PENSIONS AND RETIREMENT AT A CROSSROADS

RESEARCH, VIEWS AND ANALYSIS OF THE UK PENSION, RETIREMENT AND INVESTING LANDSCAPE

A RETIREMENT REVIEW REPORT

SUPPORTED BY IPIPELINE & STANDARD LIFE

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FOREWORD - ADEQUACY SHOULD BE THE FOCUS NOW

Introduction by
Guy Opperman, Pensions and Financial Inclusion Minister 2017-2022

This report is genuinely timely. The people of the UK are facing a looming crisis in financial planning. It is quite clear that we – as a country – are not saving enough.

There are multiple reasons for this. And the problem is repeated around the world, to a lesser or greater degree. It is not a unique problem to the UK. And it starts with a positive – we are all living longer. As a result, the demise of the defined benefit system that saw employers and the state responsible for a significant salary for life post-retirement could not continue. As life expectancy soared the liabilities escalated beyond the means of even the wealthiest companies or countries.

As a consequence, all countries have either moved, or are moving, to a defined contribution system. This has the added benefit that defined contribution, as designed, increases coverage amongst women and young people, and generally widens the savings cohort. As Pensions Minister I managed to get automatic enrolment to 8%. But that is not enough. We need a plan, and then action, to get retirement savings to 12%. So, the campaign on savings adequacy must go on.

And the fact remains that too many people are insufficiently aware that it is the individual saver who has to take responsibility for how they manage their retirement pot. This has to change. Interventions like the Mid Life MOT, as pioneered by Department for Work and Pensions, and some pension companies, will help. As will the FCA proposed change to targeted support for existing customers. This FCA change will assist financial advisers and pension funds. We need proper policies and plans for decumulation – with products provided to savers that will provide them with a guaranteed return in retirement. That is not necessarily meaning a return to simple annuities. But it does mean a range of products that a better educated pension saver can choose from to manage their retirement pathway. This report addresses these issues, and more, and is a vital part of the national conversation.

One more thought

As one pension planner put it to me...

There are 3 types of retirement through private pensions: Bronze, Silver, and Gold.

The Gold standard is that which is enjoyed by high net wealth savers who have managed to put a £1,000,000 into a pension and who are the professionals and medical consultants genuinely affected by the lifetime allowance. The vast majority are bronze – with a private pension created by personal choice, employment or automatic enrolment since 2012. All of them are trying to get into the silver bracket, where they exceed £200,000 private pension and aspire to a comfortable existence.

INTRODUCTION

John Lappin,
Retirement Review,
Report Editor

It is now ten years since a radical shift in Government policy known as Pension Freedoms brought dramatic changes to the retirement landscape.

That gave those approaching retirement an extraordinary amount of flexibility around their retirement choices. People who used the services of financial advisers certainly benefited and appreciated the choice, though for the mass of the public, the picture was a little more mixed and significant concerns persist about people accessing their funds too rapidly.

At the same time, another major reform – auto-enrolment resolved one incredibly important piece of the pension puzzle by extending coverage across much of the employed UK workforce, though not the self-employed.

Pension experts – and as we read in the foreword, former pension ministers - continue to warn that the key issue is now adequacy, in that certain groups of people may not have enough funds to maintain a basic or reasonable lifestyle in retirement.

If these two reforms define the overall shape of pension savings and retirement landscape, there is lots of other activity and emerging issues as well.

With our second Retirement Review survey we again asked searching questions of the public partly to compare with our previous report in 2023, generally looking at consumer concerns and expectations.

We also wanted to assess other issues of huge consequence for pensions and retirement some related to coming policy shifts, some related to changes in the economy. For example, we ask consumers about the move to bring a lot of pension wealth into the scope of inheritance tax and consider whether consumer attitudes are changing given the boom in annuities.

We also wanted to look at whether shifts in sentiment towards pensions had occurred during the past five years of crisis and more generally how people feel about their retirement plans and what their ambitions are for their retirement income.

Among other things, we ask whether the public would countenance reform of the system for upgrading the state pension the Triple Lock. A small but not insignificant minority would support the move.

At this relatively early stage, we won't be asking the public whether they are happy with their workplace pension being managed by a group of mega-providers, when that reform isn't quite out of the blocks, nor about the value agenda which has lots of very different components and could take up a whole survey.

We do ask about the more easily explained targeted support set in the context of examining levels of trust. This includes a section and separate research on consumer facing wealth management brands again under the trust heading.

Indeed, we divide the report into three over-arching sections – topical issues and challenges, trust and engagement and confidence in current plans.

We also have comment pieces and shorter sharper commentary from advisers and one well-known consumer journalist and we have included three sets of comments from consumers themselves giving us a remarkable mix of regret, cynicism and optimism while generally positive views on the pension sector may be something to build upon.

We hope this report provides an informative view of where the pension saving public are at this moment in time. For those of you who helped us devise and add to this report, thank you very much. For those reading this for the first time, we would love to receive your feedback and for you to consider getting involved at a future date.

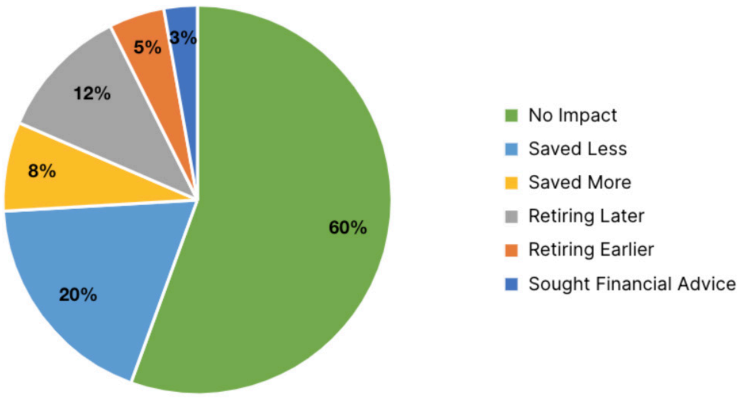
Research was conducted by Opinium between 20th and 28th of February with 3000 adults aged between 40 and 66 years old.

SECTION 1
TOPICAL ISSUES AND CHALLENGES

Part 1

Sentiment around retirement of the non-retired - in an era of crisis, what has changed and what has stayed the same?

What impact have the years of crisis had on your pension and retirement planning?



We asked a combination of shorter term and medium-term questions regarding confidence and retirement. In response to questions regarding whether attitudes to retirement had changed in the past six months, we found that a big chunk of people felt that things had stayed the same on 57%. But there was some gloom. We found a net negative of worse or much worse at 33% with just 10% net positive.

Has sentiment shifted in the wake of the pandemic and the cost-of-living crisis?

We asked consumers about whether the events of the past five years, effectively describing the pandemic and cost of living crisis, had affected their pension planning.

We found that 60% did not feel that it had affected their planning in any way, while 8% had saved more, and a more concerning 20% felt as if they had saved less.

Around 12% were planning on retiring later now and just 5% planned on retiring earlier. Just 3% had sought help from a financial planner as a result of this difficult context.

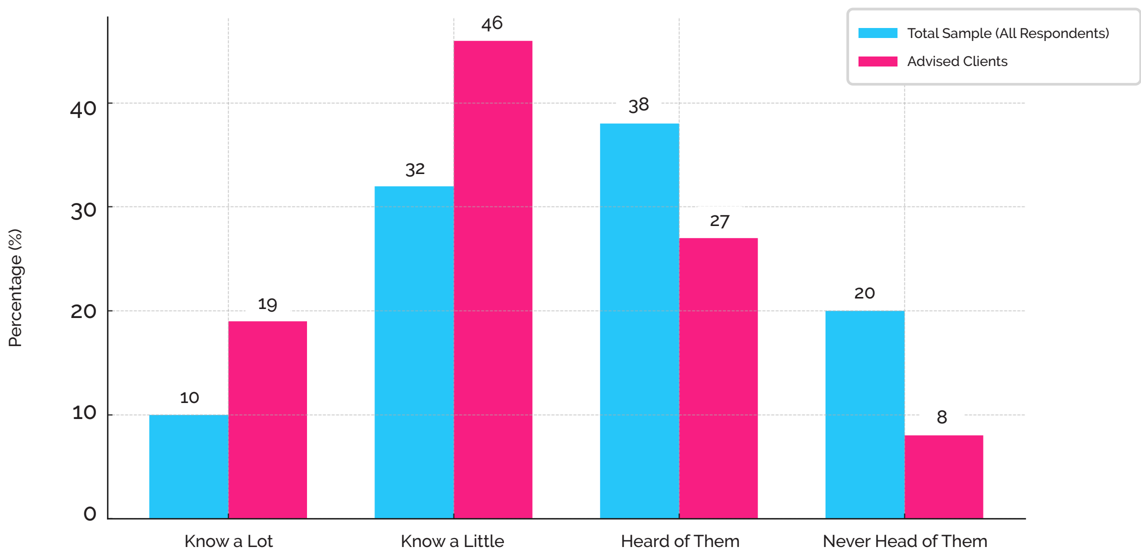
Part 2

Following the boom in sales, what are public attitudes to annuities now?

We wanted to ask questions about annuities in light of a recent boom in sales. According to the Association of British Insurers, the market rose by 46% in 2023 and by a further 34% in 2024 and is now worth around £7bn. With these dramatic market movements, we wanted to test whether this increase in sales to those at retirement age has increased awareness more broadly, whether consumers expect to be offered an annuity and their willingness to buy one.

So first we asked how aware people were of annuities.

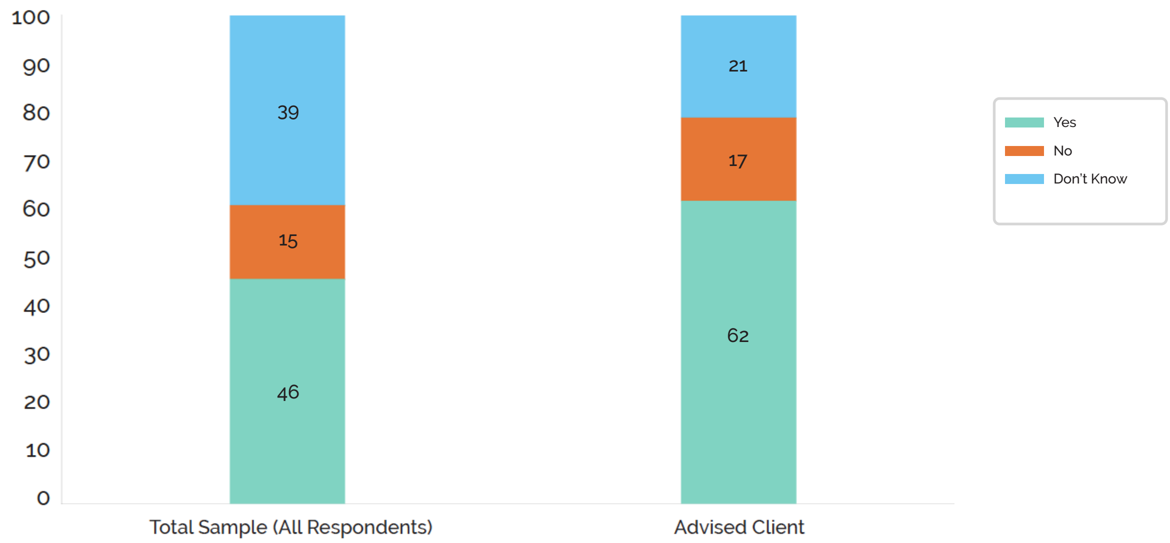
Annuity awareness: Total sample (all respondents) vs advised clients



Just one in ten said they knew a lot about them, 32% a little, 38% had heard about annuities but with little more knowledge than that and a fifth exactly had not heard of annuities.

For regular clients of financial advisers, 19% felt they knew a lot about annuities, 46% knew a little about them and 27% had heard about them but no more and 8% had never heard of them.

Expectation to be offered an annuity when planning for retirement



We then asked how many people would expect to be offered an annuity when planning for their retirement. Some 46% would expect to be offered the product, 15% would not while 39% did not know.

Some 62% of regularly advised clients would expect to be offered an annuity while 17% would not, and 21% did not know.

We then asked consumers if they would consider the products when offered, 13% said they definitely would and 36% said they probably would, so just shy of half. Around 11% would probably not consider an annuity and 6% definitely would not.

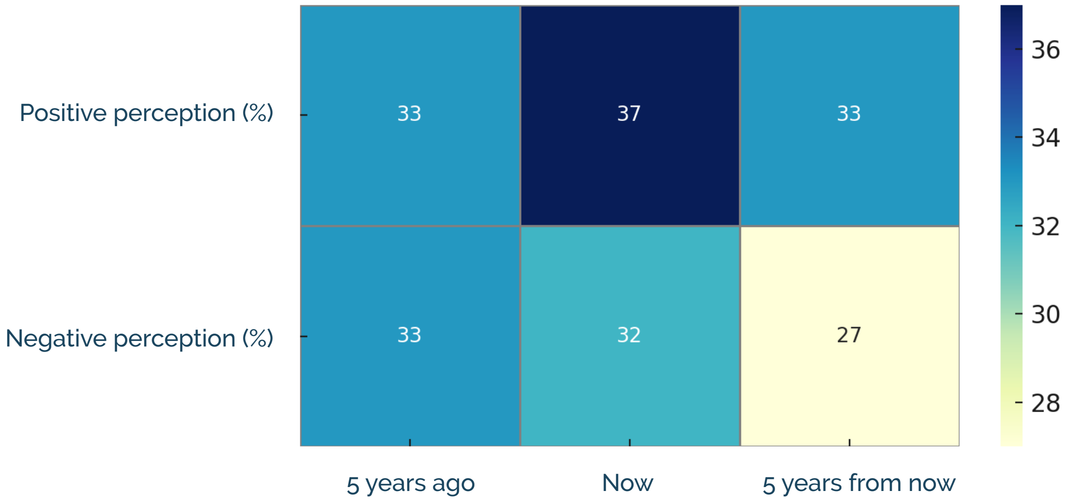
For those with advisers, 22% said they would definitely consider an annuity and 42% would probably consider it, and just 15% probably would not consider and 7% would definitely not consider the product.

Perceptions of cost

We wanted to test consumer attitudes regarding the price of annuities, so we asked them to consider whether they thought they had been, were currently or might be considered good value in future using five years previously, today, and five years from now as the basis.

We are not suggesting consumers will have detailed expectations of 15-year gilt rates or even interest rates, given previous public perceptions that annuities are poor value. But the following questions may give us an indication of perceptions of cost.

Heatmap: Consumer perceptions of annuity value over time



For five years ago, we found a net positive figure of quite or very good value of 33%, 37% now, and 33% five years from now.

Negative sentiment of either very poor or quite poor value was 33% five years ago, 32% now and 27% in five years. We would suggest that you can see some awareness of better prices available now, with a more tentative suggestion that this situation may continue into the future.

However, while people are more positive than negative about the value of annuities now and in the future, roughly a third 'don't know' and this grows to 40% when looking ahead five years. It suggests there is an opportunity to provide consumers with more clarity about annuities. Of course, it will be the actual price that determines the market.

Kate Shaw,
Director and Founder,
Financial Life Planning

"Annuities are a key part of our Centralised Retirement Proposition – the first priority is to ensure that as far as possible, our clients have enough guaranteed income to cover their core outgoings. They're not suitable for every client, but when they are, we don't tend to get resistance to them – it's all about putting them into the wider planning context."

Dave Penney,
Director,
Penney Ruddy & Winter"

"Looking at this as a 50/50 split between good value/not good value, that probably does reflect what people think. There are a large number of people I meet who have written off annuities for good, often due to the "it dies with you" misconception. I think they see the death benefits as poor value, rather than the rate. Then there are a group of people who have noticed that rates have increased significantly since interest rates/ gilt yields increased. I think the "don't knows" probably do not know what an annuity is?

The industry could do better by trying to raise awareness, particularly through the financial press, which often leads to the misconceptions. Promoting better understanding of annuity death benefits is definitely something that would benefit the industry."

Pete Cowell,
Head of Annuities,
Standard Life

"It's really encouraging to see a significant increase in awareness around the role a guaranteed income can play in retirement. Most people say they want some form of certainty with their retirement income, and annuities do just that. This increasing awareness is clear to see in the recent ABI annuity sales data, reflecting rising demand among retirees and a shift in how financial advisers are considering these types of products alongside other retirement income solutions.

That said, common misconceptions still exist around what annuities are and aren't. The reality is that there are many ways annuities can be used as part of the retirement income toolkit. Lifetime annuities, for example, offer the security of an income for life, while fixed term annuities provide certainty for a set period, allowing retirees to reassess their options later. Purchasing annuities in stages can also help mitigate the impact of inflation and market fluctuations. It's important to understand the different annuities products available and the ways they can be used, which will ultimately help ensure people opt for the solutions that best meet their specific retirement needs. This is where advisers play a crucial role."

Part 3

Implications of inheritance changes on consumer behaviour around pensions

We wanted to understand where the sample might stand in terms of the planned inheritance tax changes. Of course, the change does not come into effect until 2027. However, pension and retirement planning and estate planning are by their nature long term. We know advisers are thinking long and hard about this, but what about public awareness?

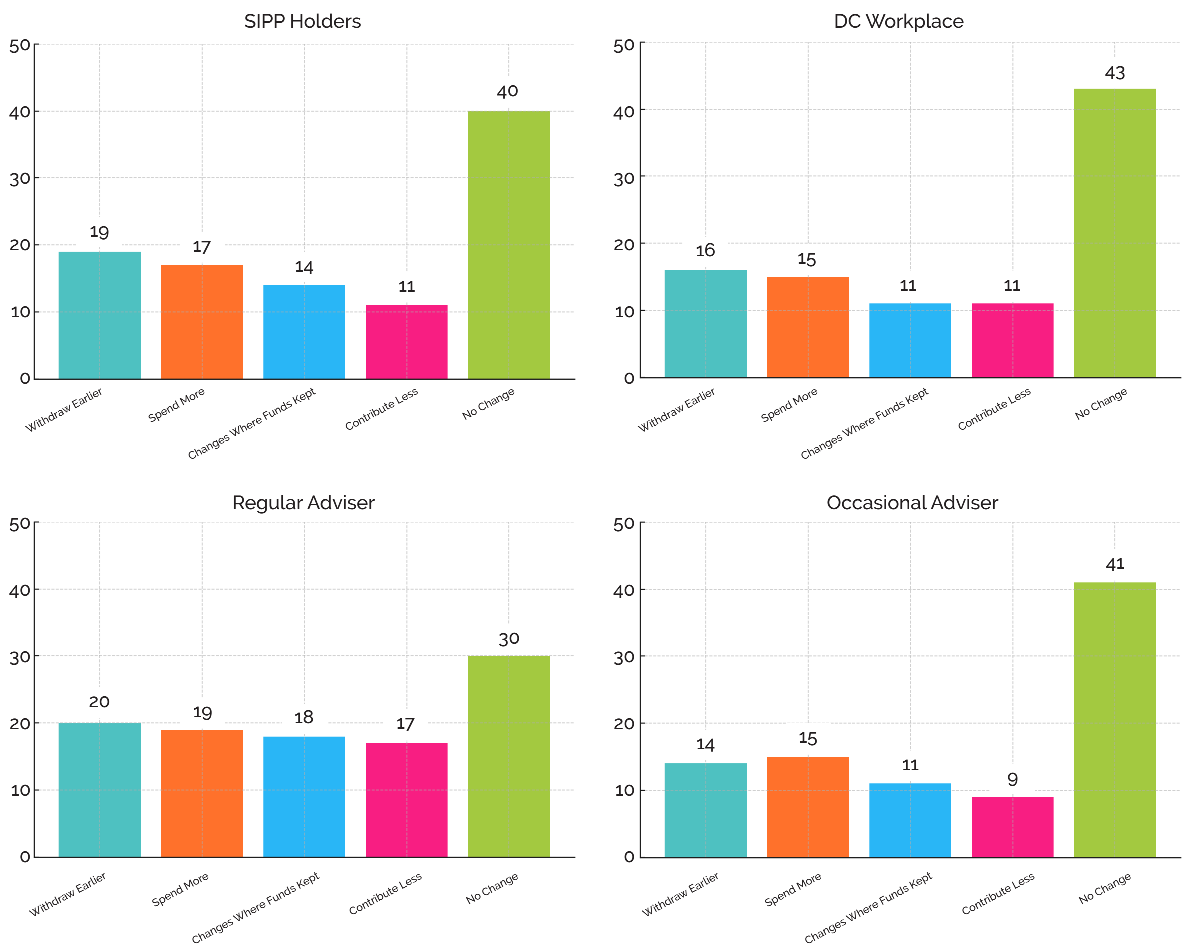
We found several sentiment shifts among the sample, some of them rather worrying.

For the sample in light of the planned IHT change, 37% said they would not change their plans. 12% suggested they would draw their pension fund earlier, something that might be a worry for those concerned about how long pension investment will support the retired.

Related to this, 11% said they might spend more money than planned.

Some 9% said that it could change where their funds were kept, while 8% thought they would contribute less – again something of a concern for those who have worries about pension adequacy.

Behavioural changes by population segment



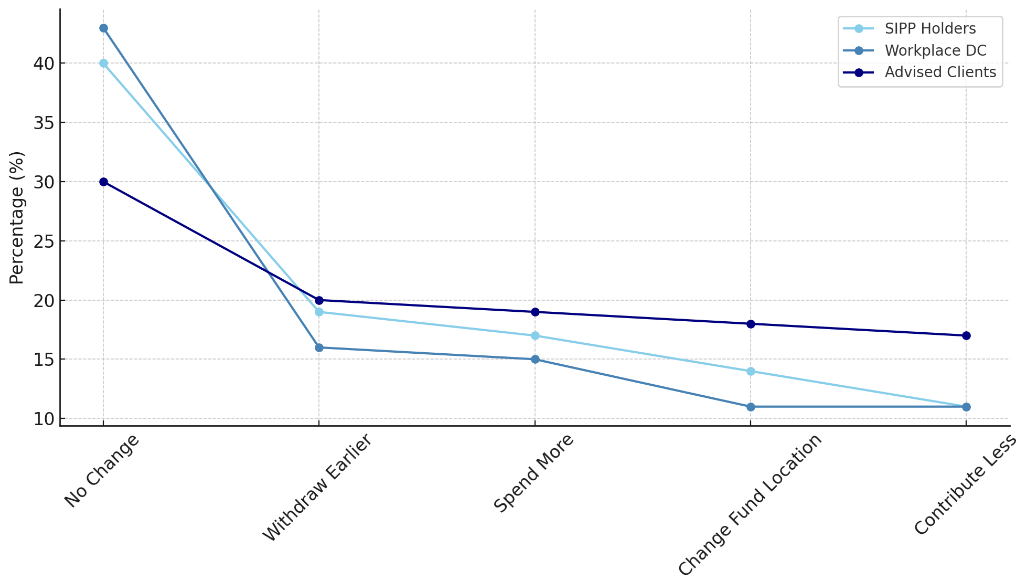
We decided to break these numbers down into those with a SIPP **(460 of the 2627 non-retired responses)** and then a further **821 in total** who were certain they definitely have a DC workplace pension. There will be some who have both SIPP and DC.

For our SIPP population, **40%** said it would not change their plans, **19%** said they would draw money earlier than expected, **17%** would spend more money than expected, **14%** would consider where funds were kept and **11%** would put less in.

For our population in workplace DC, **43%** would not change plans, **16%** might withdraw earlier than expected, **15%** might spend more, **11%** might change where their funds were kept and, a little alarmingly for this DC workplace population especially, **11%** might put less in.

We looked at those who regularly see an adviser and **30%** said it would not change their plans, **20%** would withdraw funds earlier, **19%** said they would spend more money earlier, **18%** thought they would change where their funds were kept and **17%** would put less money into pensions.

How pension savers plan to react



Finally, we looked at the group who had seen a financial adviser in the past, but did not see one regularly. 41% did not expect to change plans, 14% would withdraw funds earlier, 15% would spend more money than planned, 11% would change where funds were held and 9% would put less money in. Of course, this is interesting in the context of reports that advisers are seeing big increases in queries from new clients regarding inheritance.

We would suggest that policy makers need to be mindful that changes to the tax treatment at the end of the pension journey could have implications for those currently contributing.

Part 4

The Triple Lock and the State Pension – surprisingly high support for change

There is a big majority for preserving the current system which is unsurprising. However nearly a fifth would support reform a decade from now.

The question was as follows...

The Government currently increases the state pension each year by the higher of CPI inflation, average earnings or 2.5% known as the Triple Lock. This means its value will increase over time. But some are concerned that this may become unaffordable for the state. Do you think the Triple Lock on pensions should or should not be removed in the following time frames either immediately or in ten years' time?

We see widespread support for its continuation now at 62%, though 13% would actually change the system now. In a decade's time, 18% would support change with 55% in support of continuing the system. 'Don't knows' were 24% now and 27% in ten years' time.

There is something of a gender gap with men more enthusiastic about reform. For example, 23% of men and just 14% of women would support change after a decade.

It is interesting that many in the pension industry and some advisers believe state pension reform is a nettle the Government will have to grasp. Yet it doesn't feel like a vote winner from these statistics.

William Burrows,
Adviser with Eadon & Co and runs the Annuity Project

"There is a consensus that the triple lock is unsustainable, but I think it unlikely there will be radical change. Instead, I think the pension formula will be changed with the most likely changes being around the rate of annual increases."

Part 5

Attitudes to consolidating pensions

We asked our sample across both the 2023 and 2025 surveys to say how many pots they had and whether they intended to consolidate them.

This year from our sample, we see that 43% had just one and 55% had two to five. Obviously, this varies by age. So, for example, for the 50 to 54 age group, 60% have two to five, and for the 55-59 age group, it is 61%.

Who's most likely to have multiple pots?

Most of those earning more than £50,000 also have more than one pot at 63%. We can then see a pattern where the number of plans fall at higher ages though whether that is because people have historically had fewer pensions or are consolidating isn't clear.

We then asked about interest in consolidating their pensions – for those with more than one pot. It showed that 7% thought this very likely, 18 per cent quite likely and 22% neither likely nor unlikely.

In 2023, around 23% suggested they were very likely (7%) or likely (17%) to consolidate so there has not been a dramatic change.

Clearly consolidators are one of the relatively new features of the pensions market, although advisers will note that pots have often been brought together as part of more detailed financial planning.

It is also possible that awareness of consolidation continues to increase. It is just that some post-consolidation now have a single pot as a result!

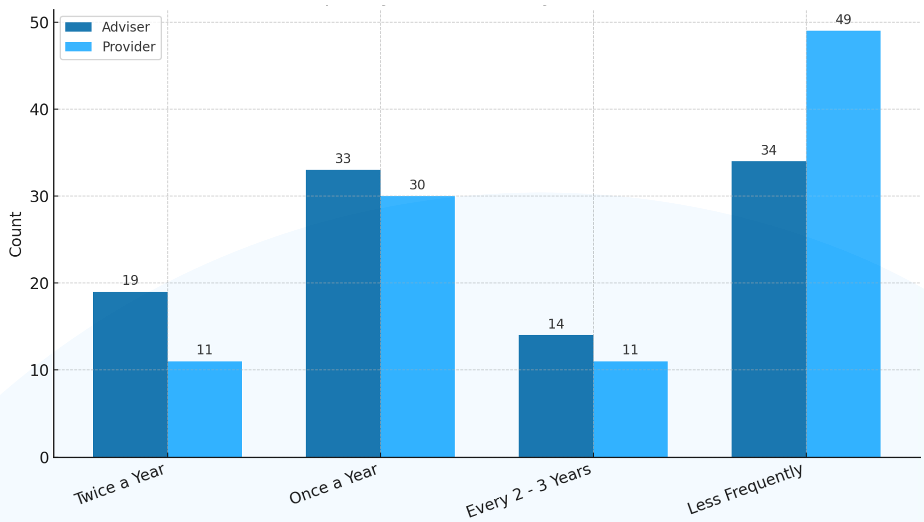
SECTION 2
TRUST, CONTACT AND ENGAGEMENT

PART 1

FREQUENCY OF CONTACT WITH ADVISERS AND PROVIDERS AND LEVELS OF SATISFACTION

We found that around that **20% our sample had consulted a financial adviser about their retirement planning** (although closer to a third had had some previous contact) but we wanted to understand frequency of contact for this group with their adviser and for the broader population with their provider.

Contact frequency distribution by adviser & provider



Among those within the sample who have spoken to an adviser and have a pension, 19% said they had had contact with their adviser twice a year, 33% once a year, 14% every two to three years and 34% less frequently than that.

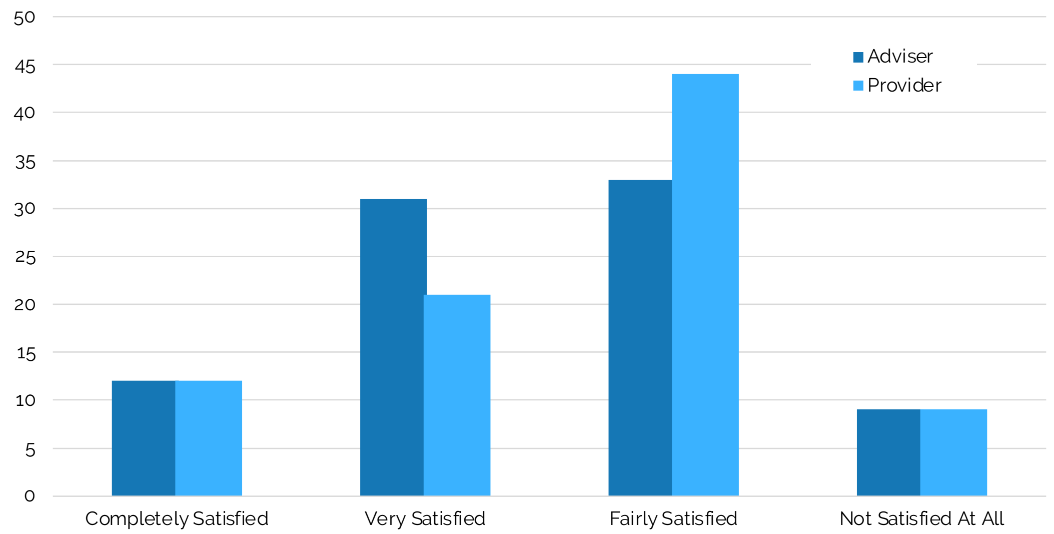
The average meeting frequency was a meeting every 1.8 years and the median once a year.

For providers, contact occurred twice a year for 11%, once a year for 30%, once every two to three years for 11% and less than that for 49%. The average contact frequency was 2.1 years and the median 2.5 years.

Obviously, the nature of such meetings may vary and likely be different between advisers and clients and contact between providers and customers.

Getting satisfaction

Satisfaction levels with advisers and providers



We also found that within our adviser sample, 12% were completely satisfied with their adviser, 31% very satisfied and 33% fairly satisfied. 9% were not very satisfied or satisfied at all.

For providers, 12% were completely satisfied, 21% were very satisfied and 44% fairly satisfied. Again, 9% were not very satisfied or not satisfied at all with their provider.

Clearly providers and advisers will want to know where these pockets of dissatisfaction are, but it reads as a reasonable positive for providers. Individual advisers may compare the figures with satisfaction with their own client bases and suggest their own numbers are better.

Attitudes to providers – consumer comments

"I have had good advice which has led to strong pension growth, and we have discussed appropriate and suitable withdrawal methods."

"I don't need much advice at the moment from a financial adviser as I am happy with how my pension is doing."

"I do not believe that any of them are truly impartial and may be looking at ways to get a commission or percentage of my money."

"I don't personally use a financial adviser for pension advice, but my partner does. I've invested in property and managed myself."

"This is a firm I know and trust. They are independent and fee based."

"I do not currently use a financial adviser but did in the past. The set up he advised was perfect for me, and I have no need to change it."

"He's provided useful advice on tax planning and balancing pension entitlement between us as a couple."

"I'm fine with checking my pension online - no need to talk to anyone."

"I don't have any choice in using them as my employers have pre-selected them for work-based pensions."

Adviser viewpoint
- Communicating about retirement in a way the public understand

Robert Reid,
Chartered Financial Planner & Chartered Wealth Manager

Have the pension sector's communications, for both providers and advisers, kept pace with changing attitudes to what retirement is all about?

When discussing retirement, the points of focus are historic and habitual, but they're not necessarily as relevant nowadays as they were in the past. When I joined this industry in the late 1970s, the product was the item that was sold.

There was very little advice as to why it was the right product and suitable, when another one wasn't and was discarded.

Under pressure from regulators we have moved to a position where we must compare products and address suitability while Consumer Duty has brought a whole new raft of requirements regarding consumer understanding, among others. But we may have lost sight of the outcomes which clients are seeking.

Let me give you an example. If you were to ask for a quote for an annuity, where can you add the potential widow's or widowers' details, you will find that if the policy holder is male, then the quotation will assume that, because they're male, their wife will be three years younger.

Where this number came from is a mystery to me, and it's probably just as scientific as age 65 was. So now we find ourselves in a situation where the number of people who are in same sex relationships has risen dramatically.

But what do they get when they ask for an illustration in their pensions?

Well, given that most illustrations are the same because they come from the same core software, you will find that in many cases, the male asking for illustration for himself, and including his husband as a beneficiary, will receive a quote using the same methodology that's been used for years. In other words, it will be wrong. And the same goes for any female who is applying and her partner, if they are in a same sex relationship, it will carry the same errors.

Now these errors have been known about for many years, but it's a costly business changing them, because so many systems in this sector were put together by IT engineers who would bodge the system rather than get it right.

We have to understand that if we're going to take people to a point of revelation about the inadequacy of their pension benefits, then we have to do so in a manner which captures their attention.

The communication at all points for retirement has to be clear, obvious and unambiguous – and accurate. This is no time for showing off how clever you are and how many Pension Acts you can recite. It's useful to have that knowledge and, to a degree, comforting to the people you're talking to, because they know you have actually learned what's going on, but, in many ways, it's useless to the individual on the ground.

They want to know if they're going to be all right in retirement. They want to know how much money they need to put aside. Yet that is where the knowledge gap is and even misunderstanding occurs.

Most people don't run budgets. Most people don't know exactly what it would look like if suddenly their income reduced, because they had retired.

There have been various attempts to try and teach people what they have to know.

But if you're helping someone plan for retirement, you have to start by asking the most important questions such as:

- *What does life look like once you've retired?*
- *What are you going to do day by day?*
- *What are you going to do every year of your retirement?*
- *How many times do you think you'll change your car in retirement?'*
- *Have you any thoughts about helping your adult children with their grandchildren's school fees?*

All of these things have an immediate impact on retirement provision. Therefore, to focus on the retirement product to the isolation of all other things is crass stupidity, but it still happens.

We have companies saying to the clients:

"Don't worry, we've got your backs. We'll fix it." But you won't fix it, if you don't have control of the things that matter and without understanding what the end user is really getting from it. It's unlikely you're going to design something which will solve the problems.

One final thought - when attending a conference in America, I watched the man that ran Black and Decker give a talk. He asked by the audience, why did the public buy a Black and Decker drill? He said: "They don't. They are actually buying holes. The drill gives the ability to make holes to them."

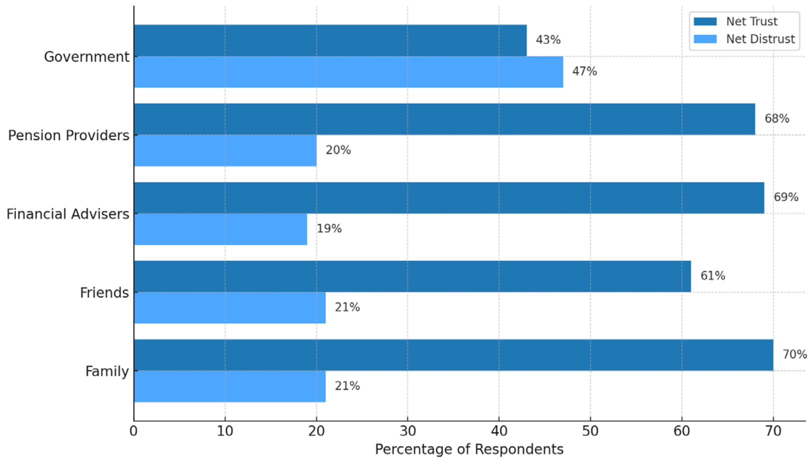
To bring it back to pensions, talking about concepts such as how you can 'flex' your plan is really falling on deaf ears. Nor will AI generated communication work or not in its current state, as it will not have access to the data needed to personalise things.

It is the personalisation of data that holds the solution to retirement planning communications. That will allow us to take a quantum leap in the standard of communications to a point where clients understand what retirement income they are likely to receive and what that means for their standard of living in retirement using references from their everyday lives.

Part 2

Government comes last in the trust stakes; sources of information

Net trust vs net distrust in sources of retirement advice



We asked our panel who they trusted to give them retirement advice or guidance in a comparison of, among others, friends and family, the Government, advisers and pension providers.

Putting it mildly, the Government do not fare well on trust. Looking at levels of trust and distrust together we see the Government in the negative, distrusted by 47% and trusted by 43%.

Advisers just pip providers in the trust stakes registering 69% trust versus 19% mistrust. For those who said they had frequent contact with their adviser, the net trust figure was significantly higher at 88% and net distrust at 11%. Providers were just behind advisers, among the broad population at 68% trust versus 20% mistrust. We think this level of trust in providers and advisers is good news for those hoping that targeted support achieves its aims. We ask consumers directly about this in the next section. But top of the trust stakes was family, trusted by 70% (note on retirement advice or guidance) with friends trusted by 61%.

Pete Chadborn,
Founder,
Plan Money

"I believe the level of trust for advisers would tell a different story if asking people who have not sought professional advice before, but are considering doing so, in contrast to people who have previously received advice. In other words, I am not surprised that pension providers are trusted almost as much as advisers when people are first considering where to get guidance, however, I believe that once engaged with an adviser, the trust levels of this route would exceed all others."

Attitudes to providers – consumer comments

"I started my pension a bit too late in life and although I am paying into it, I don't feel like I've had any guidance around my pension: it's simply taking my money and that's it. I can change investments myself, but the risk is all on me."

"Clear and easy to understand information provided, easy to contact and a good return on my pension pot value."

"I am extremely lucky. I worked for the Bank of England. They were a responsible employer when I worked there and had a defined benefit pension scheme back then. Now, not so much. I pity youngsters these days. How will they survive when they are old?"

"Because it provides an easy-to-use platform that makes it easy to track my savings and retirement expectations.

Their customer service is generally responsive, and I appreciate the transparency about fees and investment options."

"The value has risen slowly but steadily over the years, communications have been very good especially with examples of how the pot can be used in the future, my own comparison with other providers has shown that there is no need to look elsewhere as they are very much all the same."

"I have a workplace pension. They only take 5.5% of my monthly wages and my employer contributes towards my pot."

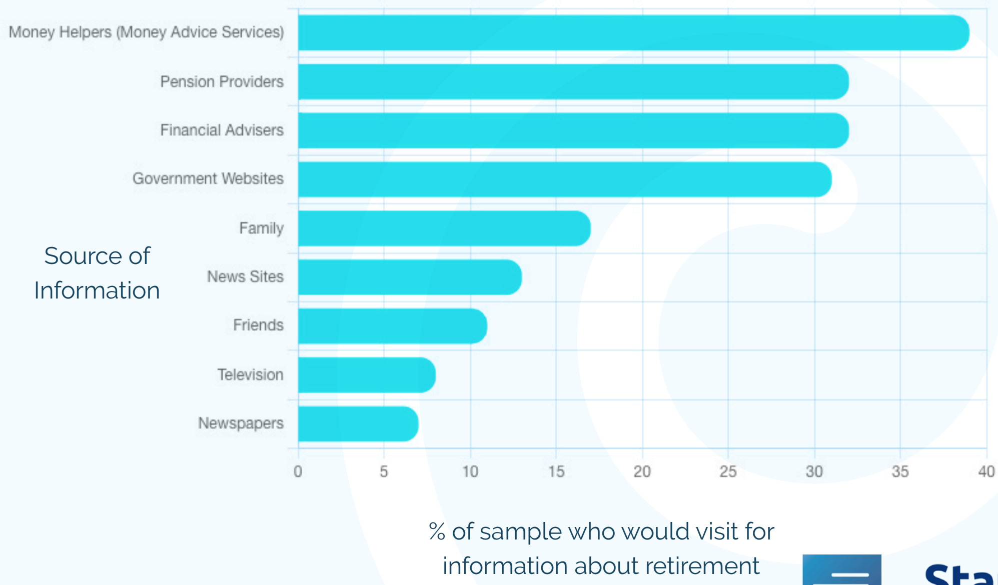
"I haven't had any issues, but when I reach closer to retirement, then I might see problems. Now, it's just about paying in."

"My pension does what it is supposed to do."

Where do consumers go for information?

We also ask about sources to which the public would go for information about retirement and offered a selection of sources. We found that money advice services such as Money Helper topped the list selected by 39%, then providers tied with advisers on 32%, then 31% Government websites, 17% family, 13% news sites and 11% friends, 8% TV and just 7% newspapers.

Newspapers may have seen something of a fall in influence though it may of course also reflect plummeting sales more generally, though the newspaper brands may feature among news sites. We think this reads as reasonably good 'news' for Government guidance services, providers and advisers.



Accessing pension information – is there an app for that?

We asked how useful our consumers regarded a series of different access points in terms of making it easier to save into a pension and found the following.

Some 46% saw an app as very useful, though 32% thought them not useful on a net basis. Savings and pensions websites were seen as net useful by 72%. Some 44% suggested a local bank branch would be useful.

Adviser viewpoint
The public are baffled by their options - the industry needs to do more

William Burrows,
Adviser with Eadon & Co and runs the Annuity Project

It is ten years since Pensions Freedoms came into being ushering in a new world of retirement options. Out went the straight jacket of annuities and in came flexibility and choice.

The good news is there is little sign that people have squandered their pension pots on fast cars, but the bad news is that many people don't properly understand the full range of retirement options and, as a consequence, may not be making the right decisions and getting the best outcomes.

To give the Government credit, Pension Wise was a noble attempt to help people get a better understanding of the complexities when concerting pension pots into cash and income but there is a still is missing vital ingredient and that is retirement advice for the mass market.

There is no doubt that the excellent guidance service from Pension Wise and the brilliant information provided by pension providers has resulted in more people knowing more about their retirement options, but information and guidance is not enough.

It is one thing to know the advantages and disadvantages of having flexibility and control (pension drawdown) over income guarantees and security, but it is another thing to know which is best suited to your personal circumstances.

One the things that makes this so difficult is that we are all affected by our own and other people's personal and unconscious biases. This presents a dilemma. Help people understand the emotional and behavioural aspects of retirement and risk giving financial advice or avoid discussions about personal circumstances and allow people to follow their own instincts and perhaps make wrong decisions.

The answer to this dilemma is normally cited as more education but as Confucius said: "Tell me and I will forget, show me and I may remember; involve me and I will understand."

The key to helping people gain a better understanding of their retirement options and to make better decisions is to get them more involved but the current regulatory regime makes it difficult for those who are not regulated advisers, to help people get more involved for fear of crossing the line between guidance and advice.

This needs to change and until there is a solution to the so-called advice gap, many people will not fully benefit from the new pension freedoms.

Journalist viewpoint
- How to rebuild consumer trust in pensions

Moira O'Neill,
Freelance Journalist,
Regular Contributor to
the Financial Times

I started work on a pensions magazine in 1997 and quickly realised pensions is great topic to report on. All the complexity and multiple changes to the rules over the years has made it, dare I say it, an exciting area of journalism.

But as a consumer, I wish it hadn't been. Because it's still as difficult to explain pension rules to friends, family and readers as it was 28 years ago.

Too much Government tweaking has undermined consumer trust. One excruciating example of change is the annual contributions allowance peaking at £255,000, then dropping to £40,000, before settling at today's £60,000 (unless you're a high earner).

Regarding complexity, at the point of taking an income, retirees come across the most horrible bit of jargon that's ever existed. Even industry experts can't bear to say "Uncrystallised funds pension lump sum" in full, shortening it to UFPLS, pronounced 'uff plus'.

This leaves our pensions in crisis. In the next 5 years, the majority of defined contribution pension savers will enter retirement with less income than they expect or need, and this will worsen to a peak in the early 2040s, according to analysis by longevity think tank Phoenix Insights. While the Financial Conduct Authority has found 75 per cent of consumers aged over 45 either do not have a clear plan for how to take money from their pension or didn't know they had to make a choice.

How can we better help those who are baffled by all the terminology and options?

First, communicate in a fun and engaging way. I've made various attempts to explain pensions by connecting them to the likes of Barbie, Harry Potter and Jane Austen. The approach has reached people that might not otherwise have thought to read an article about pensions.

Second, tell more stories of customer successes – these make retirement planning feel achievable and inspire others to do similar. For journalists, case studies of people who are willing to talk candidly about their pensions and be photographed are like gold dust. More please!

Third, use all the technology at your disposal, from social media to AI. We need more free tools to help customers visualise options and make decisions. Guiide is a great initiative but there should be 100s of these to choose from. I think the industry too often hides its tools, making them the preserve of advisers to use with clients. But people will still pay for human guidance even if they have a free tool to use.

Finally, lobby to simplify the rules and make them stable. A good pension plan takes 30-40 years and consumers shouldn't have to deal with politicians moving the goal posts or even to worry about the potential for that to happen. We must do everything we can to stop pensions being a political plaything.

Part 3

Trust in saving and wealth brands

There has been a lot of debate about brand effectiveness in financial services especially given name changes and revamps and even U-turns. But we want to consider what could be the ultimate brand test to find out which brands consumers would trust to look after and grow their wealth.

*In a separate piece of research, **Carr Consulting & Communications** surveyed 2000 consumers about 30 investment and saving firms to gather their views on who would look after and grow their wealth* most effectively.

Hargreaves Lansdown was the top consumer choice of best firm to grow wealth.
Some big brand names came in the bottom third. In some cases that may be a matter of brand recognition.

There was also a gender gap with 45% of women unsure which brand they'd pick compared to just 29% of men.

Brands selected by consumers – Top 10

16%	Hargreaves Lansdown	12%	Legal & General
11%	Aviva	11%	Standard Life Part of Phoenix Group
10%	Barclays	10%	Royal London
9%	AJ Bell	9%	HSBC InvestDirect
9%	Vanguard	9%	AXA

The survey was conducted in February-March 2025 by OnePoll with 2000 consumers.

Retirement Review

Matthew Morris,
Director,
Carr Consulting &
Communications

It feels like many of the UK's once-trusted institutions have taken big hits to their reputations over the last 20 years, from banks, to the police, media and beyond. So it's surprising and quite positive that Retirement Review research shows that pensions providers hold a decent amount of trust in the minds of consumers, of similar levels to trust in financial advisers and way ahead of the Government.

When we asked for consumer comments around what's most important to them words like 'easy' value' 'transparency' 'responsive' and 'investment' come through.

We conducted separate consumer research into brand trust which is also summarised in this report (above). Some of the best-known consumer brands like Hargreaves Lansdown and AJ Bell led the way with several well-known retirement brands also rating highly. In some ways no surprise as better-known brands will be front of mind for consumers.

However, some very well-known brands perhaps more associated with global investing and asset management didn't do so well, suggesting that simply being well-known isn't enough to win trust. There's more to a successful brand than marketing budget. There was also an interesting deviation in which brands are trusted most depending on the age and gender of the consumer.

The biggest winner though appears to be apathy or confusion unfortunately, backing up the 'baffled Britain' theme that runs through these report findings, with nearly half (47%) choosing either 'not sure' or 'none of the above'.

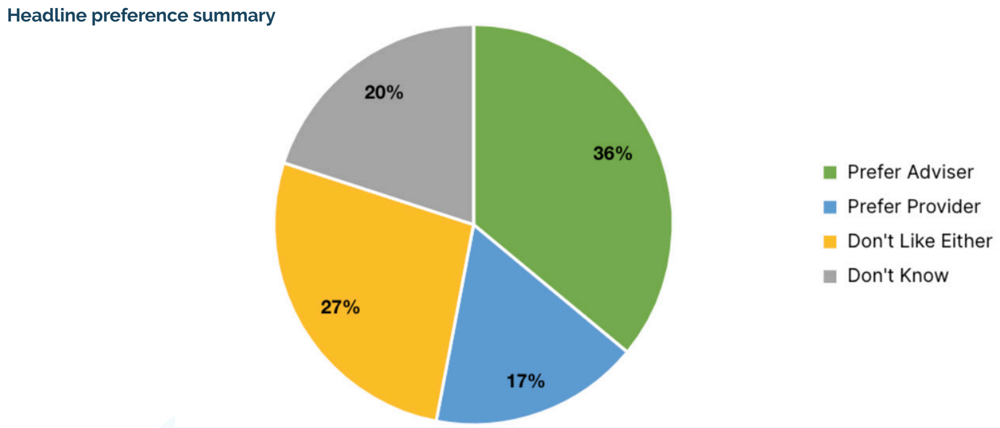
Part 4

Would consumers prefer Targeted Support from a financial adviser or provider?

In our questions, we also gave our consumers a brief description of targeted support and then posed the question who they would most like to receive such support from.

Some 22% had a slight preference to receive such support from a financial adviser and a further 14% would much prefer it. Some 5% would much prefer a provider and 12% would slightly prefer a provider.

Of course, policymakers do seem to envisage that it will be big provider firms that provide these services. Yet we also know that a few high-profile advisers are urging their peers to get involved in targeted supported.



Meanwhile 27% of the public don't have a preference, with a high level of 'don't knows'. But we think the 36% tilting towards advisers is certainly interesting as regulators continue to thrash out the details of this new advice channel.

From slo-mo to fast forward | The next generation of savers will depend on technology at the centre of a pension's revolution

Paul Yates,
Product Strategy Director,
iPipeline

Regardless of your specialism, lens or perspective, it's hard to argue against the fact that the pensions market stands at a precipice.

The savers of tomorrow are woefully underprepared for retirement and confused by the choices that await them during their later years. What many had hoped would be years spent basking in the sun (literally), or at least the glow that their hard work and income afforded, the reality for most, is likely to be very different.

There's no sense in looking back in detail – the savers of today wont benefit from the same DB schemes of their parents. Indeed, they won't even benefit from the early intervention that auto-enrolment will afford their children (even if for most that isn't enough – at least it is a start).

No. This generation is already playing catch up in a race to retirement. Only, they're playing catch up in a race with one hand (or should that be leg) tied behind their back.

The reason? A continued lack of engagement with their pensions or a lack of access to the planning and advice that they truly need to be able to accumulate the funds they will need for tomorrow. And then, the ability to deploy those funds in the right way when the time comes to use them.

Sadly, as the need for advice, or guidance increases, supply decreases. Regulation has driven up the cost of advice and continues to do so. Millions are sleepwalking towards a challenging retirement - without the advice or a plan to help them wake up. In the same breath, consumer demand is changing fast too. The digitisation of everyday life is changing what consumers want and need from our industry too. Gone are the days when they will simply accept complexity or an outlying process. As service providers of many types, the pensions market needs to become simple, connected, and accessible – that certainly isn't the case today.

The reality is that to overcome both seismic shifts, a revolution of technology is required. There remains far too much legacy technology in the pensions market. A legacy of days gone by, which hinders the demands of tomorrow. Layers of regulation have driven layers of tech complexity. Complexity which inhibits connectivity, service, and experience. Complexity which makes the pensions market cumbersome and inefficient.

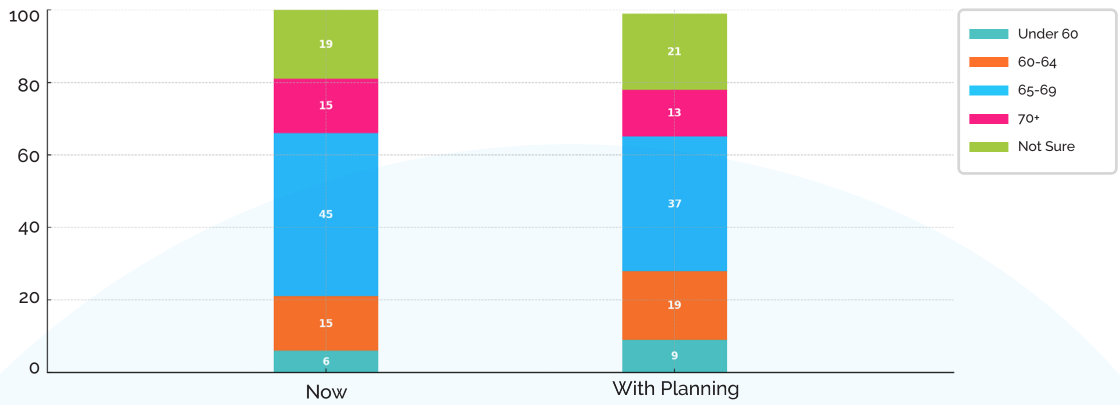
Modern, digital first markets need to be built on solid, flexible and efficient foundations – before they can even begin to deliver the seamless omni channel experience demanded today. Pensions dashboards and consolidation of small pots is a step forward, but the issue needs more pace and intent to make our market fit for today and tomorrow's retirees.

SECTION 3
RETIREMENT SAVINGS AND EXPECTATIONS

PART 1
EXPECTED RETIREMENT AGE AND DO CONSUMERS BELIEVE THE RIGHT FINANCIAL PLANNING WOULD CHANGE THAT DATE?

We first asked the sample at what age they expected to retire given their current pension savings. We then asked a follow up question about the age they thought they might retire with the right financial planning to see if it would make them more optimistic about retiring earlier (admittedly on the bold assumption that most people would want to retire earlier).

Optimism shift with planning stack



It does certainly look as if we can see a shift towards hopes for earlier retirement with better planning. Is there an opportunity here for financial planners to make a case that planning can give people the freedom to retire earlier?

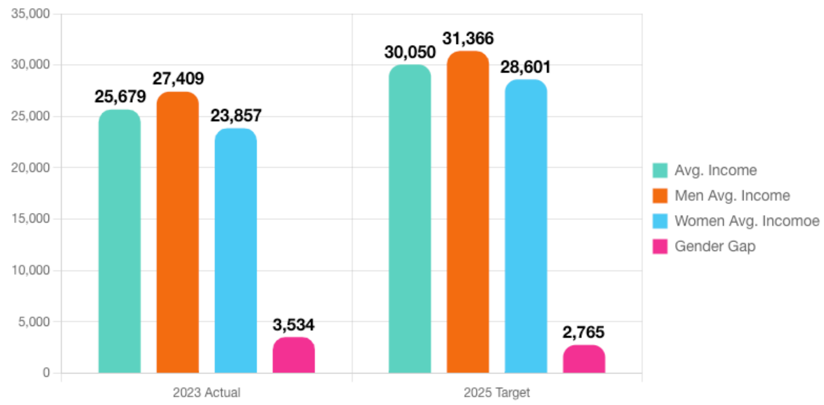
Helena Wardle,
Founder,
Money Means

"People do not engage with pensions. It is something that they find confusing; the terminology is awful, and they don't know what they should be doing or how. It shouldn't be as difficult as it currently is for people to get a clear picture of where they stand and what levers they have to make improvements or to get different outcomes. People also focus on now and deal with later when it becomes now.

The challenge with this is that this delay leads to poor outcomes where they don't have enough time to actually make a big enough difference to their position. I think the intent behind educating people about pensions is good, but it won't help. People need solutions that help them take action on pensions sooner in a way that is low effort and simple decisions. We have a lot of work to do as an industry to strip the complexity out if we want people to be better off (which benefits both the industry and the consumer)."

Part 2

How much is saved and what is the estimated income?



As you can see, the average estimated income in our 2025 report (including the state pension, personal and employer pensions) is £30,050, but with a difference in terms of gender. The average expected income for men is £31,366 for women is £28,601. The gap is £2,765.

In 2023, the average annual income targeted was £25,679. For men that was £27,409, and lower for women on £23,857. That is a gap of £3,534. It looks as if women at least in terms of what they are targeting as an income, want to get closer to men's total. We can also see from the table below an increase in the expected year to retire.

Attitudes to retirement and retirement prospects – consumer comments

"I vary between confident and uncertain due to the constant changes in prices, government policy, tax and work hours."

"Looking forward to retiring and feel my pension and partners pension will give us a fairly good income along with the state pension."

"I don't think I'll ever be able to afford to retire. I'm chronically ill and living on a very low income (under £1,000 per month) and until recently, I was claiming universal credit. Despite having a law degree and a solid professional background, I come from a working-class family and I have never had financial security."

"I don't think I will be able to retire, and I have retrained as a counsellor to hopefully maintain an income into "retirement" years. This makes me feel like I have to prepare for the worst in terms of financial pressures in the future."

"Terrible that I don't have enough money in my pot. I wasn't advised back then what a pension meant."

"I don't think the money I'm saving in the pot will be enough in the future when I retire to have a decent income, I think the inflation and cost of living will reduce the capacity of purchase of that money in the future."

"I feel I am not well prepared for retirement and don't look forward to it."

"I love my retirement and am lucky to be in receipt of a range of occupational and personal pensions. The State pension though is an embarrassment. It is the lowest in Europe and the triple lock is the only good thing about it."

"I feel a little uncertain about retirement. Although I hope I can build up enough savings and a pension to be able to retire comfortably the rising cost of living and potential changes to the state retirement age are making me a bit worried."

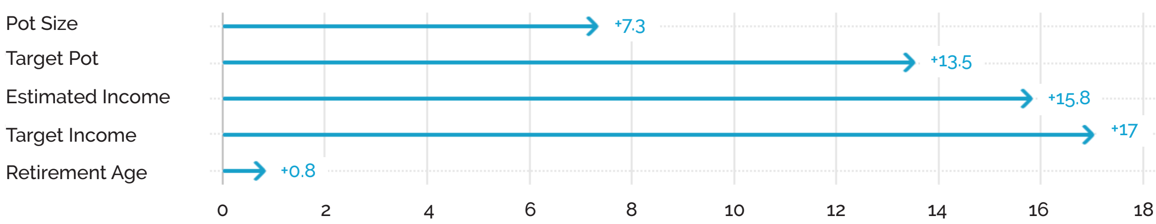
"I'm relying on inheritance to eventually be able to retire."

"I feel concerned about the state pension for myself and my husband. We have worked many years and worry about means testing/reduced amount being available to us."

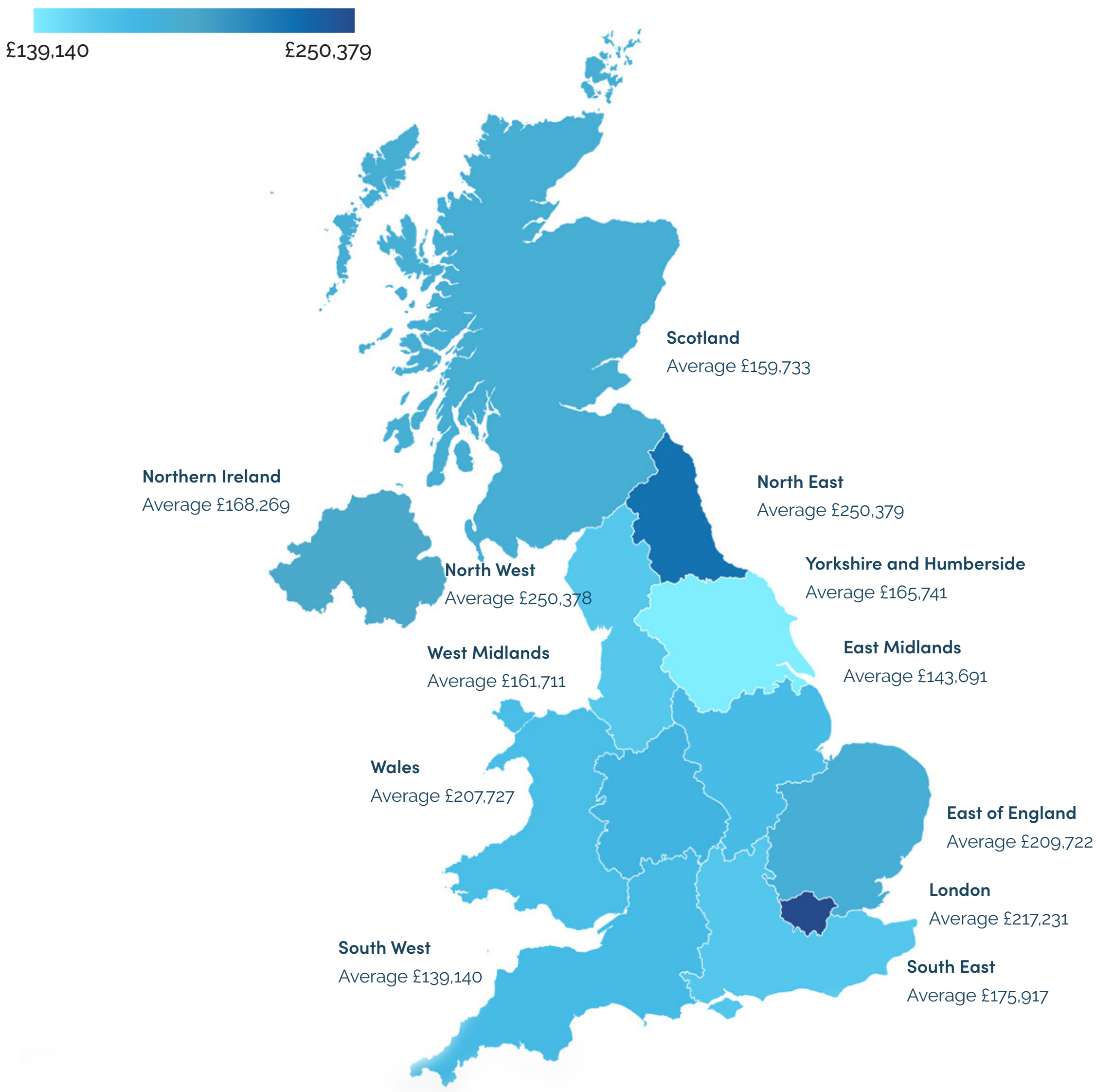
"Feel that I will have enough saved for the basics and will be able to afford the occasional UK holiday. A little concerned about how I will spend my time once I stop working. I'll manage and budget accordingly."

POTS AND ASPIRATIONS 2023 VERSUS 2025

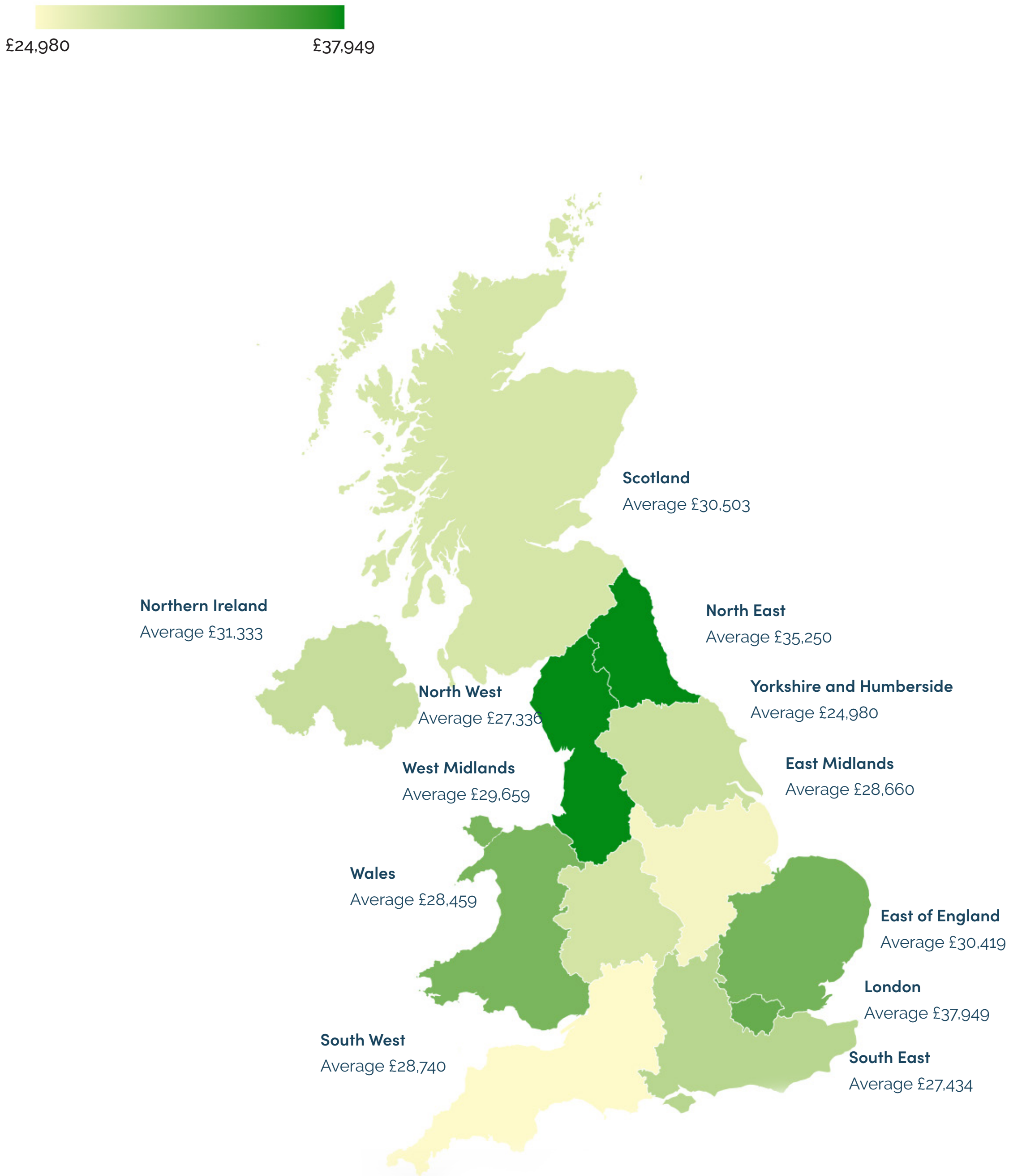
How have things changed since the last survey in 2023?



POT SIZES ACCUMULATED BY REGION



AVERAGE ESTIMATED INCOME IN RETIREMENT BY REGION



How alive are consumers to the current annuity renaissance?

Mike Ambery,
Retirement Savings Director,
Standard Life

This latest research reveals that there's sizeable uncertainty as to how annuities work and what benefits they can provide. If left unchecked, this confusion could present unnecessary barriers to consideration – and may even get in the way of many consumers being able to enjoy a better financial outcome in retirement.

We need to start with the basics.

Given that annuities had seen a decline in popularity since the pension freedoms, it's understandable that some basic education will be needed as we look to re-engage consumers with the thought of buying one. What's perhaps the most striking about the findings is that only 10% of our responders knew a lot about annuities yet nearly half (46%) expected to be offered the product.

We need to dispel myths and common misconceptions.

We know that having certainty of income in retirement is a key concern for most people (47%) of responders want to maintain their pre-retirement lifestyle. Having an annuity as part of an overall retirement income mix could help to ease some of these anxieties, but some long-standing myths continue to linger.

- **Myth 1:** Annuities don't offer good value for money.
  While almost a third of responders (33%) still associate annuities offering poor value for money, this narrative has changed. According to the Association of British Insurers, the annuity market rose by 46% in 2023 and by a further 34% in 2024 and is now worth around £7bn. Annuity rates have increased by around 63% for a healthy 65-year old since 2016.

- **Myth 2:** You need to be healthy to get a good annuity rate.
  If your client has a medical condition, they could end up with higher income payments for life.
  An enhanced annuity works on the basis that, if your client has a health condition or a lifestyle issue, they may have a shorter life expectancy – and so their annuity payments will be paid over a shorter period of time. This means that some annuity providers, like us, will be prepared to pay them more each year.

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- **Myth 3:** Buying an annuity is a one and done decision.
  The fact is, consumers can use some or all of their pension savings to buy an annuity – and they can be purchased at any point in retirement. It could also pay to annuitise in stages as the rates on offer will improve as your client gets older.

- **Myth 4:** Annuities can't be personalised.
  Most pension annuities will allow your client to add extra features so they can tailor things to meet their exact needs. These options will usually include a range of death benefits to choose from, along with a variety of ways to protect the value of their annuity payments from the impact of inflation.

- **Myth 5:** You can't combine annuities with drawdown.
  The reality for many consumers is that they may actually enjoy a better outcome if they were to combine the flexibility of drawdown with the security of an annuity, and then regularly review the balance between the two. This could see them gradually turn more of their unsecured pension savings into a guaranteed lifetime income as they grow older or their needs change.

Advised consumers will naturally look to their advisers to help them understand their retirement income options, and then recommend the right strategy to suit their needs.

And while an income solution that combines flexibility with certainty may deliver a better outcome for many, this shift would inevitably create a need for deeper ongoing client reviews.

For instance, if the adviser's recommendation was for their client to annuitise portions of their pension savings in stages, they would need to contemplate the optimum time to do so – and also consider how much of their client's unsecured pension savings should then be converted into a guaranteed income for life.

Of course, this isn't the only time advisers will have had to make changes to their approach – and ultimately, they're still best placed to make the right calls.

RETIREMENT GOALS

To maintain pre-retirement lifestyle 51% (53%)

To meet potential costs of long-term care 25% (23%)

To travel 36% (34%)

To protect inheritance for loved-ones 22%

We also asked about priorities for retirement setting out various goals with 2023's numbers in brackets actually showing little change between the two surveys.

To maintain pre-retirement lifestyle 36% (47%)

To meet potential costs of long-term care 9% (11%)

To travel 17% (19%)

To protect inheritance for loved-ones 10% (18%)

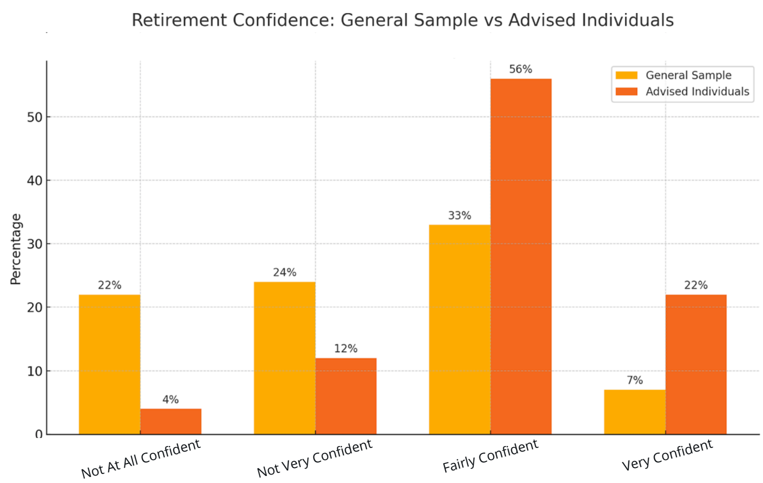
We then asked for the top priority and we do see something of a shift around pre-retirement lifestyle. Could expectations have fallen, given recent economic turmoil?

Finally, we did ask how confident our sample was of achieving their retirement goals. This is arguably more realistic than say the target income though also concerning.

So, 22% were not at all confident, 24% not very confident, 33% fairly confident and just 7% very confident.

There is a dramatic boost in the numbers for those in regular contact with an adviser.
Just 4% are not at all confident, 12% not very confident, 56 fairly confident and 22% very confident.
Confidence is much higher for the advised, though we suspect many advisers will suggest that confidence is even higher among their own client banks.

A final interesting statistic is that the broad population believe that with the right financial planning they could retire at an average age 65 rather than 65.7 years. Advisers, certainly if they are consulted early enough, might be a little more optimistic about what the power of financial planning can do.



CONCLUSION

Our report aims to provide an overview of the nation's attitudes to pension saving and retirement. Our major concern, as adviser readers and experts will certainly know, is the amount of pension investments built up and consumers' ideas about the income they might get, remain very far apart. We sense that consumers actually have a general understanding about this as revealed by a lack of confidence that they can achieve their retirement goals. Yet we can see that those who get advice are much more confident and that is something for policymakers to bear in mind as they worry away at the advice/guidance boundary.

It may cause some pause for thought that consumers would prefer to receive targeted support from advisers, though providers also seem to be thought of as a reasonable source of such help as well.

If we are looking for foundations to build on there seem to be reasonably high levels of trust and a decent amount of contact between consumers and the pension industry as a starting point. That is surely good news.

Less good news for the Government is levels in trust in them, though there is less distrust in sites such as Money Helper and maybe that is the more important touch point.

It may be something to bear in mind when it comes to big policy shifts, both at accumulation but perhaps more importantly the decumulation stage where the IHT tax change could disincentive some pension saving, which is the opposite of most policy goals.

We do think we can see some signs among consumers that they expect annuities to at least be offered and that when offered they will be considered.

Yet finally, our overall conclusion, as it has been arguably for decades, is that we remain under saved and underinvested in pension terms.

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