

Research report

Communicating with customers approaching retirement

by Sarah Jenkins and Jerry Latter

Department for Work and Pensions

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Dr. Sarah Jenkins and Jerry Latter

A report of research carried out by Ipsos MORI for The Pension, Disability and Carers Service Customer and Partnerships Directorate on behalf of the Department for Work and Pensions

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Abbreviations

CA	Carer's Allowance
CAB	Citizen's Advice Bureau
DLA	Disability Living Allowance
DWP	Department for Work and Pensions
FSA	Financial Services Authority
HMRC	Her Majesty's Revenue and Customs
IB	Incapacity Benefit
IS	Income Support
JSA	Jobseeker's Allowance
MRS	Market Research Society
ONS	Office for National Statistics
PDCS	Pension, Disability and Carers Service
SPa	State Pension age
NI	National Insurance

Summary

Introduction

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

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

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

Methodology

In total 18 discussion groups were conducted across two waves of research. The first wave was conducted in November 2008, and consisted of three groups of pre-pensioners within five years of SPA, and four groups of State Pension customers. The second wave of the research was conducted in March 2010, and consisted of two groups of deferrers, (those eligible to claim State Pension who have opted to postpone claiming) and nine groups with individuals classified as vulnerable, namely those who were out of the labour market, those in low paid employment, and lone parents.

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

Views of retirement and being a pensioner

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

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

Many participants in the second wave of the research had stopped working through circumstances beyond their control, such as ill-health. They were resigned to the fact that retired life would be very similar to the life that they currently lead. Many already described themselves as semi-retired, or

retired due to the belief that they would never return to paid employment. In this sense, SPa was less of a significant event than the point of retirement, but there were also apprehensions about being a pensioner that we shall discuss.

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

Financial planning for retirement

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

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

In the first wave of the research, few pre-pensioners had noticed any actual effects of the ‘credit crunch’, but the feeling of economic uncertainty at the time compounded their desire to work for as long as possible. In the second wave of the research, participants in the vulnerable groups had noticed an increase in high street prices, but, since their outgoings were minimal and their income streams unchanged, few had been affected by the recession to a great extent.

Knowledge of State Pension and other products

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

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

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

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

The option of State Pension deferral and the tax benefits of working beyond 65 were of interest only to pre-pensioners who felt they would be able to continue, or recommence working, and those that were interested needed more information to combat their suspicions; many wondered if there were hidden catches associated with such schemes.

Communication and government interaction

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

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

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

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

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

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

1 Introduction

1.1 Background and objectives

The UK is growing older¹ and according to government projections, in 30 years' time one quarter of the UK population will be 65 or over. The financial implications for individuals, as well as the government, have been widely debated in the media. While much of the publicity has centred on prospects of poverty in retirement at worst, and a drop in quality of lifestyle at best, for many facing retirement in forthcoming years this does not seem to have inspired better financial planning amongst those of pensionable age. For example, the Financial Services Authority (FSA) reported in 2004 that amongst 50-60 year olds, half were unconcerned by their own admitted lack of financial preparation for retirement.²

Furthermore, Ipsos MORI has found in the PDCS study on combined pension forecasts³ that there is also widespread ignorance about State Pension provision and potential tax implications. Given this combination of confusion around State Pension entitlement and amounts, and associated anxiety around becoming a pensioner, the DWP has a need to better understand the needs and plans of those close to, or recently of, retirement age in order to develop more helpful and targeted communications for these audiences.

1.2 First wave of the research

In 2008, the PDCS commissioned a strategic qualitative study to specifically explore the attitudes, retirement plans, and needs of three target customer groups:

- those of pre SPa who had not received the 'invitation to claim State Pension' letter and information booklet;
- those of post SPa in receipt of State Pension; and
- those of post SPa not in receipt of State Pension (State Pension deferrers). These two groups were postponed until the second wave of the research.

The aim of this research was to help form an idea of what retiring and retirement was like for those that have retired, and the expectations of those approaching retirement. Also, we aimed to explore images and associations of retirement and being a pensioner, and understand the negative and positive connotations of both. We also aimed to explore what both pensioners and pre-pensioners knew about the State Pension, and other government services, and what their expectations are, or were, about government interaction around SPa. Results from the first wave of this study were presented to PDCS in late 2009.

¹ Source: DWP/ONS, accessed 15 April 2010 <http://www.dwp.gov.uk/policy/ageing-society/strategy-and-publications/opportunity-age-first-report/volume-2/our-ageing-society/>

² Source: The Financial Services Authority, accessed 15 April 2010
<http://www.fsa.gov.uk/pubs/other/fincap/retirement.pdf>

³ Source: DWP, accessed 15 April 2010
http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_293.asp

1.3 Second wave of the research

Subsequently, the second wave of the research sought to explore some of the themes and objectives of the first wave, especially among groups seen by the department as ‘vulnerable’. This research took place in March 2010, and comprised:

- those who were out of work prior to SPa (in some cases for more than ten years);
- lone parents;
- those in low paid employment; and
- those of post SPa not in receipt of State Pension (State Pension deferrers).

All participants were younger than SPa, with the exception of those in the deferrer groups, and some participants who had reached this age between January and March 2010.

The second wave included two additional discussion groups with deferrers (those eligible to claim State Pension, but not currently claiming) which had been postponed from the first wave. The first deferrer group, in more affluent segments, contained full time workers who were older than SPa. The second deferrer group, in less affluent segments, contained Pension Credit customers who were not working, and were not eligible to receive the full State Pension (therefore they were not technically deferring their State Pension, as they were not entitled to the full amount in the first place).

For the second wave, it was important to approach a more vulnerable audience, to ascertain if those who currently have a low income or have been out of the labour market for a significant period of time had specific communication needs to ensure they were fully informed prior to reaching SPa.

The second wave of the research also aimed to explore preparations for, and attitudes to, retirement, and link this to events prior to retirement, such as long term pre-retirement planning, and information and knowledge that participants had gathered.

The information gathered from both waves of the research will be used by the Department to inform the communications that new customers will receive to help them understand and make use of the services available to them. By learning how those approaching retirement prefer to interact with government, PDCS will be able to correctly position its communications strategy. As we discovered, this should be done by learning not only what pre-pensioners want, but what they need.

1.4 Research design

In total 18 discussion groups were conducted, four with State Pension customers, two with deferrers, and 12 with pre-pensioners. In the first wave, pre-pensioners were within five years of retiring, in the second wave they were within ten years. A full breakdown of the composition of the groups is included in Appendix A. Twelve participants were recruited for each group from a sample provided by PDC based on the specification for each group, within chosen postcode areas. A total of 161 individuals have participated in this research.

Prior to recruitment, letters were sent to everyone on the sample informing them that they may be telephoned by an Ipsos MORI recruiter, and giving them the opportunity to ‘opt out’ of the research before recruitment began. Discussion guides were used to direct the discussions. These were produced in consultation with PDCS and can be found in Appendix B and C of this report.

1.5 Interpretation of the findings

Qualitative research is illustrative rather than statistically reliable and therefore does not allow conclusions to be drawn about the **extent** to which something is happening. Discussion groups, such as these, enable a cross-section of the public to participate in an informal and interactive discussion. This approach facilitates deeper insight into attitudes underlying the ‘top of mind’ responses to quantitative studies.

Due to the wide ranging nature of the objectives, it was crucial to use qualitative discussion groups rather than quantitative interviews. Discussion groups are a generative process, which means that they allowed us to examine issues around retirement and pensions in a general, discursive way that made sense to participants. They also have a dynamic element, where people find it easier to make recommendations in the presence of their peers than in a one-to-one situation (where they may feel as though they are ‘criticising’ the interviewer if they criticise the questions, despite our expertise in avoiding this type of effect).

Due to the numeric limitations of qualitative research it is also important to acknowledge that the findings from this research should not be taken to be representative of all PDCS customers of a particular type, or pre-pensioners within a particular income bracket. Specific opinions may indeed reflect local variations in experience of, for example, government interaction. However, they may equally reflect the make up of the groups and the types of people who attended.

Where possible, verbatim comments from the discussions have been included within this report. However, these comments should not be interpreted as defining the views of the discussions as a whole but have been selected to provide an insight into a particular body of opinion. This study has been carried out by Ipsos MORI in compliance with the Market Research Society (MRS) Code of Conduct.

2 Views of retirement and being a pensioner

Summary

- There was apprehension amongst participants who have not yet retired about what retired life would be like, often based on a fear of the unknown.
- Many of those who are still working are reluctant to start thinking about retirement, particularly if they work in well paid jobs and feel valued.
- Those who have had to give up work due to ill health feel a sense of resignation that retired life will be a continuation of what for most is a poor standard of life.
- Those who chose to retire are more positive; retired life is often better than they thought it would be as they have the freedom to pursue hobbies and interests.
- There was negativity toward the word ‘pensioner’; as it does not describe participants’ life, nor what they aspire to be if they have not yet retired. There was much more positivity associated with ‘retirement’.

2.1 Introduction

Across both waves of the research, we discussed images and associations that participants have with, firstly retirement, and secondly being a pensioner. We also discussed what participants base their views on, and whether they have changed their opinion in recent years. We were keen to understand how they envisage their own retirement will be, and what plans they had made for it (or, in the case of those who had retired, what their experience of it had been) and, for those that were still working, whether they plan to retire gradually or suddenly.

The key variable that informed attitudes to retirement was whether participants had retired or not. This was a more important consideration than age; for example, many retired participants in their seventies in the first wave gave similar responses to women in the second wave who were in their fifties but considered themselves retired. In addition, those in the deferrer groups that were still working full time, despite being older than SPa, had similar views to pre-pensioners who were still working.

2.2 Views of retirement – those still in work

In terms of those who had not yet retired and were still working, one of the key themes that came through when discussing the idea of retirement was **apprehension**. Retirement was seen as an unknown quantity; participants were unsure what they would do when they retired, and how they would replace the void created by not working.

‘I would rather have a full working life. I find it hard to come to terms with retirement.’

(Male, deferrer, Birmingham)

10 Views of retirement and being a pensioner

There was a feeling amongst those still working that they were defined by their work, and that the removal of their job was the removal of their identity. Such feelings were particularly the case for those working full time, and in more affluent financial situations.

Many participants saw themselves as at the zenith of their profession; not necessarily in managerial terms, but that they had built up so much experience that they felt indispensable. One software analyst talked about how she felt that management were opposed to her retiring:

'My manager wants me there until I'm 75 – in my case it's because of the knowledge that I've got. It would take someone ten years to get to my level. If I mention retirement I know it'll fall on deaf ears.'

(Female, deferrer, Birmingham)

Across the groups, a trend emerged that those who felt valued in their profession were the least keen to retire. This was not solely those in high paid professions; many workers who were in skilled trades enjoyed imparting their knowledge and wisdom to younger members of staff. However, when changes had occurred that had altered how participants felt valued by their organisation, there was less positivity towards their work:

'I don't enjoy it now – I used to have responsibility and be in charge, but now I'm part time I had to go down. I only work for the money...would love to pack it in tomorrow if I could.'

(Female, low paid employment, Doncaster)

It is also true, however, that those participants who felt indispensable, or highly valued, were likely to be well-paid. Many felt that they had worked hard, for many years, to get to their current salary position, and that there was little point giving this up if they were still able to continue working.

For others the absence of responsibility made them quite happy to continue working. Some had retired from their main profession, then taken up another, less stressful job, and enjoyed it much more. One participant in Bradford had taken early retirement, then, out of boredom, found work in a printers:

'I work in an office, youngsters all around me, driving me mad at times, but keeping me going, and I get on with them all very well. I don't have an important job, so I don't have as much stress as I used to do, two years ago, so I'm quite happy to carry on.'

(Male, pre-pensioner, Bradford)

Indeed, the above quote touches on another key factor; that of companionship. Many pre-pensioners that were still working enjoyed work because it kept them in contact with people that they might not normally have contact with outside of their social sphere. The ability to socialise was key for many, and it was underpinned by a fear that, post retirement, such an ability would be taken away from them. Fear of isolation, and loneliness was a key reason to still be working.

'I think it is a worry that when you retire that you are going to miss the buzz of work, you are going to miss the stimulation of work. Okay, you will spend more time perhaps with husbands or wives but it's not the same.'

(Female, pre-pensioner, Coventry)

In addition to the emotional benefits of working, financial considerations were also of paramount importance, and this ties in with the point made earlier about having a fear of the unknown; participants felt that retirement in general was an unknown quantity, as was the knowledge of how

much money it was necessary to have accumulated prior to retirement. As many were planning holidays and other expensive leisure pursuits for their retirement, there was a need to save as much money as possible.

Furthermore, many were unsure about how long they would live for, and felt that advances in medical technology meant that they would live much longer than their parents. Thus it was important to continue to work, irrespective of whether it was enjoyable or not, to save up for a retirement which would start later, and last longer, than they had anticipated when they were younger.

In addition, a surprisingly large number of participants felt that retirement would actually be detrimental to their health. This was often based on apocryphal stories they had heard of people 'dropping dead' very soon after retirement. Many felt that their health would suffer if they stopped leading active lifestyles. However this was based on expectations that their life would be much less active after retirement.

'I know an awful lot of people who, when they retire, don't last that long. I think with so many people it's the fact that they're taking away their reason for life. All their life they've worked hard, had to get up to go to work etc. And all of a sudden, at the flick of a switch, it doesn't exist.'

(Male, pre-pensioner, Coventry)

2.3 Planning for retirement

Another issue that was raised, which the above quote touches on, was the desire, where possible, to retire gradually. Many wanted to 'ease themselves in' to retirement, to prepare for what they felt would be an abundance of free time, to prevent being shocked by a sudden, immediate realisation of what many saw as an irreversible life event:

'In a perfect world it would be better if you could work four days a week for a year starting at 60, and then go down to one day a week...when you come to retire you're used to your spare time.'

(Male, pre-pensioner, Bradford)

Much of the apprehension around retirement tended to stem from having to unexpectedly retire earlier than planned, or being ill-prepared for retirement (whether the point of retirement was planned or not). It seemed crucial for those that were still working, many of whom had made few plans for their retirement, to make sure that retired life will be based on the positive attributes of the word (leisure, the pursuit of hobbies, etc.) rather than confirming their concerns that they might be bored, lonely, and insolvent. Thus, preparing for retirement was, quite simply, working as long as possible.

'If I could retire financially safe and sound I'd like to do a lot of travelling. Anywhere and everywhere.'

(Male, low paid employment, Newcastle)

This view of negativity towards their own retirement was not universal, however; there were a minority of those still working who were not averse to retirement as an idea; many saw it in glowing terms;

'It's re-tyrement; putting new tyres on because you're starting afresh.'

(Male, deferrer, Birmingham)

2.4 Views of retirement – vulnerable groups

'Retirement – the hours are good, but the money's rubbish.'

(Female, CA, out of the labour market five to ten years, Newcastle)

Those participants in the vulnerable groups who were lone parents, and those out of the labour market, tended to have a less positive view of retirement, and their opinion was based on a resignation that retired life would be very similar to the life they currently lead:

'Retirement is a beautiful word, but it ain't like that. I know very few people who are happy in retirement.'

(Male, IB, out of the labour market for three to five years, Doncaster)

Many of these participants classified themselves as ‘semi-retired’, or retired through ill health. They used such terms because they did not consider themselves properly retired, as it was not a choice they had made, echoing a comment made in the first wave of the research:

'Normally people don't choose to retire – it's just forced on you in the end.'

(Male, pre-pensioner, Harrow)

For some individuals in the vulnerable groups, the definition of retirement was the removal of the physical ability to work, and to lead an active life, which is an occurrence which may happen at any age or life stage. For them, retirement started when they were no longer able to work, rather than when they reach SPa:

'If I can't physically do anything then I'm retired.'

(Male, IS, out of the labour market for three to five years, Birmingham)

For them, retirement was simply a continuation of how things currently were; they were on a fixed stream of income, based on benefits (in some cases including Pension Credit) or a small private pension, and were resigned to the fact that this will be their allowance for the rest of their lives.

Indeed, the key defining variable amongst this audience seemed to be health. Most had unemployment forced on them, generally through ill-health, though a minority were seeking to return back to work. Those on Incapacity Benefit (IB)⁴ and Disability Living Allowance (DLA) were especially negative to the idea of retirement; their experience of not being able to work was that they were bored, unable to be active (financially or socially) and they wished they were still able to work.

The group most negative to the idea of retirement were those who, though older than State Pension age, were not entitled to the full amount and were also receiving Pension Credit. Many had quite advanced, debilitating illnesses which limited their activities, and meant that they were not able to undertake employment:

'I don't enjoy retirement. I'm retired because I have to retire. I have arthritis in both arms. So I'm limited now. I just watch TV. Walk up and down to get some exercise.'

(Male, low income group, Birmingham)

⁴ Since October 2008, IB is no longer available for new customers. New customers would be assessed for Employment and Support Allowance.

The experience of retirement amongst this group was similar to the concerns about what retired life would be like amongst some of those still working. Additionally, some of those who had been afflicted by illnesses preventing them from working felt that they had been doubly disadvantaged; they were both unable to work, and unable to pay sufficient National Insurance (NI) contributions to receive a full State Pension. Therefore, they were particularly unhappy.

However, amongst the potentially vulnerable groups those that were more positive about retirement were those who were still physically able to work, which tended to be those claiming Income Support (IS), Carer's Allowance (CA) or Jobseeker's Allowance (JSA), as most will still have the physical ability to pursue hobbies and pastimes when they retire, despite their restricted incomes. Some participants in these groups were still able to work, but some claimed to have had trouble getting back into employment (either their old profession or something new) and frequently attributed this to their age; specifically, other people's perceptions of what they were capable of, which was felt to be unjustified:

'At 60, you're put in a corner and forgotten about.'

(Female, IS, out of the labour market prior to SPa, Swansea)

'I try to get jobs but they ask how old you are and you say "55". Never going to get anywhere.'

(Female, lone parent, Newcastle)

Others, however, had a more positive view of retirement based on their experience of it. One participant in Birmingham had taken early retirement (with a private pension) to care for a partner, and, because of his eligibility for CA, was invited to take part in this research. Perhaps due to both his financial security, and the fact that he had chosen to retire, his experience was different to others in the group:

'Illness – that hasn't happened to me yet. I'm aware that over time this will happen. Since I quit, I get up when I want to, I don't wear a watch, time doesn't matter to me any more. Now I'm not at work I do what I want to when I want to.'

(Male, CA, out of the labour market for three to five years, Birmingham)

Other participants that claimed CA were less positive towards the prospect of retirement based on the fact that they felt that they had not retired, as they were still caring, and they will continue to have to do so indefinitely:

'As long as my daughter's the way she is I don't think I'll ever retire.'

(Female, CA, out of the labour market for five to ten years, Swansea)

In addition, there was unhappiness amongst these participants that CA stops when they reach SPa, as their work as a carer will not. A lack of understanding around the fact that both State Pension and Carers Allowance cannot be paid together, (only the higher of these two can be paid), causes some of this unhappiness.

2.5 Views of retirement – those who had retired

Aside from those in the vulnerable groups (many of whom had retired early through ill health, rather than as a result of an active decision) around half of the participants in the first wave of the research had retired through choice, and had a markedly different view of retirement from the rest:

'You know how you have milestones in your life – well I see retirement as a milestone where you start a different type of life.'

(Male, State Pension customer, Bradford)

Many of these participants talked about the anxieties they had felt towards retirement prior to retiring, but, once they had done so, found that they were able to lead just as active a lifestyle as they had done before, and were divested of the pressures associated with work:

'I was afraid of retirement...I was in retail before. The thing I liked most was meeting customers and talking to people. I missed work terribly, but freemasonry gave me an outlet. If I want to I can go six days a week. I wouldn't ever find time if I wasn't retired.'

(Male, State Pension customer, Harrow)

Those who were likely to be more positive about retirement were those who were more affluent, and those who were still in good physical health. After a period of adjustment, they found that they were able to enjoy their retirement, and lead active, fulfilling lives; taking up new hobbies, or being able to dedicate more time to existing ones. One of the key drivers of positivity was that many had been able to ‘wind down’ to retirement, by tapering down their hours before they retired fully. By doing so, they were able to start preparing for retirement by being gradually shown the benefits of replacing their time with alternative pursuits, rather than building up anxiety about a sudden cessation of work.

One point that retired participants were keen to make was that they did not see retirement as the end of their working lives, but the start of their active retirement. Furthermore, retirement should be seen as a transition process, rather than a transition point, and what had scared them prior to retirement was the focus on the actual day of retirement:

'People can't accept the fact that they've retired. They can't accept that it comes to Friday that's it, they're finished, thank you very much, there's your gold watch. Don't call us, we'll call you.'

(Pre-pensioner, Coventry)

2.6 Views around becoming a pensioner

Across all groups, words and images that were associated with ‘pensioner’ were much more negative than those associated with the word ‘retirement’. It was felt that the word ‘pensioner’ is used to describe someone who is elderly, and in poor physical health. In addition, a ‘pensioner’ is someone who solely exists on a pension, and is unable, because of their age, to work:

'The image that comes to mind is the road crossing symbol of a person bent over a stick with a hump.'

(Harrow, State Pension customer)

For many participants, ‘pensioner’ conjured up images of how pensioners were when they were younger. Many of the images presented were outdated, and archaic (for example, ‘tea dancers, ‘socks and sandals’), and did not reflect how participants see themselves now. Many thought that life was difficult for older people in decades gone by, and remembered feeling sorry for pensioners. They were reminded of people who lived very frugally, and had to scrimp and save to get by.

As such, even those that claimed State Pension did not identify with being a pensioner, and did not refer to themselves as ‘pensioners’. The images that came to participants’ minds when they thought of the word ‘pensioner’ belonged to a bygone era, and it was felt that the word should too:

‘Pensioner is a word that should be banned.’

(Bradford, State Pension customer)

‘It always applies to other people.’

(Bradford, State Pension customer)

One of the reasons for this was that some in the groups felt that it was too soon for them to be labelled as pensioners, even when reaching SPa, as, because of improvements in healthcare, and, by association, life expectancy, those around SPa are much healthier than those of a similar age when they were younger. Participants associated the word ‘pensioner’ with the generation above them, those in their 80s or older:

‘We’re the same age as how we used to think of pensioners, but we’re younger in our minds.’

(61 year old, low paid employment, Doncaster)

‘I’m 69 and I don’t think of myself as a pensioner. I don’t think of myself as 69.’

(Coventry, State Pension customer)

‘I think being a pensioner is when you can’t do the things you used to when your body gives up. Before that, you’re pension-age, but not a pensioner. I know one day I will be.’

(Coventry, State Pension customer)

Some participants did, in some respects, identify with the word ‘pensioner’, and this tended to be those who were older than SPa and living off Pension Credit and other state benefits. Interestingly, though they recognised the negative connotations identified by others, they were also quick to mention some of the benefits of being a pensioner, including free travel on public transport, and other discounts. There was clearly a refusal to identify with some of the characteristics of what a pensioner was. This may have been because it was reminiscent of mortality, and an inevitable decline, but there were other reasons, too.

Some participants felt that pensioners were not treated with respect by those younger than them, who are impatient with their relatively slower pace of life. Again, this was a distinction borne from experience; participants had themselves been impatient with pensioners when they were younger, and were concerned about being treated the same way themselves. Other, euphemistic terms were much more preferable to the word ‘pensioner’; ‘senior citizen’ being the favourite:

‘I think a pensioner was seen before as elderly, infirm people. But a senior citizen, they’re seen as quite lively and have hobbies.’

(Pre-pensioner, Coventry)

16 Views of retirement and being a pensioner

The images and associations with the idea of being ‘retired’ was much more preferable to those of being a ‘pensioner’, as they conjured up images of activity and action. For many, it was a much more modern word than ‘pensioner’, or, at least, it conjured up more modern ideas about what later life is like. Participants wanted to look forward to a retirement, rather than have to tolerate life as a pensioner:

‘Pensioner sounds as if you might be bored, but retired life doesn’t sound as if you might be.’

(State Pension customer, Bradford)

‘The words around retirement are all aspirational. The words we gave you about pensioner are all much closer to reality.’

(Male, CA, out of the labour market for five to ten years, Birmingham)

3 Financial planning for retirement

Summary

- Most felt that they were capable of living within their means before, and after, retirement.
- It was felt that key financial planning should take place prior to retirement, leaving only the need to budget in the short term once retirement is reached.
- For those that were still working, the continuation of their work is key to financial planning, as it unlocks more possibilities for their retirement.
- Those who are potentially vulnerable are willing, but unable, to save due to the small amounts of money coming in. However, the recession has had little impact.
- Most affected by the recession are those still working, and homeowners.

3.1 General views of financial planning

Across the groups, there was a sense that financial planning for retirement was, or should be, an ongoing pursuit, and that it was a continuation of the financial planning that was done during working age. There was also a feeling that it was far more important to prepare for the emotional aspects of retirement, as participants felt that they came from a generation that were naturally good at financial planning. Key to this was the idea of 'living within their means'. Most participants felt that, because they do so, this makes them good financial planners.

For those who had not yet retired, and still enjoyed working, the need to continue in their employment for as long as possible was the key to financial planning. This was, as mentioned earlier, through fear of the unknown, and also because participants did not feel that they currently have enough savings to be able to afford the type of retired life that they want:

'Will I have enough money to last my lifetime?'

(Female, high income deferrer group, Birmingham)

Those who had retired, whether through choice or not, felt that they were better at budgeting than they had been during their working lives, but also that it was easier to budget, as they had fewer outgoings, and because their income stream was now fixed:

'I think we're aware now that what we've got is all we're ever going to have.'

(Male, State Pension customer, Bradford)

For those that had chosen to retire, retirement was a more financially stable time, as many had paid off their mortgage, no longer had children to bring up, and did not need to buy as much petrol, etc. Those that were older than SPa also mentioned the travel discounts they received, through the much coveted 'Freedom Pass'. Some that were still working had started to notice a 'relaxation' in terms of their finances due to some of these discounts.

18 Financial planning for retirement

There was a difference identified between small and large scale planning; it was felt that large scale planning for retirement should happen in the years leading up to retirement, which means that, upon retirement, the only planning that needs to be done is at a micro level (for example, weekly shopping budgets, utility bills, etc.):

'It's all planning ahead so that when you get to retirement to a certain extent you've still got to think ahead, but in a different way from the way you've done it before.'

(Male, State Pension customer, Harrow)

There was also a difference between financial planning (which most felt comfortable doing) with financial decision making. There was anxiety from some that, by making decisions about their pension age finances, they would be unable to change the options they had chosen.

For many in the vulnerable groups, saving was simply not an option. They did not feel that the income they currently received was enough to allow them to get by, nor that they had been able to take advantage of the increase in the value of homes, as few actually owned their own homes:

'I am getting the sick pension and I am just surviving. The money is not there to put on the side. But thank God that I am surviving because of the sick pension.'

(Male, low income group, Birmingham)

Life for these participants was currently focused on the short term; the ability to get by from week to week, and future saving was neither practical nor possible. Many of those currently receiving benefits paid fortnightly said that they budget on a weekly basis.

Some participants had partners or friends who were claiming a pension, so had an idea about what they needed to save based on what their income would be after they reached SPa. Some participants reacted negatively, not to the idea of saving, but to the ability to save, because they had been forced to use their savings since they became unemployed. For them, saving now, in any tangible sense, was unachievable as they felt that their money was spoken for.

Many actually took this a step further, claiming that it was not in their interest to have savings or private pensions, as they believed these would be taken into account when their benefits were being calculated, and would affect such benefits. There was a sense that they wished that they had not saved, either informally or through a private pension, during their working life, as they were penalised when they had to rely on the state due to the inability to work.

'We are having to pay our Council Tax with my husband's pension, so what we thought was going to make our life a bit better has not.'

(Female, IS, out of the labour market for three to five years, Doncaster)

During their working lives participants in the vulnerable groups had been able to put more money aside, but were less concerned with saving it. However, since retirement, the opposite was true, and those who had had to retire unexpectedly found it particularly difficult to adjust.

In this regard, those who were in low paid employment stood out from the other vulnerable groups, as they were still able to put money aside. However, as few had made formal retirement plans, this was not retirement money as such, but informal savings for unexpected expenditure. There was little difference between those out of the labour market, or lone parents, in terms of retirement planning (or lack of).

Some participants identified a need to have contingency money which would never be used for luxuries, but kept aside in case of emergencies, such as badly-needed repairs. However small an

amount this was (often no more than a few hundred pounds), it was necessary to keep it to one side, and use it as a source of reassurance.

One of the key reasons why participants felt that financial planning was difficult was that the world of pensions and benefit entitlement changes so often as to sometimes render plans obsolete. This was felt particularly acutely by women who were in their late 50s⁵, and who had received letters telling them that they would not be able to retire at 60:

'You can buy books and everything else on pensions, by the time your five years are up there's another book written about it because they've changed everything.'

(Female, State Pension customer, Harrow)

However, there was also a sense that some participants were looking for an excuse to postpone their retirement planning, because of anxieties about retirement discussed in chapter one. There was an unwillingness amongst some to make formal long term provisions, as to do so was to acknowledge the fact that SPA was approaching.

53 year old female: *'It's too far ahead, its 7 years ahead.'*

63 year old male: *'It's not! It's closer than you think.'*

(Doncaster, out of the labour market for three to five years)

3.2 Impact of the recession

The first wave of the research was conducted at a time when the term ‘credit crunch’ was starting to become popular, and the second wave was conducted at the end of the recession.⁶ In the first wave, there was a feeling of uncertainty about what was going to happen to the banking system in the future, but a sense that State Pensions would always be safe, as the government would not collapse in the way that Northern Rock did.

Responses in the second wave of the research were shaped by the recession to a much greater extent; indeed one or two participants had lost their jobs as a direct result of it. However, as many participants had only a small amount of savings, there was less of an impact than would have been seen with pre-pensioners still in work. Some participants had been indirectly affected, for example, children had come back to live with them, or they had noticed prices going up, but as their money came in and went out again each week very little had changed:

'Yes, my shopping bill has gone up, but not drastically and not to the extent that I can't afford it.'

(Female, low income deferrer group, Birmingham)

For those that still were working, the recession merely confirms their belief that they will have to work as long as they possibly can:

'I planned to retire next February but might not now.'

(Female, high income deferrer group, Birmingham)

⁵ The SPA for women born on or after 6 April 1950 is increasing to 65 between 2010 and 2020. From 6 April 2020 the SPA will be 65 for both men and women.

⁶ The recession officially ended in January 2010 after positive growth in the final quarter of 2009. Economic optimism, as measured by Ipsos MORI’s Political Monitor, was -51 in November 2008, and had climbed to +7 in March 2010.

There was a belief among participants that the recession would not affect the State Pension, Pension Credit and any other benefits. Whatever participants thought of the government, and the fairness of the system that provides for them in old age, they generally believed that their money was safe, and they trusted that the state would be able to provide for them, at least at a basic level. However, a minority disagreed;

'There's a part of me don't even think I'll get a State Pension because I don't think the country will be in a position to pay State Pensions.'

(Male, low paid employment, Doncaster)

The general consensus was that, though the recession will hamper their ability to save on the high street, it will not affect their State Pension. However, it was felt that it is future generations of pensioners who may suffer, as their State Pension may not be guaranteed, and because participants felt that their generation is much more careful with their money than younger generations.

4 Knowledge of State Pension and other products

- Pre-pensioners had little understanding of State Pension amounts and low expectations of the State Pension as an income stream.
- For many, expectations of State Pension are based on their experience of what previous generations had been paid. When told what the basic State Pension was, most were pleasantly surprised.
- The more affluent a customer was had a direct impact on the breadth of investigation into pension.
- For those eligible, Pension Credit seemed to confuse the issue; many men simply thought they were claiming their pension early.
- Participants in the vulnerable groups had few expectations that their finances, and income, would be any different after SPa.
- Of those who might be able to take advantage of deferral and working past SPa, there was positivity, but also confusion (borne of mistrust) about what benefit this holds for the government.

4.1 Pre-pensioners in employment

Across all groups of pre-pensioners, there was relatively low understanding of State Pension entitlement amounts, and little thought had been put into what this money would be used for when SPa was reached. For those still working, and particularly those in higher income bands, there was an indifferent attitude towards the State Pension, and a belief that savings and private pensions would be the key means of income when they decide to retire.

Indeed, it seems almost contradictory that pre-pensioners would put such emphasis on the need to work past SPa because the money was needed, whilst knowing very little about their State Pension entitlement amounts:

'I probably know about 45 per cent or 30 per cent of what I should know. I've got some vague ideas and I know I have to ask questions, I haven't quite done it yet.'

(Male, pre-pensioner, accountant, Harrow)

This indifference seems to stem from very low expectations about actual amounts. For many, the State Pension solely exists to make sure that pensioners are able to support themselves on a very basic level:

'Two layers – for the lifestyle I want, it's my problem, for a basic safety net so I don't starve, it's the government's problem.'

(Female, pre-pensioner, Harrow)

Others were slightly less pessimistic about what they would be able to do with the State Pension; though it would not be enough by itself to support them, it would help with, for example, utility bills. Some thought of the State Pension as contingency money, which was money that would only be spent on luxuries and emergencies, and not count towards weekly expenditure:

'It's more than pocket money and less than what's essential – somewhere in between.'

(Female, high income deferrer, Birmingham)

Another reason for this indifference stemmed from misinformation provided by family or friends. Many pre-pensioners formed their entitlement expectations from others who had retired; sometimes remembering the amounts that their parents had received, and had not adjusted for inflation. As we will go on to discuss, this highlights the importance of sending State Pension forecasts to pre-pensioners, to mitigate against incorrect assumptions forming the basis of their entitlement expectations. One participant, on being told that he would receive £152 a week (the amount that a couple received, according to the Directgov website), was pleasantly surprised:

'It's a lot higher than I gave them credit for.'

(Male, low paid employment, Doncaster)

For others there was a feeling that it was difficult to get this information from The Pension Service, even that they did not want to give this information out to the public:

'If they're still as evasive as they are now – I wanted to find out what I was due, as I've been working for 40 years paying full time stamps, and they tell me every time I phoned, every time I've gone online, it's "Oh, we can't tell you at the moment, there's a problem with the computer". They just don't like giving out information.'

(Female, pre-pensioner, Coventry)

However, many had a positive impression of The Pension Service, and this was especially the case where participants had been in touch with them directly. There was a feeling that they were more pro-active, and approachable than other government departments.

Many pre-pensioners who were still working had very little understanding of the exact mechanics of deferral; though they knew that they did not have to stop working when they reached SPa, some thought that they start receiving their State Pension from when they stop working, and were not able to accrue money in the intervening period.

Predictably, it was those who had chosen to defer who knew the most about this, and also knew the most about the two deferral options, namely claiming a lump sum, or claiming a one percent increase for every five weeks of deferral. There was, however, still some confusion around whether or not the lump sum was taxable. Again, there was general positivity from this group toward The Pension Service for helping them with their enquiries:

'I found them very good. Really, really helpful...told me how much I would get.'

(Male, high income deferrer, Birmingham)

Some thought that a ‘loophole’ was possible, whereby someone could be deferring State Pension but living off Pension Credit, indicating a lack of understanding that the calculation of Pension Credit would take into account a notional State Pension income:

'The State Pension wouldn't be that much better than Pension Credit, so why not defer for a year and get more?'

(Male, low paid employment, Newcastle)

There was also uncertainty about the effect that deferral had on income tax, but, when given this information, most pre-pensioners were positive about the system, and admitted that they would, if possible, take advantage of it. Those that were aware of the option tended to be those who were closer to SPa, and those who had made formal plans around retirement.

We also asked pre-pensioners about the benefits of working beyond SPa in terms of not having to pay NI from the age of 65 onwards, as well as the increase in the basic tax allowance. Those in the low paid employment groups were in favour of this, and many felt that it would help to justify the decision that they have already made to continue working past SPa. Again, however, there was confusion about exactly how the system worked, and whether the eldest workers would be penalised or not. Few had either thought about it or investigated it:

'The trouble when you get involved in a scheme like this is they start bringing in an age equation in that like if you're 65, then you go to 66 and it comes down so many percent and when you go to 67 it comes down so many percent again, you have to be a bit careful here.'

(Male, low paid employment, Doncaster)

4.2 State Pension customers

Though, as is to be expected, there was much more awareness about entitlement amounts amongst existing State Pension customers. There was also agreement that the amount was not enough to live on:

'And if we're all honest about it, if you're just on your State Pension, it just looks after about your heat and your light and your rates.'

(Male, State Pension customer, Coventry)

'It's a shock how much the State Pension is – if the state expects you to manage on it they need to realise that you can't.'

(Female, State Pension customer, Harrow)

Customers admitted that they had experienced some of the confusion expressed by pre-pensioners prior to retirement age. Moreover, some of them still harboured confusion about entitlement, and the reasons behind their allowance. This seems to have been compounded by receiving different payments, such as benefits that they were still entitled to, including Pension Credit:

'I simply don't understand all the bits I get, and it's never been explained to me, and to try and ask The Pension Service why you're getting your bits and pieces would be a total waste of time, even if you can get through to anyone.'

(Male, State Pension customer, Coventry)

One of the main complaints amongst State Pension customers was that pension age benefits needed to be claimed, as opposed to the government proactively putting the claim through automatically. This added to a feeling of suspicion amongst some, and, as discussed, this was also the case for some pre-pensioners:

'I'm sure there's an awful lot of pensioners who are missing out on an awful lot of money simply because the information is not forthcoming. A lot of benefits that people are entitled to, they have to be applied for. I think again that is also immoral. If people are entitled to it, the government should say you're entitled to such and such a benefit, here it is. You shouldn't have to apply for it. This is the way the government's saving money.'

(Female, State Pension customer, Coventry)

The combination of a lack of awareness, and not being able to find things out, instilled an animosity towards government ‘secrecy’ around pensions entitlement. This seemed to be more prevalent amongst those who were less affluent.

Many of those who were more affluent, and had private pension provision, had looked into their State Pension entitlement in conjunction, and felt better informed prior to SPa about what they were going to receive. However, this often created an additional level of complication, as many had to take into account different jobs, investments, savings, and other contributions, which resulted in quite dense information being sent through to them about their State Pension allowance. However, once they understood it, most were satisfied:

‘I don’t feel as if I could start from scratch and work out how they got the figures, at least it’s nice to know that they’ve listed in all these different things and they’ve taken notice of the stages in one’s earning life.’

(Female, State Pension customer, Bradford)

4.3 Vulnerable groups

Pre-pensioners who were not in work also had very low understanding of State Pension allowance and entitlement amounts. There was little variation between the different vulnerable groups in terms of knowledge of State Pension, though those aged 55 or younger had a particularly low knowledge.

Like those who worked, there was a sense of indifference towards the State Pension, but this was generally because few thought that they would be in a better financial situation after SPa. Friends and family were a key source of information about pension provision for vulnerable participants, indeed, more so than for those who are working, who were more likely to consult colleagues, private pension providers, or even seek financial advice.

Though some vulnerable participants believed that their income would not differ when they reached SPa, one group were particularly concerned about this, and felt that State Pension would be much lower than the benefits they were currently receiving. Again, there was no understanding that Pension Credit exists to guarantee a minimum income from the age of 60 onwards.

‘Because of illness, everything I’ve got [accrued State Pension] will just go back into the system.’

(Male, out of the labour market for five to ten years, DLA, Swansea)

Some participants felt that their State Pension allowance, which had been lessened by the fact that they had to give up work early, would be lower than the benefits that they currently receive. Thus, they felt particularly unlucky, and had no idea of the availability of Pension Credit. The case study below shows how important it is for those who were financially vulnerable to get the information they need to ensure that they do not slip through the net into poverty.

Case study – Elizabeth, female, low income, no entitlement

A lack of knowledge about Pension Credit leading to severe difficulties

Elizabeth was informed that she was not eligible for State Pension due to not having paid enough stamp, but was not told that she would be able to claim Pension Credit instead. As such, she was left in a very vulnerable situation, and felt The Pension Service were responsible, for simply not telling her of the existence of Pension Credit.

'I have got a disabled child so I didn't go out to work and my whole life revolved around my husband's job, retirement was never an issue. Then suddenly, he got a brain tumour and he was unable to work and so we were plunged into this depth of despair where we were about to lose the house and everything. Absolutely distraught.'

My husband was actually sacked from his job because of ill-health and we continued to live off our savings while he was hopefully going to try and find another job until eventually he was told that he would never work again. And we lived off our savings and then our daughter started paying the mortgage for us and buying our food. We didn't know what to do.

'We were just desperate and in the end my husband went to the Citizens Advice Bureau about Council Tax and then we were just about to put the house up for sale for funds to survive on, and this guy walked up our path and he said he was from the Department for Work and Pensions. We don't know where he came from, we are just assuming that Citizens Advice Bureau must have contacted them, and he just completely took over.'

'Looking back at it now, I think the guy that I spoke to on the phone, from the Department for Work and Pensions who explained to me that by being a foster mother I didn't pay a full stamp ...I think he should have picked up on the fact that my husband was on sickness benefit and that we would have needed help of some sort, but we didn't. Three years into Pension Credit we are financially better off than what we were when he was working.'

Clearly there is a sense that the full circumstances of this participant were not, at least in the first instance, taken into account. She clearly felt that she should have been told how her lack of eligibility for State Pension could have made her eligible for Pension Credit. She had been under the impression that if there was a benefit that she was eligible for, then she would have been told about it.

Indeed, knowledge of Pension Credit was also low for those that had not yet turned 60. Most younger participants in these groups thought that their benefits would remain as they were until SPa. Additionally, those who were claiming it were unsure whether this was their State Pension or not; some were surprised to be claiming their 'pension' five years early.

Some had a vague awareness, based on what they had been told by PDCS or by family and friends, that such a benefit was available, but knew little more than that. For men, especially, there was particular confusion around Pension Credit, as they were not expecting any pension age benefits until they reached 65:

'I worry about losing my incapacity. My credit will be stopped but will be topped up at some stage but they haven't explained how they're going to do it. Hopefully when I get more information I'll be a bit wiser. They told me to phone two months before my 60th birthday, but I can't get through because it's so busy.'

(59 year old male, IB, out of the labour market prior to SPa, Swansea)

As stated, generally, amongst these participants, there was a resignation that retired life would be similar to the life that they currently lead. In a sense, whether or not their State Pension was slightly more or slightly less than the benefits that they currently receive, they were used to being careful budgeters, and, as their behaviour will not have to change, the amount is irrelevant.

Despite a low awareness generally of State Pensions, there was annoyance among women affected by the delaying of their SPa. Even though, because of the ages of our participants, this postponement was usually only for six months, there was a feeling that they were being denied money that was 'owed' to them due to the length of time they had been working for. There was also, for the very youngest, confusion about exactly what age they would be able to retire at:

'I'm gutted that they're making me work until I'm 65. I would have liked to have retired at 60, I paid into my pension.'

(Female, low paid employment, Doncaster)

There was a feeling amongst those claiming working age benefits that The Pension Service would get in touch when the time came to claim for State Pension. Indeed, some thought that such a claim was unnecessary, as the government was already in possession of their details. Few thought that it would actually be necessary for they themselves to claim, or to initiate the claiming process:

'They already told me when I'm getting my pension but I didn't know I've to apply for it. If they already know when I'm retiring why can't they give me my pension?'

(Female, CA, out of the labour market for three to five years, Swansea)

Those claiming benefits had very little to say around deferral, and the tax incentives of working beyond SPa. Most claimed to be unable to find future employment through physical limitations, or because they had been out of work for so long, or because of their age. For these participants, being told that there were financial advantages to working beyond SPa seemed inappropriate.

There was also confusion about the option to defer; some participants wondered if Pension Credit could be deferred, due to confusion between this benefit and State Pension. In addition, as many participants live in, and budget for, the short term (often weekly), the idea of putting off a financial payment seemed, not only unworkable, but unwelcome; most preferred the idea of receiving their State Pension when it was due to them:

'I'm a great believer in 'get it while you can' as you don't know if you're going to be here next year.'

(Male, Pension Credit, out of the labour market prior to SPa)

There were some, however, for whom this information was of great interest. This tended to be those women in their early 50s, who had not been out of work for a great length of time, or who felt physically able to go back to work. For them, the ability to defer, coupled with the tax and NI benefits of continued work, might well be enough to 'swing the balance' and persuade them back into work. Key, as ever, was getting the information through to them before they become accustomed to life without work:

'It would probably make a difference if I looked into it more.'

(Female, out of the labour market three to five years, Doncaster)

In general, those in the vulnerable groups were doing very little to prepare themselves for retirement, and had taken few steps to source formal information on pension provision, or rely on more than preconceptions and assumptions around what retired life would be like.

5 Communication and interaction with government

Summary

- Pre-pensioners **wanted** frequent pension statements to be sent out to them but were less interested in lifestyle information accompanying this.
- Different information should be sent at different times; it was felt that some information can be sent around ten years before SPa.
- Information should be targeted to the needs of particular audience, rather than sent to all.
- There is a possible need to separate lifestyle information from the DWP brand, and possibly link it to The Pension Service, which is more positively viewed by the public.
- Face-to-face communication is preferable, certainly for making the initial claim.
- The internet is used by some for background information, but none would use it to claim. Those who are in full time work are more likely to use the internet.
- Written information should be concise, clearly worded (avoiding jargon) and not be patronising or try to glorify retirement.

5.1 Frequency of communication

Broadly, there was consensus across the groups that the more frequently that information about pensions is sent through, the better. Many of those who had private pensions mentioned that they received regular, often annual, statements about their pension amounts, and felt that this was an approach that could be rolled out to State Pension customers:

'The Post Office is very good because each year you get regular statements of exactly what you're going to get based on the length of service.'

(Male, pre-pensioner, Harrow)

In terms of **when** to send information, participants felt that it was best to communicate more than once. Some felt that general information, and an initial estimate, should be sent through around ten years prior to SPa:

'At different stages in your life you need different information about pensions.'

(Female, high income deferrer, Birmingham)

Following that, much closer to SPa, more up-to-date information, detailing exactly what the entitlement was, when it starts, and what action was needed from the addressee should be sent. If necessary, this should contain language that made it clear that action was required:

'I think probably two years before and it ought to state something like, not in these actual words, but unless you actually follow this up and get advice on this it may result in a loss of income.'

(Female, Citizen's Advice Bureau (CAB) volunteer, DLA, Doncaster, out of the labour market for three to five years, Doncaster)

Not all participants agreed to the idea of sending initial information as long as ten years prior to SPa, as they felt that entitlement and amounts might change in the intervening years. Some felt that this should be sent around five years prior to SPa:

'After ten years the goalposts will be moved all over the place.'

(Male, low paid employment, Doncaster)

One of the main issues for vulnerable groups was that information around pensions and benefits was often sent out from different departments (for example, DWP, Her Majesty's Revenue and Customs (HMRC)). This was felt to be confusing, as few had any understanding about which benefits were affected by State Pension, and which were affected by Pension Credit.

Participants felt that such information should be collected together, on one sheet, if possible. This would provide a summary of what benefits and pensions an individual was entitled to, and the sum total of their entitlements.

5.2 Channels of communication

Throughout, most participants expressed a preference for face-to-face communication when it came to claiming State Pension. Those who had experience with organisations such as the CAB, or Age UK, felt that this was an ideal example of how things should be done, as they could visit their local branch and discuss their particular circumstances with a representative. However, some also accepted that face-to-face communication was not always practical.

Participants were vociferous in relating bad experiences with telephone enquiries, particularly when they had to get in contact with someone in another part of the UK, or be held in a queue. Many accepted that communications would be sent through the post, and saw this as the best way of reaching people, but also accepted that others would be tempted to put the information away to one side.

Participants also expressed a lack of confidence in their ability to make financial decisions, and concerns amongst those working that they would be 'locked in' to a pension once they start claiming. The need for reassurance around this was one of the reasons that a face-to-face channel of advice was preferable.

Internet use was low across the groups, and mainly depended on occupation rather than age. Internet use tended to fall across two categories; those who used computers as part of their job, and also those who had been out of work for some time, who had discovered the internet as a hobby. However, a large swathe of both pre-pensioners and customers were not comfortable with even accessing the internet, let alone using it as a source of information. For the few who were aware of it, Directgov was well received, though there were some concerns about navigability, and the number of clicks necessary to find the relevant information.

Alternatively, many participants were positive about the idea of leaflets being made available in public places, such as Post Offices or CABs. These leaflets, it was felt, should be aimed at providing **lifestyle information** rather than financial information, and some felt that this was preferable to posting them to pre-pensioners, and including this with personalised financial information.

In terms of applying for financial services and products online, those who were regular internet users had often transacted online, and were comfortable doing so. However there was opposition from many about applying for a pension online, as it was felt to be far too important. A reluctance to do so was not because of the concerns about giving their personal details to the government; indeed

few were concerned about government departments sharing their personal data. Many benefits customers felt that this already happens, and **should** mean that their transition to State Pension is a smooth one. Concerns generally stemmed from putting their banking and account details into online portals, as many participants felt particularly at risk from online fraudsters:

'I pay my tax returns online. I use Directgov for looking for work, and my tax returns, but I wouldn't use it for pensions.'

(Male, low paid employment, Newcastle)

5.3 Content of communications

Across the groups, there was a feeling that general communications should be timely, and the information contained should be relevant and, crucially, up to date. As discussed, so much of the information about pensions came to participants from a variety of different sources such as friends, colleagues, family, etc. Therefore, it is crucial for definitive, personalised information to be provided which outlines key facts, including entitlement age, amounts, and how the calculations were made. Across the research, one word that cropped up often was the word 'concise'. It was felt that government communications in general were impenetrable, and written in language that is not clear to those who do not work in the civil service:

'If a sentence can be said in five words, why say it in 25...they give information to confuse you.'

(Male, State Pension customer, Harrow)

'I would like to be convinced that before any information comes out of any department that somebody has actually read it through and tried to make sure it's comprehensible. Because for the most part there's too much technicality where you don't need technicality and there's too little information where you need information. So in other words you've fallen short of what you're setting out to do in the first place.'

(Male, State Pension customer, Bradford)

Personalised information was preferable, and participants felt that this would make them more likely to pay attention to such information. This was more than simply the provision of their name or NI number; participants were keen that their individual circumstances and entitlements were grouped together, allowing them to see a 'net' result of their entitlement. This was particularly important for participants in the vulnerable groups, and likely to make them more inclined to start planning for retirement.

Many participants, across both waves of the research, felt that only factual, number-based information should be sent to those approaching retirement, and should not be unnecessarily 'cluttered' with lifestyle information. Participants seemed more interested in financial facts about pensions than recommendations about what retired life is like:

'It came through the door and said "You're going to be a pensioner soon, whatever, blah blah blah you will be given about £80."

(Female, pre-pensioner, Harrow)

As the above quote shows, there seems to be a tendency to skim over any information that does not directly relate to amounts. Participants across the groups told us that the sort of information they want to receive is formal, simplistic, and based around numbers. They were concerned that lifestyle information sent through to them would be irrelevant, or patronising. Most of all, they

were concerned with the ‘glorification’ of retirement. They reacted with strong dislike to the idea of retirement being sold to them, and featuring, as an example:

‘Those disgusting grey haired saga couples running around on a beach playing at being teenagers.’

(Male, State Pension customer, Bradford)

Participants tended to base their experience of communications aimed at older people on adverts and brochures and prepared by the private sector; examples such as mail-order catalogues, and brochures for package holidays were cited. The general style and content of such communications was felt to be inappropriate, as they were seen to show an unrealistic portrayal of what life for most retired people is like. Effectively, participants felt that they did not need to be told that they were approaching retirement age, as they felt that they were well aware of this fact:

‘As you’ll get older you’re aware that you’re coming to retirement and you figure it out yourself. You don’t need an agency telling you what it’s going to be like if you’re 65 or 60 and retire.’

(Male, pre-pensioner, Harrow)

However, in truth, there is a difference here between what pre-pensioners **want** and what they **need** in this regard. One of the reasons that participants seemed to react so strongly against ‘glossy’ lifestyle information being sent to them about retirement is that for many, the realisation that they were approaching retirement age was difficult to stomach.

Both pre-pensioners that were working and those in more vulnerable groups had anxieties about, in the case of the former, retirement, and, in the case of the latter, pensions provision. Clearly, communications to pre-pensioners should aim to at least address some of these anxieties, so that plans can be made prior to retirement and/or SPa:

‘I think pensions is official, government things. I think...lifestyle choices...that’s more to do with National Health Service (NHS) publicizing health and wellbeing and looking after yourself, keeping yourself busy. I think they’re two separate things.’

(Female, low paid employment, Doncaster)

As the above quote shows, there may be issues with branding, and how information around pensions is conveyed. Throughout the research, there was broad positivity towards the PDCS, as it was seen as a more giving, and friendly entity, but less towards DWP, which was seen as larger and relatively impenetrable, and (often through confusion with HMRC) seen as one that takes money, rather than one that provides it. It may be the case that lifestyle information is best sent separate to factual, numeric information. Or, if it is sent simultaneously in the post, it should be in separate documents, and perhaps branded differently:

‘The (DWP) logo makes people nervous. People feel intimidated and shove it away.’

(Female, CAB volunteer, DLA, Doncaster, out of the labour market for three to five years, Doncaster)

6 Conclusions

This research aimed to explore the expectations of retirement and being a pensioner amongst those approaching retirement, and the experience of those who have retired and were claiming State Pension. We also aimed to explore knowledge of the State Pension, and other benefits, and the ideal content, and means of, communication between the government and this audience.

6.1 Views of retirement and being a pensioner

The key variable in terms of attitudes throughout this research was between those who had retired, and those who had not. The latter displayed an apprehension, which was, for those still working, often a fear of loneliness, boredom and poverty after retirement; and for those not working, a fear that life will be more difficult when their working age benefits come to an end.

Amongst many participants who were still working, there was the need to continue working, for as long as physically possible due to the financial uncertainty of later life. In addition, such participants often expressed that they enjoy working, due to the companionship and purpose that it provides, and were concerned about this being lost when they retire.

Among participants who were potentially vulnerable, many of whom consider themselves retired through ill-health, there was a feeling that their lives will change very little when they reach SPa, as they were used to budgeting and living off a small income now, and will expect to have to continue to do so in the future. Many were concerned that they will have less income beyond SPa.

6.2 Financial planning for retirement

Attitudes towards budgeting and finance were also different for the two groups of pre-pensioners; those working saw the fact that they were doing so as a way of saving, but realised that they will have to assess their finances more formally closer to retirement. Those in the not working groups felt that they were completely incapable of saving, as they lived from week to week on a limited income, and therefore consider that they have no opportunity to save. Few had paid into private or occupational pensions during their working lives.

Most participants considered themselves to be good budgeters, and able to live within their means. Those that can afford to save often had a specific goal in mind, for example, holidays, but were also able to put aside contingency money for unforeseen events. They felt that an aptitude towards financial responsibility and prudence was something specific to their generation, and that those who are younger than them were less careful with their money.

The recession had not had a great impact on participants' ability to budget and save; participants in the first wave were concerned about the credit crunch, but had not felt many of the effects of it. Participants in the second wave had noticed an increase in high street prices, but since their outgoings were minimal and their income stream unchanged, few had been unduly affected by the recession.

6.3 Knowledge of State Pension and other products

There were low expectations amongst many pre-pensioners that the State Pension will be able to adequately provide for them in later life. Many base these expectations on the amount which their parents or relatives received. In addition, though many were concerned that the State Pension will not be sufficient as a main source of income, few have investigated how much their allowance is actually likely to be, or could remember the contents of forecasts sent to them.

Many participants, and particularly those in the vulnerable groups, felt that the claim for State Pension would be automatically made for them. They were nervous about government interaction, and were concerned about upsetting the status quo by initiating a claim; they felt that this would leave them in a more vulnerable position than the one they were currently in, as it would mean the removal of the benefits they were currently receiving. More affluent pre-pensioners who had private pensions were better informed about all their entitlements.

There was very little awareness of Pension Credit amongst participants who were not yet eligible to claim it. Also, despite more knowledge of the product, there was confusion amongst those who were claiming this benefit about how it tied in with their State Pension; many were under the impression that they were claiming their State Pension five years early.

The option to defer the State Pension, and the tax benefits of continuing to work beyond SPa were of interest only to those who felt they would be able to continue working. Such participants needed more information to combat their suspicions, as many were concerned that such schemes held hidden disadvantages.

6.4 Suggestions for communication

In thinking about a managed communications strategy, it is clear that a ‘one size fits all’ approach is not best, as different groups of pre-pensioners, and indeed pensioners, have different needs. Of paramount importance, primarily, is being able to effectively convey information to those approaching retirement, and therefore choosing appropriate channels of communication is key.

With this in mind, it is important that communications are tailored correctly; for example, younger pre-pensioners, and those in full time work may be more inclined to read an email, or use a website than those slightly older than them. Posted communication should aim to engage the reader with the subject in order to prevent customers filing the documentation away as soon as they see that it relates to retirement, or pensions. Face-to-face communications were preferred throughout, despite a realisation that this was not always mutually practical.

In addition, it is important to remember the relationship that different customers have with the ‘government’ (or DWP or PDCS specifically), and important to align the tone and content with the organisation from which the information is coming. Some expressed surprise that an organisation such as DWP would initiate any communications that were based on more than numeric information, and felt it would be inappropriate to receive DWP-branded lifestyle information.

Pre-pensioners still in work were interested in hearing as much as possible about the benefits of pension deferral and continuing to work beyond SPa. However, informing those who were not able to work about this was considered futile, and highly inappropriate. It should, however, be sent to those who are able to continue working. That said, it was not always easy to unpick those who were unable to work any more from those who might be able to do so, despite many of those out of the labour market telling us that they would remain so.

'My son and daughter in law, they're in their late 20s and they are making preparations for their retirement and their pensions. Well I know for a fact that at that age it never crossed my mind, so whether we were misinformed or weren't listening or didn't want to know, I don't know.'

(Female, State Pension customer, Coventry)

The above quote details three problematic areas that communications should aim to address: being misinformed, not listening, or not wanting to know:

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

Figure 6.1 shows how different types of pre-pensioners have different needs. Those still in work require information that allays fears around retirement, and those who are unable to work need reassurance about life as a pensioner. Those who have retired also need to be communicated with, even if this is simply to tell them that things remain the same. Information about the benefits of working past SPa should only be sent to those who are capable of doing so.

Figure 6.1 The needs of different pre and post pensioner groups

The needs of different groups		
Group	Need	Result
Pre-pensioners still in work	Information which allays their concerns about being retired, followed by forecasts	Less anxiety around retirement, and prevention of some working unnecessarily
Vulnerable pre-pensioners who are unable to work	Regular forecasts of their pensions, and their effect on entitlement to any other benefits	Reassurance about life as a pensioner
Vulnerable pre-pensioners who are able to work	The above, coupled with information about deferral + the benefits of working beyond SPa	May persuade some back to work, and self-sufficiency
Those who have retired	Basic, but regular, statements	Provides reassurance even if nothing has changed

Not all communications around pensions, retirement, and the financial benefits of retiring are needed, or preferable

Though most felt that more information is better than less, there is a danger that customers might develop apathy towards pensions and communications around retirement if they are sent too frequently. For example, giving customers who are more than ten years younger than SPa regular statements was felt unnecessary, as much may change in the intervening years. However, it was felt necessary in the 12 months leading up to SPa.

Despite the opposition expressed by participants to the idea, there does seem to be a need for carefully worded **lifestyle** communications (which dispel the notion that retirement is a time of penury and loneliness) sent to customers sooner rather than later. Participants expressed a desire to see facts and figures detailing entitlements, but there needs be at least an effort to show that retired life, or life as a pensioner, can be long and fulfilling, or, at least, may not be as difficult as some imagine. Additionally, many only start planning financially for retirement once they have made emotional plans around their retirement, and it might be argued that they should be sent this information, rather than waiting for them to stumble across it. Also, communications should show the benefits of continuing to work for those who are able to. However, it is questionable whether these supplementary communications should come from DWP and be branded as such, or whether this falls under DWP's remit.

For many, the opposition to social and emotional information about life changes being sent through was based on a concern that such content would be patronising, or inappropriate, and a belief that it would represent an idealised 'retired life' that was not grounded in reality. However, any damage that this might do is, arguably, less substantial than those approaching retirement being anxious or unprepared, either financially or emotionally, for later life.

In short, managed, tailored, and timely communications detailing both entitlements, and the carefully presented benefits of a change in lifestyle, as well as the financial benefits of retaining the current lifestyle to those who are able to, seem to be ideal way of communicating with customers approaching retirement.

Appendix A

Fieldwork

Component 1: Depth interviews

The following table shows the characteristics of the eighteen groups, which consisted of two deferrer groups, four State Pension customer groups, and thirteen pre-pensioner groups.

Wave 1 November 2008

Group	Type	Location
Group 1	Pre-pensioners in Dobson Index 0-3	Coventry
Group 2	Pre-pensioners in Dobson Index 4-6	Bradford
Group 3	Pre-pensioners in Dobson Index 7-9	Harrow
Group 4	Customers - unclassified	Coventry
Group 5	Customers - Urban underprivileged and State reliant couples	Harrow
Group 6	Customers - Suburban non-engagers	Coventry
Group 7	Customers - Prosperous independents and Asset rich, cash sufficient	Bradford

Wave 1a March 2010

Group	Type	Location
Group 1	Deferrers in affluent Odyssey segments	Birmingham
Group 2	Deferrers in less affluent Odyssey segments	Birmingham
Group 3	Out of the labour market for 5-10 years	Newcastle
Group 4	Out of the labour market for 5- 10 years	Swansea
Group 5	Out of the labour market for 3-5 years	Birmingham
Group 6	Out of the labour market for 3-5 years	Doncaster
Group 7	Out of the labour market prior to SPa	Swansea
Group 8	Out of the labour market prior to SPa	Swansea
Group 9	In low paid employment	Newcastle
Group 10	In low paid employment	Doncaster
Group 11	Lone Parents	Newcastle

Across the groups, quotas were set by gender, as standard, as well as ensuring, where possible, a spread of Odyssey segments and Dobson indices. (A DWP categorisation of levels of income and lifestyles amongst pensioners and pre-pensioners respectively.)

Quotas were not set on retirement, meaning that the groups were a mixture of those who referred to themselves as retired, and those who did not.

Additionally, in wave 1, pre-pensioners were only sampled from five years prior to SPa, whereas, in wave 1a, some pre-pensioners were aged between five to ten years younger than SPa, providing an extra level of depth to the research. A quota was set, on this, however, to ensure that the majority of the groups were aged no more than five years younger than SPa.

Appendix B

Wave 1 discussion guide

Communicating with customers approaching retirement

Pre-pensioners/deferrers topic guide

Discussion area	Notes	Approximate timing
1. Welcome <ul style="list-style-type: none"> Introduce self, Ipsos MORI, client and explain the aim of the discussion. Mention that we are keen to discuss their experiences in relation to planning for retirement in order to get a better idea of what kinds of information, education and support people need when preparing for retirement. Stress there are no right or wrong answers – all opinions are valid, interested in finding out about their experiences, so please be as open as possible. Role of Ipsos MORI – research organisation, gather all opinions: all opinions valid. Reassure respondents of confidentiality – will not be personally attributed. Gain permission to record for transcription purposes. Please take a moment to introduce yourself – what you do day to day, where you live. Are you married or single – what does your wife/ husband do? What educational qualifications do you have? Do you consider yourselves to be healthy? 	<i>The welcome serves to orientate respondents and put them at ease. It also lays down the rules of the discussion, including the rules we are required to tell them about under the MRS code of conduct.</i>	15 minutes
2. General perceptions and concerns about run up to retirement <ul style="list-style-type: none"> When I say the term retirement, what phrases or words come to mind? Write on flipchart. Explore reasons How would you define retirement? Is it when you stop working or claim a pension? When do you think you will retire? What are your plans? How have you come to this decision? Will you stop working or wind down? What are you going to do when you retire? What will retirement be like? Probe on what they are going to do with their time, whether they are going to move, whether they are going to carry on working 	<i>This section looks at people's general perceptions of retirement and the years leading up to it, which steps people have taken/took to prepare for retirement.</i>	30 minutes

Continued

Discussion area	Notes	Approximate timing
<ul style="list-style-type: none"> • How about in the years up to retirement? How might your work change? • How will your life change when you retire? How will your status change when you retire? • How will you cope financially in the years ahead/in retirement? Probe on sources of income as get older/retire (Pension, employment income, other sources). Will this be adequate for you? 		
How should being a pensioner feel?	<ul style="list-style-type: none"> • What influences you when you think about being a pensioner? PROBE for Media, talking to people who have retired • How will this affect your behaviour? Will you do things that you didn't do during your working life PROBE for join clubs, societies etc. • What concerns do you have about unhappiness in later life – what do you worry about most PROBE – isolation, stress, mobility etc. • How will it affect your decision to draw a pension? Will you leave this until the last minute or take out a pension as soon as you can? 	<p><i>Looking at financial planning for the future.</i></p> <p><i>Note to moderator: We are not interested in actual amounts here.</i></p>
Financial planning	<p><i>Do they feel they are making informed decisions/did they know they actually needed to make decisions?</i></p>	
<ul style="list-style-type: none"> • Do you know how much State Pension you will receive? • To what extent will you rely on the state pension? How much will you get? What influences this? • Do you know about the steps you need to take/needed to take to prepare for retirement? Probe on reasons • Do you regularly assess your finances? (If yes how and when?) • What steps/approaches are you taking, if any in preparation for retirement? Reasons for taking these steps • Is the current financial crisis affecting you in any way? • Is there any difference between being retired and a pensioner? • What word best describes a retired person? 	<p><i>This section seeks to explore current levels of knowledge and awareness in terms of: financial capability and retirement planning.</i></p>	20 minutes
3. Planning for retirement		
<ul style="list-style-type: none"> • How would you describe your attitudes towards finances? Probe on levels of understanding, whether they consider themselves good budgeters? • How confident do you feel about making financial decisions? Reasons for this? • Who is responsible to ensure you have enough money in retirement? 		<i>Continued</i>

Discussion area	Notes	Approximate timing
<ul style="list-style-type: none"> • Do you think you have adequate knowledge about what happens when you retire in terms of finances/taxes/pensions? • Probe for knowledge on about the retirement process. What happens? How do you know this? Who/what sources of knowledge? What changes happen in retirement? • Is the State Pension still taxable? Understanding of which income and benefits are taxable • What plans have you made for retirement and when? • When should you plan for retirement? • What information do you need to make plans for retirement? • Have you received any information about retiring (who provided it, when was it provided and what was it)? • Who should provide you with information about retirement? • Where have you found information about retirement? • What information do you need when you approach retirement age? • What sort of tone should this information have? What should it contain? • How do you prefer to get in contact and why? (Phone, in person/home visit, letter/fax/email, internet, some one else doing it for you?) 	<p>4. Knowledge about retiring and the pensions process</p> <p>General knowledge</p> <p>Retiring:</p>	20 minutes
	<p>This section explores general awareness of information about pensions and tax issues – which are most useful/least useful?</p>	

Continued

Discussion area	Notes	Approximate timing
<ul style="list-style-type: none"> • What, if any, is your past experience in claiming benefits or tax credits from Government? • What are your thoughts on government departments sharing information about you? • How do you like to apply for financial products and services (eg internet, over the telephone, face-to-face)? • How do you like to receive monetary payments? • What benefits and entitlements do you think are available to you when you reach retirement age? • How comfortable are you with posting personal documents? • Do you know who to notify and why (to ensure you pay right amount of tax, get the State Pension, other age-related benefits)? • Do you know what information you will need to provide? • Do you feel equipped with knowledge to make informed decisions about retirement? Do you know what decisions you need to make and when? How do/did you know this? 	<i>Wrap up – key things DWP should take on board and priorities for improvement.</i>	5 minutes
6. Conclusions		
<ul style="list-style-type: none"> • Thinking about everything we have spoken about today, what are the key things DWP need to do to help people of similar ages to yourself? • Of the issues we have covered today, what do you feel are the most important ones for us to take back to DWP? • Is there anything else you would like to add or cover that you don't feel we have already covered? • Thank and close (incentives administration) 		

Appendix C

Wave 2 discussion guide

Communicating with customers approaching retirement – part 2 discussion guide

Broad overall project objectives

The specific aims and objectives of the research are to:

- 1 explore preconceptions of what retired life will be like, both financially and emotionally;
- 2 explore the ability and willingness to plan (emotionally and financially) for retirement and what impedes this;
- 3 establish what communications to pre-pensioners are both necessary and desirable;
- 4 better understand what information is required by those approaching retirement to prevent particular groups becoming vulnerable to poverty once they reach SPa; and
- 5 explore how to encourage a behaviour shift away from financial state reliance to self-dependance.

Discussion area	Notes	Approximate timing
<p>1. Welcome</p> <ul style="list-style-type: none"> • Introduce self, Ipsos MORI, and explain the aim of the discussion. Mention that we are keen to discuss their experiences in relation to planning for retirement in order to get a better idea of what kinds of information, education and support people need when preparing for retirement. • Stress there are no right or wrong answers – all opinions are valid, interested in finding out about their experiences, so please be as open as possible. • Role of Ipsos MORI – research organisation, gather all opinions: all opinions valid. • Reassure respondents of confidentiality – will not be personally attributed. • Gain permission to record for transcription purposes. • Please take a moment to introduce yourself – what you do day to day, where you live. • Do you consider yourself to be healthy? • Warm up exercise – ask participants to shout out role models to represent their ideal retired life – for instance, Judi Dench, Sir Alex Ferguson etc. Write on flipchart. 	<p><i>The welcome serves to orientate respondents and put them at ease. It also lays down the rules of the discussion, including the rules we are required to tell them about under the MRS code of conduct.</i></p>	10 minutes

Continued

Discussion area	Notes	Approximate timing
<p>2. General perceptions of retirement and becoming a pensioner</p> <ul style="list-style-type: none"> • When I say the term retirement, what phrases or words come to mind? Write on flipchart. Explore reasons • Have you thought about retirement? Do you remember when you first thought about retirement? What prompted you to think about it? • How would you define retirement? Is it when you stop working or claim a pension? • When do you think you will retire? What will you do after you retire? How have you come to this decision? Will you stop working or wind down your work before retirement? • What do you plan to do when you retire? Will you do things that you didn't do during your working life? PROBE on what they are going to do with their time, whether they are going to move, whether they are going to carry on working/taken on voluntary work or caring responsibilities, join clubs, societies etc. • How about in the years up to retirement? How might your work change? PROBE will it become easier – working part time/winding down etc. • How will your status change when you retire? Do you feel defined by your work? Will you feel like a 'retired person'? • How will you cope financially in the years ahead/in retirement? Have you thought about this and made any plans? PROBE on sources of income as get older/retire (pension, employment income, other sources). Do you think this will be adequate for you? • Has the recession had any effect on your retirement plans? If so, how? What is the impact of this? PROBE fully for effects • What would you do if you needed financial assistance? 	<p>This section looks at people's general perceptions of retirement and the years leading up to it, which steps people have taken/took to prepare for retirement.</p>	30 minutes
<p>Being a pensioner</p> <ul style="list-style-type: none"> • Do you think there is a difference between being retired and being a pensioner? • From where do you get information about what a pensioner is? PROBE for Media, talking to people who have retired • When you start to draw a pension, will you consider yourself a pensioner? Why/why not? • Do you think you'll be happier in later life? What will affect your levels of happiness? What do you worry about most PROBE – finances, boredom, isolation, mobility etc. 	<p>Some participants may already have retired.</p>	

Continued

Discussion area	Notes	Approximate timing
3. Planning for retirement <ul style="list-style-type: none"> • How would you describe your attitude towards finances? Do you consider yourself a good budgeter? Have you always been? What point in your life did this change for example, having children, selling the house etc. • How confident do you feel about making financial decisions? PROBE on reasons for this. • Do you regularly assess your finances? (If yes how and when?) • Do you think you have adequate knowledge about what happens when you retire in terms of finances/taxes/pensions? • What financial steps/approaches are you taking, if any, in preparation for retirement? PROBE on reasons for taking these steps • At what age did you first take action regarding financial planning for retirement? (searching out options, actively preparing financially etc) • When do you think you should start planning for retirement? • How aware are you of your likely financial provision following reaching SPa and what do you base this on? • How confident do you feel in the decisions you make/have made for financial provision when you reach pension age? • Do you understand what will happen if you work past SPa? • Do you know where to go to find out about working past SPa? What information might you need? • Have there been any recent changes in your circumstances (for example, health, marital or work status) which have had/will have an impact on your plans for retirement? 	<p>This section seeks to explore current levels of knowledge and awareness in terms of financial capability and retirement planning.</p> <p><i>Do they feel they are making informed decisions/did they know they actually needed to make decisions?</i></p> <p><i>Moderator – if necessary mention that NI is not applicable after retirement age and you are likely to pay less income tax on earnings.</i></p>	20 minutes
4. Knowledge about retiring and the pensions process General knowledge <ul style="list-style-type: none"> • Do you think there are any benefits and entitlements available to you when you reach retirement age? If so, what – how have heard about them? • What do you know about State Pension, PROBE for ages of entitlement, who pays it, whether it is taxable etc. • To what extent will you rely on the State Pension? • Do you know how much State Pension you will receive? How did you find that out? • Do you know how to find out how much State Pension you will receive? 	<p><i>This section explores general awareness of information about pensions and tax issues</i></p> <p><i>Note to moderator: We are not interested in actual amounts here, but whether participants know them.</i></p>	25 minutes

Continued

Discussion area	Notes	Approximate timing
<ul style="list-style-type: none"> • How and when do you expect to be told how to apply for State Pension? Did you know you had to apply for State Pension? • When will you apply for State Pension? • What will influence your decision on when to apply for State Pension? PROBE for knowledge of deferring State Pension • What do you think about having to apply for State Pension? • What do you know about The Pensions Service? <p>Deferring State Pension</p> <ul style="list-style-type: none"> • Did you know that instead of claiming your State Pension you can choose to defer it? • Do you understand what deferring your State Pension means? • Do you think you might be financially better off choosing to defer your claim? • What information do you feel you would need in order to decide on whether to defer claiming your State Pension or not? • What would you need to do if you decided to defer getting State Pension? PROBE – would you let a government department know? • Did you know that you stop claiming your State Pension for a while to build up to a lump sum payment? • If you choose to defer claiming your State Pension, have you considered the effect this will have on other benefits you may be entitled to? 	<p><i>Moderator notes – You can put off claiming your State Pension when you reach State Pension age. You can also choose to stop claiming it after having claimed it for a period</i></p> <p><i>If you put off claiming your State Pension for at least five weeks you can earn an increase to your State Pension of 1 per cent for every five weeks you put off claiming.</i></p> <p><i>If you put off claiming your State Pension for at least 12 consecutive months, which must all have fallen after 5 April 2005, you can choose to receive a one-off lump sum payment and your State Pension paid at the normal rate.</i></p>	

(For example, you will not build up extra State Pension or a lump sum payment while you are claiming Carer's Allowance or short term Incapacity Benefit)

Case study

When David got to 65, he found he had some options:

Before State Pension age

Before he reached 65 he took home £413 per week after tax working a normal 5-day week.

After State Pension age

When he got to 65 he decided to carry on working for a bit and also claim his State Pension of £192 a week. He found out he had two options:

- same hours, more take-home pay. This would mean £616 per week
- fewer hours, same take-home pay - dropping to 30 hours a week would still mean £462 per week

What would you have done in this situation?

Does anything about this surprise you? PROBE – amounts, ability to work and claim State Pension.

Discussion area	Notes	Approximate timing
<p>5. Information about retirement and pensions</p> <ul style="list-style-type: none"> • What information do you need to make plans for retirement? What information do you think you will continue to need after retirement? • Have you received any information the financial or emotional aspects of retiring? PROBE – what did you receive, who provided it, and when was it provided? • Was this sent at the right time – PROBE if too soon or too late, why? • When should you start to receive this information? What information do you need when you approach (within a year of) retirement age? • Who do you think should provide you with information about retirement? PROBE for a difference between financial and other types of information • Where do you think information about retirement should be available? PROBE for difference between financial information and lifestyle information – free bus passes etc. • How do you prefer to get in contact with government departments and why? How do you prefer to be contacted by government departments and why? (Phone, in person/home visit, letter/fax/email, internet, some one else doing it for you?) • Do you use the internet at all? What access do you have to the internet (at home, work, public library etc)? • What do you use the internet for? PROBE for financial transactions and information? • How comfortable are you using the internet for this? • How comfortable would you be using the internet to liaise with The Pension Service? • How comfortable would you be with using the internet to carry out financial transactions with The Pension Service and entering personal details? • Have you heard of the Directgov website? Would you consider using it to find information about claiming your State Pension? • What, if any, is your past experience in claiming benefits or tax credits from Government? • What are your thoughts on government departments sharing information about you? For example, NI number, address details • How comfortable are you with posting personal documents? • Do you know what information you would need to provide? • How do you prefer to receive monetary payments? 	<p>We need to get a sense of whether the information should solely contain financial facts and figures, or be more lifestyle-focused and contain case studies, advice, etc.</p>	25 minutes

Continued

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Discussion area	Notes	Approximate timing
7. Conclusions	<ul style="list-style-type: none">Thinking about everything we have spoken about today, what are the key things DWP need to do to help people of similar ages to yourself?Of the issues we have covered today, what do you feel are the most important ones for us to take back to DWP?Is there anything else you would like to add or cover that you don't feel we have already covered?	<i>Wrap up – key things DWP should take on board and priorities for improvement.</i> 5 minutes
Thank and close (incentives administration)		

Appendix D

Opt out letter

Dear <Title><ForeName><Surname>

I would like to ask for your help. The Pension Service is a government department responsible for a range of services, products and benefits for pensioners and people planning pensions. We have asked Ipsos MORI, an independent market research company to carry out some research. The research will look at these benefits, products and services provided both at State Pension Age and to those people approaching this age, and we would like to ask you to take part in the research. This letter provides some details about the research and tells you what to do if you do not want to take part.

How did we get your name?

Your name has been selected from The Pension Service's records of people who have reached, or are nearing the age where you could have entitlement to either State Pension or Pension Credit and passed to Ipsos MORI as an official contractor to DWP. These records are held so The Pension Service can deliver the right services, products and benefits you are entitled to. You have been selected, at random, from the records based on the area where you live.

What is the purpose of the research?

The research will be undertaken to understand people's attitudes around retirement. It will cover opinions on the products, information and services that are available and, how, and when they would like to be received. The findings from the research will be used to inform The Pension Service how to better serve those people around State Pension Age.

What will happen next?

Ipsos MORI may contact you in the next few weeks to ask whether you would be willing to take part in this research. The research will consist of a group discussion with roughly nine other people in similar circumstances which will be held locally and will last for approximately two hours. You will be given £35 to thank you for your time. Everything you tell Ipsos MORI will be in complete confidence, as no information that could identify you with your comments will be passed on to The Pension Service, the Department for Work and Pensions or anyone else.

What to do if you do not want to take part

I do hope that you will be able to take part in this important research. However, if you do not want to take part, can you please let us know by February 19th. You can contact us by:

- Telephone Ipsos MORI on FREEPHONE 0808 2385470 Monday – Friday 9am-5pm, or
- email Ipsos MORI to tell them that you do not want to take part. Please write to xxx.xxxr@ipsos-mori.com. Your details will then be taken off the list of people that Ipsos MORI will contact.

Whichever way you get in touch, please provide the following;

- Full name
- Postcode
- The ‘Reference Number’ that is written in the top right-hand corner of this letter.

What to do if you want further information

If you have any further queries or want to discuss this research, please contact me, xxx xxx on yyy or ask the recruiter when they contact you.

Thank you in advance for your help.

Yours sincerely

Customer and Partnerships Directorate
The Pension, Disability and Carers Service

This research aimed to identify the communication and information needs of customers approaching retirement. The key aims of the research were to investigate customers' views on:

- retirement and being a pensioner;
- financial planning for retirement;
- knowledge of State Pension and other Pension, Disability and Carers Service (PDCS) products;
- communications from PDCS.

The study consisted of 18 discussion groups in total across two waves of research conducted in November 2008 and March 2010 across England and Wales. This report presents the findings and recommendations from the study on how PDCS could provide relevant, timely and effective communications.

If you would like to know more about DWP research, please contact:
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<http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>



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