United Kingdom Country Report

A Retirement Wake-Up Call
The Aegon Retirement Readiness Survey 2016
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Introduction

Now in its fifth year, the global Aegon Retirement Readiness Survey explores how increasing life expectancy is impacting the ways in which individuals plan for retirement.

Countries around the world are facing unprecedented change, creating both challenges and opportunities. The concept of retirement is evolving: life expectancy continues to increase; pressures on governments and pension systems are intensifying; and, greater responsibility is shifting to the individual.

People are having difficulty keeping up with this rapid pace of change. Too few are adequately saving and planning for retirement. Most need greater access to financial advice and planning tools in order to navigate the future and improve their retirement outlook. Moreover, people’s expectations of how they will transition to retirement may be unrealistic unless employment practices change.

This report evaluates the current state of retirement readiness in the UK, in the context of Aegon’s global findings, and delineates key areas warranting focus and attention, including the need for: sharing the responsibility for retirement preparation, inspiring habitual saving, making retirement plans more inclusive by design, facilitating the new flexible retirement, and promoting active living and healthy aging in retirement.

The conclusion is that the UK needs a retirement wake-up call. Solving the retirement challenge must be recognised as a shared responsibility. It requires engaging all stakeholders – governments, pensions industry, employers, and individuals – to actively take responsibility, and create a dialogue for an inclusive retirement, and implement solutions so that everyone has the opportunity to achieve long term financial security in retirement.

Our research finds that while UK workers have made progress since 2012 in some of their retirement saving behaviour, more needs to be done for them to reach the level of preparedness that would enable them to enjoy a comfortable, secure life in retirement.

(N.B. The UK fieldwork was conducted between 3rd February and 29th February 2016. All results were taken before the UK “Brexit” referendum on 23rd June 2016).
Key Findings

- The UK ranks joint fourth in the 2016 Aegon Retirement Readiness Index (ARRI).
  With a score of 6.1 out of 10, the UK has a medium level of retirement readiness, slightly higher than the global average of 5.8. The UK ARRI has remained stable over the past 3 years.

- UK attitudes contributing to retirement readiness have improved slightly.
  The majority of Britons feel personally responsible for ensuring that they will have sufficient income in retirement and are aware of the need to plan financially for retirement. Both measures saw dips in 2013 but have since continued to improve above 2012 levels.

- UK behaviours driving retirement readiness have also improved.
  In 2012, over a third (34 percent) of British workers felt their personal retirement planning was well developed which has risen considerably to 47 percent in 2016. The proportion of workers that say they are saving enough for retirement was low at 30 percent in 2012, and has since risen to 42 percent in 2016. In 2012 just over a quarter (27 percent) of workers thought that they would achieve 75 percent or more of their needed income in retirement and by 2016 this has risen to 35 percent.

- Britons are in strong agreement that all of the parties involved should be responsible for funding people’s retirement.
  Eighty-one percent agree that employers should provide a workplace pension scheme while 73 percent agree the government should provide for people through social security and 72 percent agree individuals should save for themselves. In fact 75 percent agree that a balanced approach in which individuals, employers and the government all play an equal role should be adopted.

- British workers and retirees anticipate that their government will fund a majority of their income in retirement.
  Britons will largely depend on state pensions, estimating that it will provide 42 percent of their income in retirement. They also expect a lot to come from their employers (33 percent) while a quarter will come from their own savings and investments.

- The proportion of Britons savings habitually has increased since 2012.
  Habitual saving among Britons has increased from 40 percent in 2012 to 45 percent in 2016, well above the global average 38 percent. Habitual savers achieve an ARRI score of 7.4, well above the UK average 6.1.

- Auto enrolment is appealing to almost two-thirds of Britons at 6 percent contribution rate.
  A majority of Britons find auto enrolment appealing at 6 percent contribution rate (64 percent) which is slightly less than globally (65 percent). It holds almost the same appeal at an 8 percent contribution rate at 60 percent, in line with global appeal (61 percent).

- Almost half (49 percent) of UK workers said that they would seek financial retirement planning advice digitally.
  Choosing government websites (28 percent), personal finance websites/online retirement planning tools (23 percent), retirement plan provider websites (18 percent) and financial services provider websites (17 percent).

- UK employers are not keeping up with offering digital retirement tools to their employees.
  Less than 10 percent of UK workers report having access to digital tools such as online retirement modelling tools, digital access to view and manage retirement savings, webcasts and seminars about saving for retirement to help them prepare for retirement or to shape and manage their retirement accounts.

- Since 2013, there has been an increase in the number of Britons with written retirement strategies.
  Just over half (53 percent) of Britons currently have a retirement strategy, up from 44 percent in 2013. However this is still below the global average of 58 percent. Only 10 percent have a written plan, again below the global average of 13 percent.

- Over half (55 percent) of British workers with a pension know exactly or have a good idea how much their pension will give them in retirement.
  Males (61 percent), those in their 60s (68 percent) and high income earners (75 percent) are among the most likely to either know exactly or at least have a good idea how much their pension will give them.
Only 5 percent of workers with a pension have above average or high associated risks with that pension. Those in their 20s (9 percent) and those with a high income (13 percent) are more inclined to take risks. Women (29 percent) and those on a low personal income (31 percent) are much more likely not to know what the associated risk is on their pension. Only a third (32 percent) have gone online to find out how much risk they are comfortable with for their pension.

Awareness around the April 2015 'pensions freedom' law change is very high (96 percent) among those aged 55 and over with a DC pension. However two-thirds (65 percent) of those that are aware of the law change say that they have taken no action or will take no action over the next 12 months as a result.

Three-in-ten (29 percent) Britons have backup plans if they become unable to work and have to leave work earlier than planned. British workers with backup plans will use their personal savings (59 percent) or will downsize their home or sell a second home (29 percent) or will rely on a spouse or partner working (26 percent) if they become unable to work.

Sixty percent of British workers say that they will continue working to some extent into retirement. Britons who say that they will continue working into their retirement years largely say they will do so for positive reasons, for example, to keep active or to keep their brain alert (62 percent), or because they enjoy their work or career (38 percent). Others however are anxious about funding their retirement.


The Aegon Retirement Readiness Survey is now in its fifth year. A cornerstone of the research is the Aegon Retirement Readiness Index (ARRI), which was created in 2012 to assess the relative levels of retirement preparedness across the participating countries. Individuals are grouped according to whether they achieve a high index score (eight or above out of 10), a medium score (between six and 7.99) or a low score (below six). With a score of 6.1 this year, the UK achieves a medium score and ranks joint fourth in retirement preparedness out of the 15 countries surveyed, reflecting the positive attributes of the UK’s retirement system - including its coverage, comprehensiveness and mix of occupational pension plans.

Chart 1  The UK places joint fourth in the 2016 Aegon Retirement Readiness Index
The Aegon Retirement Readiness Survey 2016

Chart 3  What factors shape the ARRI findings?

The UK achieved a low score of 5.3 in the first year of the survey in 2012, and from there sank to its lowest score of 4.9 in 2013. A year on and things improved dramatically as the UK achieved a medium score of 6.0 in 2014 which it was able to repeat in 2015. In 2016 the UK achieved its highest score to date, 6.1. Of the nine countries participating in the research since 2012 only the US has made more improvement than the UK (the UK ARRI has improved by 0.8 compared to the US ARRI which has improved by 1.1 US since 2012). Britons have a positive outlook on retirement and are among the most likely to associate positive words with retirement (73 percent compared to 68 percent globally). Almost half associate leisure (48 percent) and freedom (47 percent) with retirement, and travelling (56 percent) and spending more time with friends and family (53 percent) are among the aspirations that are most important to them.

Britons have big expectations for their life in retirement and UK workers benefit from many advantages that make saving for a comfortable retirement possible. Average worker earnings are higher than many others in Europe. The UK also benefits from having a long-established pension system which while not as generous as some other countries, does offer targeted help to those faced with poverty in old age. In addition there is a well-developed mix of occupational pension arrangements combining defined benefits and defined contribution pension plans. In 2012, the UK Government introduced automatic enrolment for workers earning over £10,000 annually who are aged between 22 and retirement age. Since then the number of workers covered by workplace pensions has increased dramatically. According to UK government figures a peak of over 12 million workers were covered by workplace pensions in 1967. This gradually dwindled down to 7.8 million workers by 2012. The introduction of auto-enrolment meant that in 2013 coverage rose to 8.1 million and in 2014 coverage increased by a further 2.2 million bringing total coverage up to the highest point since 1995 at 10.3 million.

Aegon Retirement Readiness Index Components

The ARRI is based on responses to six survey questions, three broadly attitudinal and three broadly behavioural in nature. The attitudinal measures have all improved slightly since 2012 from what was already quite a high base. However there have been big improvements in the behavioural measures from a much lower base. Retirement planning has seen an increase from 34 percent in 2012 to 47 percent in 2016 and financial preparedness has increased from 30 percent in 2012 to 42 percent in 2016. These improvements in the behaviours linked to retirement preparedness have driven up the UK’s ARRI score.
Chart 4  The UK’s 5-year trend: ARRI Components

The six index questions are answered on a five-point scale. Bars show the proportion of “top two option” (4 and 5) responses between 2012 and 2016.

For the first five questions from top to bottom, workers were asked to rate their level of agreement with a statement, e.g., “To what extent do you feel personally responsible for making sure that you have sufficient income in retirement?” From code 1 “I don’t feel responsible at all” through to code 5 “I feel very responsible.” Bars represent top-two options (4 and 5), for example, that workers feel “somewhat or very responsible.”

For the sixth question, “income replacement,” workers were asked what proportion of their current income they expect to need in retirement, followed by “Do you think you will achieve this income?” This is answered on a scale from code 1 “I don’t know if I am on course to achieve my retirement income” through to code 5 “Yes I am on course to achieve my retirement income.” The bars represent top-two options (4 and 5), that they are on course to achieve at least 75% of their needed retirement income.

1 OECD data. Gross pension replacement rates
2 OECD Pensions at a Glance (2013)
3 Office of National Statistics, Pension Trends, 2014
Part 2 - Retirement readiness is a shared responsibility – and it requires a shared solution

With increased longevity, retirement is lasting longer and people are enjoying more time after their working life. Funding this longer retirement rests on three pillars – firstly, governments must provide appropriate vehicles to invest in and guidance on how to do so, secondly, employers must engage with employees on planning their retirement as well as contributing their part financially. Finally individuals must take personal responsibility and put aside and invest a sufficient proportion of their salary. And start doing so in time.

The British hold strong views over who should be responsible for funding people’s retirement, agreeing that all parties have a part to play. With auto-enrolment gradually being implemented across all UK employers, we find strong agreement that employers should provide through workplace pension schemes (81 percent compared to 72 percent globally) and that the government should encourage employers to automatically enrol all their employees into a retirement plan (77 percent compared to 75 percent globally). Although Britons are less likely to agree that individuals should save for themselves through private pensions/other investments (72 percent) agreement is still way above the global average (62 percent).

Chart 5  British attitudes on how to fund retirement

<table>
<thead>
<tr>
<th></th>
<th>% strongly or somewhat agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers should provide through good workplace pension schemes</td>
<td>81%</td>
</tr>
<tr>
<td>Governments should encourage employers to automatically enrol all their employees into a retirement plan</td>
<td>77%</td>
</tr>
<tr>
<td>It should be a balanced approach in which individuals, employers and the government all play an equal role</td>
<td>75%</td>
</tr>
<tr>
<td>The government should provide for people through the state pension</td>
<td>73%</td>
</tr>
<tr>
<td>Individuals should save for themselves through private pensions/other investments</td>
<td>72%</td>
</tr>
</tbody>
</table>

Britons expect the largest proportion (42 percent) of their retirement income to come from the government through state pension and other government benefits. However, it is worth noting that this is 4 percentage points lower than the global average (46 percent). Britons expect a third (33 percent) of their retirement income to come from their employer which is way ahead of global expectations (24 percent). Lastly, a quarter (25 percent) of British retirement income is expected to come from personal savings and investments which is below global expectations (30 percent).
Given that the sustainability of the government retirement systems around the world are under strain as a result of the growing aging population and of longer life expectancy, all social partners need to take a more balanced, and realistic approach in which governments, employers and individuals are working together to fund retirement.

**Chart 6  Proportion of retirement income by three broad sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>Total</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your own savings &amp; investments, including IRAs</td>
<td>30%</td>
<td>24%</td>
</tr>
<tr>
<td>Your employer / previous employers (through workplace retirement plans)</td>
<td>24%</td>
<td>33%</td>
</tr>
<tr>
<td>The government (through social security &amp; other government benefits)</td>
<td>46%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Part 3 – Habitual saving is critical for success

The importance of habitual saving cannot be stressed enough. People who save habitually are in a better position in planning for their retirement, feel more responsible, and have a better understanding of what retirement will mean for them financially. Seven-in-ten (69 percent) Britons are saving for their retirement, 45 percent are habitual savers which is considerably above the global average (38 percent). The proportion of habitual savers has gradually grown in the UK from 40 percent in 2012.

**Chart 7  Approach to saving for retirement**

- HABITUAL SAVERS - I always make sure that I am saving enough for retirement
- OCCASIONAL SAVERS - I only save for retirement occasionally from time to time
- PAST SAVERS - I am not saving for retirement now, although I have in the past
- ASPIRING SAVERS - I am not saving for retirement though I do intend to
- NON SAVERS - I have never saved for retirement and I don’t intend to
Triggers that start workers saving for retirement can be put into two broad categories. Firstly, encouragement from employers can have a strong influence on individuals to take that step to start saving for retirement. Second, major life stage changes can be just what’s needed to energize workers to focus more on retirement.

Almost half (48 percent) of those already saving for or intending to save for retirement were prompted by their employer. Being automatically enrolled by an employer and having an employer start to pay into a pension plan on your behalf were two key employer prompts to getting workers to start saving for retirement. For those motivated by a life stage change, turning a certain age was a key to initializing their retirement saving.

**Chart 8**  
UK habitual savers: 5-Year trend

**Chart 9**  
What prompted retirement saving among savers and intenders
Part 4 – Making it easy and more convenient to save

Workplace retirement plans can provide an impetus to start saving for retirement. Automatic enrolment into a workplace retirement plan, whereby workers are automatically enrolled and a set proportion of their salary is invested into a retirement plan has wide appeal globally. In the UK where auto-enrolment has been in place since 2012, the appeal of it is in line with the global average - 64 percent of Britons find it appealing at a 6 percent contribution rate and only slightly fewer (60 percent) find it appealing at an 8 percent deferral rate. With the deferral rate gradually being raised in the UK and set to reach 8 percent by 2018, it is reassuring that resistance to auto-enrolment is low at both 6 percent and 8 percent deferral rates. The proportion that find auto-enrolment unappealing at 6 percent is low (12 percent) and this only rises to 15 percent at an 8 percent deferral rate.

Segments of the population that are vulnerable - women, part-time workers, lower income earners, those with less education - who do not have as much opportunity to achieve retirement readiness would particularly benefit from more structured arrangements in terms of auto enrolment in workplace retirement plans. Yet the survey shows that among these groups (aside from women) there is a marked reduction in how appealing they find auto-enrolment at either deferral rate when compared to all Britons. At a 6 percent deferral rate around 3-in-5 part time workers (59 percent), those on a low income (59 percent) and those with low education (60 percent) find it appealing compared to 64 percent overall. Raised to 8 percent 54 percent of part time workers, 55 percent of low income earners and 57 percent of those with low education find it appealing compared to 60 percent of UK workers overall.

The role of workplace retirement plans

The workplace is a primary channel for encouraging retirement savings, yet only two-in-five (39 percent) of all British workers feel their employers provide enough information and support to help with their retirement planning.

British employers fall short in providing services to help workers prepare for retirement. Few workers say that they receive annual retirement plan statements (21 percent) or educational materials (12 percent), suggesting better information would be a significant step forward. Easy access to clear and concise information is a key component to staying engaged with one’s savings and investments - particularly those that are intended to be used in retirement, which is decades away for most savers.

In this digital age, it is unimaginable that so few British workers have access to online tools to help them with retirement planning – specifically, less than 10 percent of workers say they have digital access to manage their retirement savings, access to online retirement modelling tools, webcasts or seminars about saving for retirement or company sponsored blogs and online network groups. Notably, when workers are offered such services, a majority find them extremely or very helpful, particularly having access to online retirement modelling tools.
Very few British workers are offered digital tools from their employers to help them prepare for retirement

Employers offer a wide range of benefits to attract and retain workers. Paid time-off and retirement plans with employee contributions are among the most popular. As the workforce grows older the demand for flexibility around retirement age is likely to increase, while almost three-in-five (58 percent) British workers are offered the ability to work past the normal retirement age only 31 percent are offered a phased retirement or other employer programs providing for a transition into retirement.

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**Chart 11**

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage of workers offered this service</th>
<th>Percentage who find the service very / extremely helpful (among those offered)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital access to view / manage retirement savings</td>
<td>9%</td>
<td>59%</td>
</tr>
<tr>
<td>Online retirement modeling tools</td>
<td>7%</td>
<td>66%</td>
</tr>
<tr>
<td>Webcast meetings/seminars about pensions/saving for retirement</td>
<td>5%</td>
<td>(low base size)</td>
</tr>
<tr>
<td>Company-sponsored blogs and/or online network groups</td>
<td>5%</td>
<td>(low base size)</td>
</tr>
</tbody>
</table>
When asked which sources British workers and retirees use or would use when choosing how to save for retirement, 49 percent said that they would seek financial retirement planning advice digitally. Choosing to use digital services such as government websites (28 percent), personal finance websites/online retirement planning tools (23 percent), retirement plan provider websites (18 percent) and financial services provider websites (17 percent). Britons are seeking retirement planning services and advice digitally outside of their employment, highlighting that there is an opportunity for employers to help their employees prepare for retirement by offering them online information about employment based pension schemes. If workers have easier, faster access to their retirement plans, they may be encouraged to become more involved and take greater charge of their retirement planning. Improved access will provide workers with more control over the planning and management of their retirement funds.

A quarter (25 percent) of British workers consult their friends and family for retirement advice which may not always be the most prudent source of information as they may not be qualified to offer sound advice. Others rely on professionals - professional financial advisers (25 percent) or bank advisers (15 percent).
Part 5 – The imperative for retirement literacy and planning

A written retirement strategy is not merely a piece of paper but is often the outcome of a process where future retirees have taken the time to consider what their post working life can look like and how they can fund it. Overall over half (53 percent) of Britons have a retirement strategy, just below the global average (58 percent). Only 10 percent have a written plan again just below the global average (13 percent).

**Chart 13 UK workers with a retirement strategy**

Vulnerable groups, such as people who work part-time, lower income earners and people with low education, are less likely to have had the opportunity to formulate a strategy to prepare financially for retirement - written as well as one that is not written down. A higher proportion in each of these groups do not have a retirement strategy: low income earners (49 percent), women (47 percent) and part time workers (46 percent), than all Britons (43 percent). However reassuringly for the future, younger workers (typically thought of as among the most vulnerable groups) are in fact just as likely to have a plan as all workers in the UK, and are more likely to have a plan in writing.

**Chart 14 Vulnerable groups are less likely to have a retirement strategy, written or non written**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Women</th>
<th>Young (age 20-29)</th>
<th>Work part-time</th>
<th>Low income (personal)</th>
<th>Low education (less than undergrad degree)</th>
<th>Aspiring savers</th>
<th>Non-savers</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have a written plan</td>
<td>10%</td>
<td>8%</td>
<td>16%</td>
<td>6%</td>
<td>8%</td>
<td>9%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>I have a plan, but it is not written down</td>
<td>43%</td>
<td>40%</td>
<td>35%</td>
<td>45%</td>
<td>38%</td>
<td>40%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>I do not have a plan</td>
<td>43%</td>
<td>47%</td>
<td>43%</td>
<td>46%</td>
<td>49%</td>
<td>47%</td>
<td>89%</td>
<td>85%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Two-thirds (67 percent) of British workers currently have a pension in place that they are contributing to. Forty-two percent had their pension arranged for them by their employer while 17 percent arranged it themselves. Of those with a pension, over half (55 percent) either know exactly how much their pension will give them or at least have a good idea how much their pension will give them, and this differs with age, those in their 60s are the most likely (68 percent) to know exactly or at least have a good idea of what their pension will give them. Men (61 percent), the higher educated (59 percent) and those with high incomes (75 percent) are also more likely to have a good idea or know exactly what their pension will give them.

**Chart 15**  UK workers that know exactly or have a good idea how much their pension will give them

<table>
<thead>
<tr>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>20-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60-69</th>
<th>Low personal income</th>
<th>Medium personal income</th>
<th>High personal income</th>
</tr>
</thead>
<tbody>
<tr>
<td>55%</td>
<td>61%</td>
<td>48%</td>
<td>56%</td>
<td>57%</td>
<td>38%</td>
<td>57%</td>
<td>68%</td>
<td>44%</td>
<td>60%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Asked what level of risk is associated with their pension, 37 percent say that they have a low/below average risk, 35 percent have an average risk, 5 percent have a high or above average risk associated with their pension and nearly a quarter (23 percent) do not know. Women (29 percent) are more likely than men (17 percent) to say that they do not know (mainly at the expense of answering average risk). Part-time workers are more likely (46 percent) than full-time workers (34 percent) to say that they have a low or below average risk pension (again mainly at the expense of answering average risk). The young age 20-29 are more likely to have above average or high risk (9 percent) than the pre-retired groups, age 50-59 (5 percent) and age 60-69 (2 percent). The young age 20-29 are also much less likely to have a low or below average risk (34 percent) than the pre-retired groups, age 50-59 (42 percent) and 60-69 (44 percent). Those with high incomes are much more likely to have above average or high risk (13 percent) than those with low income (2 percent). They are also much more likely to know the level of risk associated with their pension. Only 9 percent of those with a high income say they don’t know the risk compared to 31 percent of those with a low income. Thirty-two percent have gone online to find out how much risk they are comfortable with for their pensions. Opinions are mixed with half saying that they would use the tool again and half saying they would not. Those under 40 are much more likely to have used such a tool (50 percent of those in their 20s and 42 percent of those in their 30s) compared to those in their 40s, 50s and 60s (21, 16 and 27 percent respectively).

**Chart 16**  Overall level of investment risk associated with UK workers’ pensions

<table>
<thead>
<tr>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>20-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60-69</th>
<th>Low personal income</th>
<th>Medium personal income</th>
<th>High personal income</th>
</tr>
</thead>
<tbody>
<tr>
<td>23%</td>
<td>17%</td>
<td>29%</td>
<td>21%</td>
<td>22%</td>
<td>28%</td>
<td>26%</td>
<td>22%</td>
<td>31%</td>
<td>19%</td>
<td>9%</td>
</tr>
<tr>
<td>5%</td>
<td>6%</td>
<td>4%</td>
<td>9%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>13%</td>
</tr>
<tr>
<td>35%</td>
<td>41%</td>
<td>29%</td>
<td>37%</td>
<td>42%</td>
<td>35%</td>
<td>27%</td>
<td>32%</td>
<td>32%</td>
<td>38%</td>
<td>39%</td>
</tr>
<tr>
<td>37%</td>
<td>36%</td>
<td>37%</td>
<td>34%</td>
<td>32%</td>
<td>32%</td>
<td>42%</td>
<td>44%</td>
<td>35%</td>
<td>38%</td>
<td>39%</td>
</tr>
</tbody>
</table>
Almost all (96 percent) of those aged 55 and over with a defined contribution pension are at least in some part aware of the April 2015 law change allowing people to access their defined contribution pension savings and no longer requiring them to take an annuity. Over two-thirds (68 percent) said that they were fully aware of the change. Forty-five percent have sought financial advice or guidance regarding how the new pension changes will affect them. The most common source of advice is an independent financial advisor (21 percent), only 6 percent have sought advice from Pension Wise. As a result of the changes to the law almost two-thirds (65 percent) say they have taken, or will take no action. Of the 31 percent that have, fourteen percent have taken all or a least some of their pension fund as cash while a similar proportion (13 percent) bought or will buy an annuity.

**Chart 17** *Actions taken or actions planned for the next 12 months as a result of the April 2015 pension’s freedom law changes*

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take(n) all or some of my pension fund as cash</td>
<td>14%</td>
</tr>
<tr>
<td>Bought / will buy an annuity</td>
<td>13%</td>
</tr>
<tr>
<td>Invest(ed) all or some of my pension fund in order to take out lumps</td>
<td>5%</td>
</tr>
<tr>
<td>sums when needed</td>
<td></td>
</tr>
<tr>
<td>Done something else with all or some of my pension fund</td>
<td>4%</td>
</tr>
<tr>
<td>Invest(ed) all or some of my pension fund in order to take a regular</td>
<td>65%</td>
</tr>
<tr>
<td>income</td>
<td></td>
</tr>
<tr>
<td>No- I have taken/ will take no action</td>
<td>5%</td>
</tr>
<tr>
<td>Don’t know</td>
<td></td>
</tr>
</tbody>
</table>

Under 3-in-10 (29 percent) of British workers say they have a backup plan to provide them with an income should they be unable to continue working before reaching their planned retirement age.

Of these people, 59 percent say that they will rely on their savings as part of their backup plan, 29 percent say they will downsize their home or sell a second home and 26 percent say that they will rely on their partner’s income. If called upon, all of these back up plans have the potential to seriously damage the household’s collective wealth. They may also be unreliable. Savings are typically easy to access and could therefore be used up if a different emergency situation presented itself. Downsizing a home might be fine if you are ready, but if you are not ready it has the potential to present major family issues. Placing the burden on your partner may result in friction, resentment and it may not even be feasible if they too are faced with job loss or health problems. Fourteen percent have income protection and the same proportion have critical illness insurance offering a much more robust solution.

**Chart 18** *Just under a third of all British workers have a backup plan*

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>8%</td>
</tr>
<tr>
<td>No</td>
<td>29%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>63%</td>
</tr>
</tbody>
</table>

**Chart 19** *Their backup plan includes...*

<table>
<thead>
<tr>
<th>Plan</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>My savings</td>
<td>59%</td>
</tr>
<tr>
<td>Downsizing my home / selling a second home</td>
<td>29%</td>
</tr>
<tr>
<td>My spouse/partner working</td>
<td>26%</td>
</tr>
</tbody>
</table>
Britons expect to live an average of 18 years in retirement, but the reality is that they may live considerably longer. Increases in longevity may require individuals needing to work longer in order to adequately fund retirement. Working longer can also promote active living and healthy aging.

Three-in-five (60 percent) British workers intend to work into retirement, which may involve shifting from full-time to part-time work. For others, it may involve working in a different capacity or pursuing an encore career. However, employers are falling short in accommodating workers in extending working lives and transitioning into retirement. Fifty percent of British workers find phased retirement to be a very or extremely important occupational benefit, yet only 31 percent are offered it.

Among those who envision or envisioned working to some extent in retirement, 62 percent want to do so to keep active or to keep their brain alert, while 38 percent simply enjoy their work or career.

**Chart 19  Working into retirement will be the norm**
Part 7 – The promise of active living and healthy aging

Nearly 7-in-10 (69 percent) of all Britons claim to be in good or excellent health. Being healthier for longer opens up opportunities to stay active and engaged, travel, and enjoy things considered to be important to them. Just under half (47 percent) are optimistic that they will be able to maintain good health in retirement.

**Chart 20** *When thinking about their retirement, nearly half (47 percent) in the UK are optimistic about maintaining good health*

With increasing life expectancies, there is a need for many to extend their working lives and retire at an older age. Doing so can help bridge retirement savings and income needs. It’s also an opportunity to stay involved and enjoy more years filled with active living and healthy aging.
Global Recommendations

The world is ready for its retirement wake-up call. The fifth annual Aegon Retirement Readiness Survey finds improvement in British retirement preparedness since 2012 but around the world, many workers expect to rely heavily on government benefits and are not saving enough to adequately fund their retirement income needs. The reality is that people are living longer than ever before, yet inadequate attention is being given to address the costs and implications associated with increased longevity. Governments, employers, and individuals must continue to expand upon actions that have proven effective while innovating new solutions for the future.

With British state pension age set to increase to 66 by 2020 and 67 by 2028⁴, and then set to rise in line with life expectancy, Britons need to consider whether the government will be able to fund 42% of their retirement income. They will need to assume greater personal responsibility in saving either directly or through company plans.

1. Currently, very few British employers are taking advantage of the digital tools that are available to help promote good retirement planning and management among their workers. This presents a missed opportunity in encouraging workers to save for retirement. If given easy and quick digital access to planning and management tools to enhance the retirement experience, workers would be more apt to become involved, take charge of their retirement planning, resulting in a better retirement planning journey.

2. Employers and workers should agree on triggers for automatic increased savings by payroll deduction (auto-escalation). Depending on when a worker started saving consistently and how long they have before retirement, the automatic enrolment default rate may not be adequate to provide sufficient retirement income. Increases in the amount people save can be made automatically at predetermined times, such as pay raises, or upon reaching a certain age.

3. Employers and governments should continue to promote financial literacy and raise awareness, not only of the need to save for retirement, but also how to invest long term savings, and the benefits of working longer.

4. Governments should consider engaging family and friends in their campaigns to help increase awareness of the benefits of establishing a retirement savings strategy, especially for those not covered by an employer-sponsored retirement plan. No age is too young or old to start. Parents can install good savings habits in their children by teaching them how to budget and invest.

5. Parents and adult children can begin to discuss topics that are typically sensitive, such as getting one’s legal affairs in order, inheritance, caregiving, and other financial matters.

6. Individuals should create a retirement strategy to fund retirement and manage their retirement savings to last a lifetime. A retirement strategy should be tailored to the individual’s plans for retirement (e.g. travel, continued working, etc.), other possible sources of income in retirement, and the individual’s health. Individuals should take advantage of any professional financial advice or other tools in modeling their retirement. Online tools and robo advice can help individuals assess the amount they will need to save and how to invest their savings.

7. The retirement plan or strategy should help people to manage retirement savings to last a lifetime. Building up adequate retirement savings is one half of the solution. Individuals should also plan to manage their retirement savings during the decumulation phase to provide them an income for life that includes possible pension income and government benefits. Lifetime income can be achieved through a guaranteed lifetime income product (annuity) or through a combination of other solutions and/or products, without any guarantees.

⁴ OCED – Pensions at a Glance 2015
8. Individual retirement strategies should also include a backup plan to enable the individuals to pay for unexpected expenses and events. A wide range of insurance products including life, income or critical illness policies, for example, can provide a cost-effective way of helping individuals and their families in the event employment ends prior to expected retirement date because of an illness, disability or death.

9. Governments and employers should encourage individuals to work longer or, at a minimum, facilitate their working past normal retirement age. As many individuals and employers tie retirement age to the date of receipt of government retirement benefits, any increase in the age of entitlement (when people can draw on their social security pension) would likely influence a change in behaviour and encourage individuals to work longer.

10. Employers can also facilitate workers remaining in the workforce past their normal retirement date by developing age-friendly workplaces and by implementing phased and flexible retirement options (e.g., flexible work arrangements, reducing hours, working in a different capacity). Employers are encouraged to consider the benefits of retaining older workers in the workforce, such as the experience they bring, their loyalty and understanding of the business. Employers and governments should facilitate continued training to enable individuals to maintain skills to perform their job. Individuals should take advantage of training and phased retirement programs and consider the benefits of remaining in the workplace (e.g., maintaining an active mind and body, fulfillment, community, increased income).

11. Finally, as individuals consider their preparedness for retirement, actions to keep healthy and active can increase their confidence in their retirement security and their ability to work longer. Employers should be encouraged to promote greater vitality through wellness programs in the workplace and governments and employers should consider incentives for healthy and active lifestyles.

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