

Attitudes to pensions: The 2009 survey

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Introduction

This research report presents new survey findings on people's attitudes to pensions in Great Britain. The survey explored people's attitudes towards pensions and their expectations for retirement, both financial and non-financial, as well as examining views on associated topics such as saving, risk and financial decision-making.

The first attitudes to pensions survey was carried out in 2006 and this survey updates and expands on those findings. This survey provides a wealth of information as well as a detailed picture on how attitudes to pensions have remained stable or changed since 2006.

A total of 1,654 adults aged 18-69 took part in the survey. The sample was drawn from the Postcode Address File (PAF), commonly used in general population surveys. Face-to-face interviews lasting on average 45 minutes were carried out in autumn 2009. There was an overall response rate of 48 per cent.

Key findings

Attitudes towards saving and saving for retirement

The majority of respondents are positively disposed towards saving.

- Sixty-nine per cent of respondents agree that they make sure they have money saved for a rainy day and 41 per cent disagree that they would rather have a good standard of living today rather than save for retirement.

- However, 22 per cent disagree that they try to save for a rainy day and 30 per cent prioritise a good standard of living today over saving for retirement.
- Younger respondents are less positively inclined toward saving than their older counterparts.
- Overall, respondents tend to be risk averse, with around two-thirds (68 per cent) agreeing 'It is better to play safe with your savings, even if investing in higher risk investments could make you more money'.
- Only, a minority (ten per cent) agree it is not worth saving for retirement because they may not live that long and 18 per cent agree retirement is so far off it is not worth worrying about what they will live on.
- Around half (51 per cent) of respondents agree that they cannot afford to put money aside for retirement at the moment.

Resources for retirement: pensions information

Two-thirds of respondents (67 per cent) report accessing information about financial products, services and issues through a variety of sources, with variation by age.

- Half of the respondents had contacted at least one source for information about planning for retirement and two-thirds (67 per cent) had received information from at least one source, with the most frequently mentioned sources being a financial adviser, an employer and a pension provider.
- In person (on one's own or with a partner) is considered an acceptable mode of receiving information about planning for retirement by the majority (70 per cent) of respondents.

- Not unexpectedly, older respondents are more likely to have contacted an information source than younger ones: 61 per cent of those aged 55-64 had done so compared with 22 per cent of those aged 18-24. Younger respondents' preference was to receive information from their friends and family.
- The likelihood of having contacted an information provider varied in relation to respondents' attitudes to saving for retirement: from 19 per cent among those who agree that it was not worth saving for retirement to 58 per cent of those who disagree.

Resources for retirement: knowledge of pensions

The proportion of respondents who feel they had a good or reasonable knowledge of pensions issues is low and there is considerable uncertainty about the age at which they will be able to claim their State Pension.

- One-third of respondents (36 per cent) feel they have a good or reasonable knowledge of pension issues in general. Men and older respondents are much more likely to think this.
- There is a poor knowledge amongst respondents overall of the taxation system and how this pertains to pensions. Knowledge in this area has, however, increased in the last three years.
- Respondents are most likely to be aware of how much they are contributing to an employer or personal pension but less likely to know how much their employer might be contributing (30 per cent of those with an employer pension were unsure how much their employer was contributing).
- There is considerable uncertainty among respondents about the age at which they will be able to claim their State Pension. Few respondents are aware of the age (to the nearest year) at which they would be able to start receiving their State Pension, given the planned incremental rise in male and female State Pension age (SPA). Only 30 per cent of men and 17 per cent of women are

aware of the correct age. Individuals are likely to expect to receive the State Pension before they will be eligible to do so¹.

Resources for retirement: Pensions provision and other financial assets

The majority of respondents have or expect to have access to some form of financial resource in order to fund their retirement, although the provision varied substantially among respondents.

- Respondents were asked which of the following four assets they had (or expected to have) in place for funding their retirement: private pension provision; a home; savings and investments; and an inheritance.
- The provision of these assets varied substantially among respondents and those in higher socio-economic groups, who were male, working full-time and working in the public sector were most likely to have private pension provision, whilst younger respondents (aged 18-34) were the most likely to expect an inheritance.
- Thirty per cent of all respondents did not have access to any of these financial resources for retirement. Those in this position were likely to be younger (66 per cent of those aged 18-24) – although 20 per cent of those aged 55-64, and thus nearing retirement, also had none of these resources to utilise.
- Overall, these four potential financial resources for retirement have become slightly less well distributed across the population as a whole since 2006. 30 per cent do not have any of the resources available to them, an increase of three percentage points since 2006. Meanwhile, the proportion with access to two or more of the resources has increased by two percentage points, while the size of the group with access to one resource only has shrunk by six percentage points.

¹ The research took place before a DWP-funded communications campaign was developed, which sought to educate the public about the impending changes to SPA.

Expectations for retirement: income

There are low levels of knowledge among respondents of what their income in retirement will be. Knowledge varied by gender, age and socio-economic status. However, the majority expect to have enough income to live on in retirement.

- Seventy per cent of respondents yet to retire have no or only a vague idea of what their income in retirement will be, an increase of seven percentage points since 2006. Women, younger respondents and those in the lowest socio-economic groups are most likely to be uncertain about this issue.
- Despite the majority having no or only a basic idea about their likely retirement income, 78 per cent expect to have enough retirement income to cover basic costs but just 34 per cent expect to have enough to 'live comfortably'. These expectations strongly link with levels of available financial resources for retirement.
- The State Pension was identified by the largest proportion of respondents as being their first or second likely main source of retirement income. However, respondents have very different expectations of what they expect to receive weekly from the State Pension, a large proportion of which are likely to be inaccurate.
- The median expected income in the first year of retirement falls between £10,000 and £11,999.

Expectations for retirement: age, duration and working beyond SPA

There is considerable variation in respondents' expectations around the age at which they will retire and the likely duration of their retirement. There is widespread interest in working beyond the current SPA.

- We calculated that one-fifth of respondents expect their retirement to last 11-15 or 16-30 years (based on their assumptions about retirement age and life expectancy). Those who are least worried about their retirement income are in fact those who expect this period to last the longest.

- Expected retirement ages are gradually increasing. However, 64 per cent specify an age of retirement that is earlier than their estimated SPA (calculated on the basis of the planned increase of male and female SPA to 68 by 2046), compared to 39 per cent in 2006. This suggests that expectations regarding retirement age are strongly linked to the traditional SPA (65 for men and 60 for women).
- There is considerable interest in extended working – 41 per cent of those aged 50 years or more indicate they would like to continue working in the same job after 65², and this tendency is particularly pronounced among men. However, there is clearly a gulf between aspirations and expectations – just ten per cent of those aged 50 years and over specify a precise planned retirement age of more than 65, suggesting extended working is something they were actually intending to do (rather than simply aspiring to).
- Fifty-six per cent of respondents are aware that their employer currently allows extended working beyond 65. Awareness of rules around extended working may provide some explanation as to why expressed enthusiasm for this type of work may not be matched by actual intentions.

Attitudes to pensions

Despite some respondents considering pensions to be boring and complicated, a considerable, but shrinking, proportion still think pensions are the most secure way of saving for retirement.

- Thirty-eight per cent of respondents think pensions are boring and 71 per cent consider them to be so complicated that it is difficult to understand the best thing to do. These figures have declined by three percentage points since 2006 which suggests that, if attitudes are shifting, this may be happening very slowly. Nevertheless, the proportion who feel they know enough about pensions to decide with confidence how to save for retirement remains unchanged at 23 per cent.

² Respondents were asked about working beyond age 65, rather than SPA, as it was anticipated (and the survey demonstrated) a lack of understanding about individual SPAs, which would have limited the ability of respondents to answer a question about working beyond SPA accurately.

- Just under half (47 per cent) view pensions as the most secure way of saving for retirement, a decline from the 63 per cent in 2006 who thought this.
- Seventy-nine per cent believe the idea pensions savings cannot be accessed until retirement makes pensions a good way of saving for retirement. However, those in the lowest socio-economic groups who are likely to have the fewest resources for retirement are the least likely to agree with this view.
- Employer pensions are the financial product most frequently identified as being the best way to save for retirement as they make the most of your money; 16 per cent think this, compared to nine per cent in 2006. This change is likely to be attributable to a decline in confidence in investing in property.
- Attitudes to financial companies, banks and building societies as potential pension providers have become much more negative. The proportion of respondents who believe that banks and building societies will act with competence has declined by eight percentage points and with care by 18 percentage points since 2006.
- Fifty-six per cent believe that it is mainly up to individuals to ensure that they have enough to live on in retirement, while 38 per cent believe that the Government should be responsible. Those with higher economic resources were more likely to argue for individual responsibility.
- Forty-two per cent agree and the same proportion disagree that topping up the incomes of low income pensioners, through schemes such as Pension Credit, discourages them from saving – an almost identical distribution of attitudes to those observed in 2006.
- Eighty-six per cent of respondents would consider working after SPA, if this meant a better standard of living. In general, age was not viewed as a key factor which should determine when an individual stops working – with health, individual circumstances and one’s ability to do the job being more widely regarded as important factors.
- Thirty-two per cent thought that the Basic State Pension (BSP) should increase in line with prices, an increase from the 26 per cent in 2006 who thought this.
- Although 42 per cent of the self-employed claim that they would enrol in a personal account, due to be introduced in 2012, just eight per cent were definite that they would do so.

Pensions reform and the role of the Government

Just over half of respondents think that it is an individual’s responsibility to ensure they have enough to live on in retirement and welcomed the pensions reforms.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 860 7. Research Report 701. October 2010).

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

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