outgoings were minimal and their income streams unchanged, few had been affected by the recession to a great extent.

Knowledge of State Pension and other products

Few pre-pensioners had any idea what their State Pension entitlement would be. Most thought it would be much less than example figures given to them, and it seemed to be the case that many base their expectations on what their parents or relatives received, without adjusting for inflation or assessing their personal contributions.

Participants in the vulnerable groups knew very little about their likely State Pension or other benefit amounts and entitlement, and none expected to have more income after retirement age than they currently receive. Many were upset that they had had to use their savings prior to State Pension age to supplement their benefits. For these reasons, vulnerable participants were not motivated to initiate their State Pension claim. In addition, they felt that circumstances beyond their control had denied them the opportunity to make full contributions in order to receive a full State Pension.

Current State Pension recipients were more prepared for retirement, and those with private pensions who had investigated their entitlement amounts, had felt more confident and knowledgeable about what they would receive, and why, at retirement stage.

There was very little knowledge of Pension Credit, even amongst participants over 60 who felt, during the discussion, that they might be entitled to it. Additionally, those who were claiming it, were unsure whether this was their State Pension or not; some were surprised to be claiming their 'pension' five years early.

The option of State Pension deferral and the tax benefits of working beyond 65 were of interest only to pre-pensioners who felt they would be able to

continue, or recommence working, and those that were interested needed more information to combat their suspicions; many wondered if there were hidden catches associated with such schemes.

Communication and government interaction

Participants had a preference for information about their potential State Pension to be sent through frequently, ideally annually, even if this information only consisted of estimates. Many pre-pensioners within five years of State Pension age could recall a letter being sent to them at some time in the past year, but were unable to recall any of the details.

Most pre-pensioners disliked the idea of lifestyle information being posted to them, and based this on their experience of private sector communications aimed at the 'older market' which were seen to be patronising and unrealistic. Also, some were unsure if this lifestyle information was appropriate from a government organisation such as the Department for Work and Pensions (DWP). However, based on the anxiety expressed by working pre-pensioners about retired life, and that of vulnerable pre-pensioners about their life as a pensioner, there is clearly a need for 'softer' communications to help combat some of these fears and concerns.

Most participants said they would prefer a face-to-face channel when making their claim for State Pension. There was experience of using the post and of claiming over the telephone, but most felt these methods were, in the case of the former, unsafe, (due to letters going astray) and in the case of the latter, long-winded in their experience of call centres and being transferred to different departments. Many participants in this age group were not altogether comfortable arranging, and discussing, their finances over the telephone. Some participants (particularly those who were still working or those who have been out of work for many years) used the internet, but none would do so to organise their State Pension claim, as it was not seen as a trustworthy medium for doing so, due to concerns about fraud and internet safety in general.

We were able to identify three problematic areas that communications should aim to address: being misinformed; not listening; or not wanting to know.

- 'misinformed' – many pre-pensioners knew more about pensions and pension age benefits from **friends, family and colleagues** than from information addressed specifically to them;
- 'weren't listening' – many pre-pensioners have received letters about pensions and retirement, but have filed them away after a brief scan of the contents. Such apathy may stem from a feeling that **the information was not sufficiently personalised, or relevant**. It is also possible that they were not able to understand the information;
- 'didn't want to know' – many pre-pensioners, and particularly those that were still working, were **unwilling to acknowledge the fact that they are approaching State Pension age**. An effect of this is that they were reluctant to confront information that pertains to pensions. Communications should therefore be carefully worded, and take into account our learnings about associations with the words 'retirement' and 'pensioners'.

It is important that messages around retirement and pensions are straightforward and more carefully branded. There was a concern that lifestyle information from DWP/Pension, Disability and Carers Service (PDCS) could be seen as patronising. The sort of information that participants wanted to receive was formal, based around numbers and sent at a time when most needed.

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You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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