Research report

Household financial decision making: Qualitative research with couples

by Andrew Wood, Kate Downer, Becky Lees and Annalise Toberman

DWP Department for Work and Pensions

Department for Work and Pensions

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A report of research carried out by RS Consulting on behalf of the Department for Work and Pensions

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Abbreviations and glossary of terms

Automatic enrolment	Pension scheme enrolment technique whereby an employer automatically enrols eligible jobholders in the **workplace pension** scheme without the employees having to make a separate application for membership. Employees are able to opt out of the scheme if they prefer.
Contract-based pension	See **Personal pension**.
DB	Defined benefit
Defined benefit scheme	**Occupational pension** scheme specifying the benefits that are paid on retirement (e.g. a fraction of salary for each year of service). Also known as a 'salary-related' scheme.
DC	Defined contribution
Defined contribution scheme	Occupational pension scheme where the amount of pension is determined by contributions paid into the scheme and investment returns. Also known as a 'money purchase' scheme.
DWP	Department for Work and Pensions
Independent Financial Adviser	An adviser, or firm of advisers, that is in a position to review all the available products and companies in the market as the basis for recommendations to clients. All IFAs are regulated directly by the Financial Services Authority.
IFA	Independent Financial Adviser
NI	National Insurance
Occupational pension	Pension scheme set up by an employer for the benefit of employees, with the employer generally making contributions to the scheme and meeting administrative costs. The scheme is provided via the employer, but takes the form of a trust arrangement and is legally separate from the employer. Types of occupational scheme include **defined benefit**, **defined contribution** and hybrid schemes.
Personal pension	A pension that is provided through a contract between an individual and a **pension provider**. The term generally comprises personal pensions, which are arranged by individual employees, and group personal pensions, access to which is facilitated by an employer.

Provider	An organisation, usually a bank, life assurance company or building society, which sets up and administers a pension scheme on behalf of an individual or trust.
Stakeholder pension	A **personal pension** scheme which complies with regulations which limit charges and allow individuals flexibility about contributions, introduced in April 2001. Employers with five or more employees who do not provide a pension scheme with an employer contribution of three per cent or more have a legal obligation to provide access to stakeholder pensions, but are not obliged to make contributions.
Trust-based pension	See **Occupational pension**.
Workplace pension	Any pension scheme provided as part of an arrangement made for the employees of a particular employer.
Workplace pension reforms	The reforms introduced as part of the Pensions Act 2008 (and updated as part of the Pensions Act 2011): the measures include a duty on employers, starting in 2012 and on a rolling-programme basis, to automatically enrol all eligible jobholders into qualifying workplace pension provision.

Summary

This report summarises the findings of a study commissioned by the Department for Work and Pensions (DWP), to increase understanding of the way that couples go about financial decision making.

Background

This research was commissioned in order to explore and better understand the way that couples make financial decisions, both in general, and specifically regarding their retirement. It was also designed to gain a clearer understanding of couples' attitudes to retirement planning and household finances more broadly, with a particular focus on the incidence of 'life events': significant 'milestones' in adult life, such as becoming a homeowner, marriage and parenthood. We sought to understand the degree to which retirement planning within couples is done independently or collaboratively, and the extent to which couples discuss or rely upon the other's provision. A further objective was to uncover possible decision-making typologies among couples.

Research scope

The study was qualitative in nature, and consisted of in-depth, face-to-face interviews with 24 couples who were married or in long-term relationships. Interviews took place in couples' homes, and included people from a wide range of backgrounds. Couples were first interviewed separately, and then together, in order to understand individual perspectives as well as those of the couple.

The project team used several criteria to recruit couples to the research. We included couples where at least one partner was in paid full-time or part-time employment. Anticipating that the types of financial decisions couples make would depend to some extent on their earnings and wealth, we included households with a range of different levels of income. We also specified that the majority of individuals should earn a minimum of £7,500, so that they were potentially within the scope of automatic enrolment.

Key findings

The decision-making process

Couples did not typically enjoy managing their household finances, but recognised the importance of planning outgoings around incomings, and of living within their means. Managing household finances was perceived essentially as something of a necessary evil.

Where couples had actively made financial decisions, this was often in response to 'life' triggers such as marriage or becoming parents, or 'financial' triggers involving a change to the household's income. Discussions about possible courses of action began after this trigger took effect, usually increasing in momentum over time, and culminating in the final decision.

The easiest decisions for couples to make were those that took little time to action, and had short-term consequences: even the least financially confident individuals could participate actively in these transactions. Examples were making purchases for their children, or buying holidays. In contrast, only a few people had managed to engage actively with long-term decisions that had long-term consequences, such as saving into a pension scheme.

Roles in financial decision making

Within most couples we identified an ‘alpha’ and a ‘beta’ partner:

- Although not necessarily financially confident or knowledgeable, the alpha partner took more control over financial issues and decisions than their counterpart. Their behaviour was often borne out of necessity; specifically, the beta partner’s unwillingness to take on financial responsibility, rather than their own eagerness to take financial control. Women typically took on the role of the alpha partner in the couples interviewed. They, therefore, tended to be the partner who instigated financial decisions, and who carried out the research – often online – that informed its outcome.
- While beta partners usually provided at least some input to decisions, they took a relatively low level of responsibility compared to the other partner. Beta partners were more frequently male than female.

There were indications that the alpha and beta behaviours became established norms for those fulfilling these roles, with beta partners becoming accustomed to relying on their alpha counterparts.

While couples described their decisions as collaborative, their accounts of the decision-making process tended to indicate that it was only really at the final stage, where a conclusion was reached, that both partners were involved to a great extent.

This suggests that policy communications could take into account the respective decision-making roles by appealing to the female alpha partner. Reaching out to beta partners may be less effective, given their reliance on their partners for longer-term financial planning.

Decision-making typologies

The research identified three groups, whose members shared characteristics in the way that they went about financial decision making and in their wider attitudes to finances: ‘Unbalanced Responsibility’, ‘Cautious and Content’, and ‘Organised Aspirational’.

- Couples in the Unbalanced Responsibility group tended to comprise an alpha partner – often a woman – with a high level of financial control relative to the other person in the relationship. The alpha partner frequently mentioned the need to rein in the beta partner in order to protect the household finances. Many couples in this group were relatively young, in their 20s or 30s.
- Couples in the Cautious and Content group were typically older than those in the other two, owning their homes outright or being close to doing so. Couples in this group were generally careful with money, and stressed the importance of not exceeding their financial limits: their ambitions were typically tempered by what they thought they could afford. Couples in this group reported being relatively comfortable managing their household finances.
- Couples in the Organised Aspirational group were a mix of ages and incomes, and generally more confident with money than other groups. Although there were alpha and beta partners, the two individuals differed from each other less than in other groups: the alpha partner tended to take the lead as the ‘researcher’, but the beta partner was not reliant on their partner through a lack of financial awareness or capability. Rather, the beta partner tended to be more relaxed about the household finances, or openly admitted to having less interest in finances than their partner.

The difficulty of engaging with pension products

The research highlighted the possible limitations of taking a couple-oriented perspective to encouraging pension saving: couples typically perceived pensions as **individual** rather than joint or household products.

Even older couples discussed retirement only occasionally, and few people had been active in making provision for retirement. A handful of people interviewed held individual personal pensions, typically the result of more general financial conversations with advisers, be they professional or more informal advisers. Non-state pensions, where held, were usually workplace pensions that the individual had accepted when offered by the employer, rather than the individual or couple having selected them proactively. Membership of a workplace scheme was typically the result of individual, rather than household-level decision making; therefore the workplace is likely to be the most appropriate space in which to communicate information about pensions, particularly automatic enrolment. While discussions about pension policy developments could still occur at home, such as when beta partners look to their partner for guidance, giving individuals the relevant information at work is likely to be the most effective starting point to engaging with pension products and stimulating decision making.

Couples saw retirement planning as a process involving long-term decisions and long-term consequences: no immediate or tangible benefit was recognised as a result of beginning to contribute to a pension. Consequently, it could be difficult for momentum to build in the same way as it did for other financial decisions. Moreover, while financial decisions were typically instigated by triggers, few triggers appeared to create engagement with, or prompt decisions about, retirement provision or pensions. These triggers appeared too weak, or too long-term in nature, to instigate discussions of, or decisions about, retirement planning. Few people felt truly confident about their finances, and pensions-related decision making was typically unfamiliar: pensions felt like an unknown to many.

To overcome the difficulty of engaging with pension products, the potential positive outcomes of pension saving could be conveyed more effectively by leveraging life triggers. For example, linking pension saving to providing for children may prompt active decision making.

In addition, emphasising the immediate protection that beginning to save into a pension could provide, may go some way to addressing the lack of tangibility and feedback that can often inhibit the decision to save in a pension.

Excuses for putting off retirement planning

It was typical for couples to rationalise not having made specific provision for retirement. Some planned to work beyond State Pension Age, or to sell their current home and buy a smaller, cheaper property, living from the proceeds of the sale. Other people claimed they had, or would, put money into savings accounts instead of pension schemes. Some younger people intended to save more for their retirement when they earned a higher salary, but explained that they could not afford to do so at present.

Some individuals gave reasons for rejecting retirement planning. There were a variety of reasons for this, such as people's tendency (and preference) to focus on the present, and the uncertainty they felt about the future or possible returns from pension products generally. However, explanations given for lack of retirement planning appeared to be instigated predominantly by the interview setting, and retrospective in nature, rather than the result of previous careful consideration.

This implies that there may be value in educating individuals who genuinely reject pension saving not to opt out of workplace schemes once enrolled, particularly with regard to the introduction of automatic enrolment. Arguably those in the Unbalanced Responsibility group should be targeted in this respect, since they display the most negativity towards pensions and automatic enrolment specifically. Conversely, the research suggests that individuals in this group are most inert when it comes to making retirement-related decisions, implying that they are unlikely to actively opt out of the scheme.

The role of inertia

Couples were distracted from long-term financial planning by three different types of inertia that we identified:

- The most prevalent type, 'day-to-day inertia', stemmed from the ongoing and constant need to manage the couple's home and family. Households tended to focus on immediate needs and tactical financial issues, rather than strategic ones, or long-term planning. Day-to-day inertia did not result from a lack of disposable income, but from couples' unwillingness or inability to devote thought and attention to long-term planning, as well as large numbers of short-term financial decisions.
- 'Material inertia' took effect when couples were restricted in their planning by low levels of disposable income, limiting their scope for decision making. Some couples also mentioned demands on their time from other factors, again reducing their ability to make long-term financial plans.
- 'Emotional inertia' resulted from couples' underlying fear or sense of intimidation when faced with financial products and decision making.

The combination of the 'unknown' nature of pensions, the fact that they did not provide instant benefits, and the backdrop of multiple layers of inertia, often resulted in passive – and often individual – retirement-related decision making.

While all of these different types of inertia made retirement planning difficult, the resulting unresponsiveness indicated that people would remain in pension schemes after being automatically enrolled by their employer.

Implications of the research findings for automatic enrolment

The research highlighted couples' passivity around pensions and retirement decisions, and suggested it was unlikely that they would increase their engagement as a result of being automatically enrolled in a workplace scheme. There were indications that people would simply remain in employer schemes after being enrolled automatically, and this included even those couples who voiced scepticism about pension products.

There was little evidence to suggest that automatic enrolment might encourage people to increase their contribution levels.

1 Introduction

This report gives the findings from a qualitative research study exploring the way that couples go about financial decision making. This chapter provides context for the research and describes the methodology used.

Views and behaviours regarding financial planning, and retirement planning specifically, are complex; there are many factors that can play a role in determining couples' decision making in relation to retirement planning, such as gender, age, significant life events – 'milestones' in adult life, such as becoming a homeowner or a parent – and family upbringing, to name a few.

Building on existing evidence about retirement planning and saving, this study seeks to better understand how retirement decisions are made within households, any factors that influence these decisions; and, finally how the process might be affected by automatic enrolment. The research findings will inform discussions on how best to encourage retirement planning and saving among couples.

1.1 Background

The existing knowledge base for retirement-related decision making suggests that a number of factors influence both decision-making dynamics within households, and the types of decisions made.

Several publications suggest that a gender split exists in financial decision making. For example, a DWP Working Paper on individuals' attitudes and behaviours regarding retirement saving and planning suggests that many women are in control of short-term financial planning and rely on their partners to manage longer-term financial matters.[1] Research undertaken by Bernasek and Bajtelsmit (2002) indicates that a woman's degree of involvement in household financial decision making is not so fixed, and instead positively correlates with her share of household income and wealth.[2]

Bernasek and Bajtelsmit (2002) suggest that women are more risk-averse than men.[3] According to Thomas *et al.* (2009), men are conversely more likely to consider taking financial risks in hope of a better return.[4] The claim that women are more cautious financially could have significant implications for retirement saving: for example, Bryan *et al.*'s (2011) analysis of Wave 1 of the Office for National Statistics (ONS) Wealth and Assets quantitative data found that women are 4.6 per cent more likely than men to save for a pension when eligible for an occupational scheme.[5] The same report suggests that male and female partners often do not adopt a household-level pension strategy: where one partner does not save, or saves very little, in a pension, the other partner does not necessarily compensate by saving more in a pension themselves.

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1 Thomas, A. *et al.* (2009). *Individuals' attitudes and behaviours around planning and saving for later life*. DWP Working Paper No 72.

2 Bernasek, A. and Bajtelsmit, V. L. (2002). *Predictors of women's involvement in household financial decision-making* (Financial Counselling and Planning Vol. 13[2]).

3 Bernasek, A. and Bajtelsmit, V. L. (2002).

4 Thomas, A. *et al.* (2009).

5 Bryan, M. *et al.* (2011). Who Saves for Retirement? (The Strategic Society Centre and Institute for Social & Economic Research).

There are indications from research produced by Thomas *et al.* (2009) that age is potentially another factor influencing couples' financial decision-making strategy and characteristics, not least with regard to pensions-related decisions. Younger people often feel that they are not old enough to seriously consider retirement.[6] Significant life events that tend to correlate with increased age, such as buying a house, getting married and having children may affect how couples think about retirement and pension provision.[7] Quantitative research by Smith (2006) suggests that pension participation rises with age, but peaks among people in their 40s.[8]

1.2 Research objectives

This qualitative research study was designed to deepen understanding of how these and other considerations impact on views and behaviours regarding retirement planning. DWP commissioned RS Consulting to explore the financial decisions couples make in general and specifically for retirement. The broad objectives were to:

- explore how households make decisions about pension saving and retirement more generally, including uncovering any possible typologies of decision making;
- examine the extent to which retirement planning is independent or collaborative, and how far partners in a relationship discuss their separate and/or joint plans. Specifically, we sought to understand the degree to which they consider or depend on their partner's provision, and whether they discuss this or make assumptions. We also wished to capture how the extent of collaboration versus independence during the decision-making process varies across households;
- gain a clearer understanding of couples' underlying attitudes to and behaviour around pensions, saving and retirement planning, in particular within the context of the life-cycle and the incidence of life events;
- gain a sense of the level of influence of socioeconomic and demographic factors on how decisions are made.

Behavioural economics

Classical economics regards people as rational and self-preserving; behavioural economics puts forward a different view, arguing that people make much less rational decisions in real life. This theory could have significant implications for how people plan for later life. Consequently, the research was also intended to observe and discuss real-life triggers and barriers to decision making. It draws upon behavioural economic theory to contextualise partners' actions and attitudes.

1.3 Policy objectives

The research will feed into discussions around:

- Whether policy developments could help people to overcome inhibiting factors and encourage pension saving: either increasing existing provision, starting new provision, or maintaining existing provision for their retirement through the life course or when faced with specific life events.

6 Thomas, A. *et al.* (2009).

7 Thomas, A. *et al.* (2009).

8 Smith, S. (2006). *Persistency of pension contributions in the UK: Evidence from aggregate and micro-data*. CMPO, University of Bristol, Working Paper No. 06/139.

- Whether communications could be tailored to communicate the benefits and counter negative messages around retirement planning, and take into account the dynamics of different decision-making types.
- The possible implications for policy developments of the characteristics that are influencing the level and nature of retirement provision and, specifically, intended reliance on a spouse or partner during retirement.
- Whether and how couples would hold discussions about automatic enrolment. Automatic enrolment seeks to increase pension provision by requiring all employers to enrol employees aged 22 to State Pension Age into a designated scheme, provided they earn above an annual salary threshold. Employees are free to opt out of the pension scheme. This research aims to contribute to the growing body of evidence on the likely impact of automatic enrolment, within the context of household financial decision making.

Section 1.4 details the research methodology used by our project team with these objectives in mind.

1.4 Project methodology

The data was collected through a programme of qualitative depth interviews. The methodology is described in detail in the following sections.

1.4.1 Research design

The RS Consulting project team conducted face-to-face interviews with 24 couples. Interviews took place in couples' homes, because participants were more likely to feel at ease and comfortable speaking openly about some potentially sensitive financial issues in this setting.

The interviews lasted approximately 90 minutes and were divided into three separate 30-minute sections: an interview with each partner individually followed by a 'paired' interview with both partners together as a unit. This allowed us to understand each partner's views on their role in household financial decision making and attitudes towards retirement planning individually, as well as their joint outlook and perceptions. Using this approach, we gained detailed perspective on the decision-making process.

Interviews were conducted over a three-week period between 20 February and 9 March 2012 by the RS Consulting project team.

This research was qualitative, and its findings should not, therefore, be generalized or extrapolated to the wider population. The couples who participated are discussed individually where their experiences or decision-making characteristics exemplify trends across all 24 couples, or where they are particularly illustrative or interesting for another reason.

All of the couples who took part in the research have been given pseudonyms and made anonymous in this report.

1.4.2 Target audience

As the research focused on how couples make financial decisions, particularly about retirement, we required at least one partner in every couple to be in paid employment. While we did not specify that a number of individuals should definitely be within the scope of automatic enrolment, we stipulated that each participant still in paid employment must earn a minimum of £7,500 before tax, so that they would potentially be within scope.

We spoke to a range of couples, ensuring that different age groups, household income bands and relationship types were represented in the research. Additionally, the mix of participants allowed us to explore differences in views and behaviours by sub-group.

Recruitment criteria used

The project team used the following criteria to recruit couples for this research:

- Employment status:
  - of the 24 couples that we spoke to, half (12 couples) were both working full-time;
  - in seven couples, one partner was in full-time employment and the other in part-time employment;
  - in a small number of couples (three), one partner was fully retired;
  - in one couple, one partner was on maternity leave, and in another one partner was unemployed;
  - in total, 22 couples included one or more individuals who were within the scope of automatic enrolment. There were two couples where neither partner was eligible.
- Household income:
  - household income was a key consideration, because the types of financial decisions couples make depend to some extent on their income and wealth;
  - the definition of income we used included all earned income received annually by both partners before tax, as well as any benefits or income from maternity or paternity leave, or from a pension. Using this definition:
    - two couples earned under £20,000;
    - eight couples earned between £20,000 and £35,000;
    - 11 couples earned between £35,000 and £44,999;
    - three couples earned £45,000 or more.
- Age:
  - we anticipated age, or life stage, to have an influence on couples' financial decision making and retirement planning, so it was important to cover a spread of age groups;
  - five couples were in their 20s;
  - seven couples were in their 30s;
  - seven couples were in their 40s;
  - three couples were in their 50s;
  - two couples were in their 60s;
  - two of the couples comprised partners with an age gap of ten years or more.
- Marital status:
  - we interviewed 12 couples who were married;
  - nine of these couples had been married for over two years, while three had been married for less than two years;
  - two couples were in civil partnerships;

  - we also interviewed ten couples who were in a long-term relationship; we defined this as co-habiting couples who owned a property together, or had at least one child together.
- Ethnicity:
  - the majority of couples interviewed (16) were both White British;
  - one couple were both Black British;
  - one or more partners in seven couples were of non-British ethnicity, originating from countries in Asia, South America, Continental Europe and the Caribbean.
- Location:
  - we interviewed couples in a mix of urban, suburban and rural locations;
  - ten of the couples interviewed were in London and the South East;
  - five were in the North West;
  - five were in the North East;
  - four were in the Midlands.

We also considered the types of 'significant' financial decisions made by couples when selecting our participants. Significant decisions were categorised into three types:

- The first was made up of decisions that the couples had little control over. These included one partner becoming unemployed, needing major repairs to their home, or one or both partners getting a job that paid significantly more than their previous position.
- The second comprised decisions that the couples actively chose to make. These included having a child, buying a new car, buying their first home, one or both partners reducing their hours with a view to retiring, one partner entering retirement, giving up or reducing work to care for someone or return to education, buying an expensive, 'big' holiday, or buying something for their home that cost a significant amount of money.
- The third consisted of decisions that were specifically financial in nature. These included one or both partners starting to make regular contributions towards a pension, one or both partners increasing or decreasing the amount they contributed, one or both partners taking out a new investment with a view to using it in retirement, and the couple taking out life insurance or income protection for the first time.

Most couples we interviewed had made what we identified as a significant financial decision in the last few years; however, we intentionally included some who had not made any of these decisions within this timeframe, in order to explore potential barriers to decision making.

Perhaps unsurprisingly, the most common significant decisions made were purchasing big holidays or a new car (ten couples). Seven couples had either entered a pension scheme or increased pension contributions in the last three years. Five couples had bought their first home; one had bought a second home. In five of the couples, one partner had experienced unemployment in the last few years.

Other significant decisions couples had made included having a baby, taking out life insurance, taking out income protection, taking out a new investment, reducing working hours, getting married and starting a new business.

2 Attitudes to financial decision making

This chapter examines attitudes to household finances and the way people feel about managing them. It goes on to discuss the way that couples go about making financial decisions.

We encountered a spectrum of different attitudes to household finances among the couples, and a wide range of degrees of confidence in managing them. Chapter 3 attempts to introduce a decision-making typology to understand groups who share characteristics. Here, we provide broader context about couples' financial attitudes and behaviour.

2.1 Attitudes to managing finances

It is fair to say that across most of the couples interviewed, household finances were not a topic that generated enthusiasm or confidence. Typical negative words and phrases that people linked with household finances included 'stressful,' 'difficult' and 'boring'. However, almost all individuals underlined directly or implicitly the importance of managing their money, and of living within their means. Managing household finances was thought of essentially as a necessary evil.

> *'It's a necessary evil, really. I've got it down to quite a fine art ... You long for the day you get paid, don't you, and then you get it, and within minutes the lot's gone because you've had to budget for all your bills ... But it's just one of those things.'*
>
> (Hannah, 40s, Midlands)

Management of the household finances was also seen to be 'time-consuming' by several, although some couples indicated tactics they had put in place to reduce the time that it took, such as arranging for annual bills to be paid soon after payday, and paying regular bills via Direct Debit. Again, this reflected the perception of managing finances as something that was important, but not enjoyable.

Those who were daunted by household finances were sometimes more positive when describing the way they felt about actually **managing** finances and 'staying on top' of their money.

> '[I get] *a little bit* [excited] *because I know exactly what is going out and sometimes it is a little bit over. I can play with that or save that or move it to something else or if he gets excited about something I can afford to go out and say, "We can do that," or, "We can't do that."'*
>
> (Abbey, 40s, South East)

A minority of couples did have positive associations with household finances, reporting that they were relatively confident, or at least comfortable with handling them. Often, these couples recognised, and were comfortable with, what was within their financial reach, and were content with this. For example, while Jack and Jodie did not believe themselves to be 'well-off', they had enough money for the hobbies they really enjoyed. Nevertheless, they gave careful consideration to financial decisions concerning these hobbies.

> *'We're both fairly careful. I'm looking at the moment for expensive equipment for my camera, which is just my hobby* [...] *but I think about it very, very carefully.'*
>
> (Jodie, 50s, North West)

Even those individuals who described themselves as confident tended to adopt a relatively cautious approach to household finances, again underlining the importance of living within their means. Typically, these couples acknowledged that things could go wrong and had taken steps to mitigate financial risks they identified. For example, Cara and Tim had taken out a mortgage that they would be able to pay out of only one partner's salary, should the other stop earning. Miles and Marcus recognised launching their own business as a major decision, and had done a lot of research before going ahead with it.

Few of the individuals we spoke to demonstrated significant financial ambition or a conscious appetite for risk. As noted, living within their means was generally highlighted as important, and many linked finances to terms like 'uncertainty'. No couples thought that they held risky or volatile investment products, for example.

2.1.1 Factors influencing attitudes

Individuals' and couples' own previous experiences and financial past had often impacted negatively on the way they now felt about handling finances. A few couples had made financial decisions, or experienced the consequences of others' decisions or behaviour, that had had significant repercussions, and had caused them to treat their money with caution as a result.

> *'We did make mistakes, years ago, by shifting from one endowment place to another one, and being told all the wrong things. We lost out on a canny bit of money.'*
>
> (Edith, 60s, North East)

Specifically, some individuals' parents had set examples, positive or negative, that had bred financial confidence and caution respectively.

> *'I think I've always been pretty confident with money and with decisions like that. My parents bought and sold property, and I think I've always been listening to their conversations. It's never really been a big issue.'*
>
> (Kelly, 20s, North East)

> *'I suppose* [his wife Debbie's] *history is that* [her] *dad is a bit casual about finances, and my father died when I was very small, so I think there's a bit of insecurity in my background that makes me cautious rather than cavalier.'*
>
> (Mathew, 60s, South East)

Becoming parents had affected several couples' attitudes to household finances. One example was the need to prioritise children's material needs first, sometimes meaning that parents would forego 'treats' that they had enjoyed in the past. Others had realised the importance of making sure their children were provided for, in the event of their death.

> *'Since having the baby, my views on myself have changed. I'm understanding that I have got to change my attitude to money, to be more grown up about it.'*
>
> (Laura, 30s, South East)

Lastly, the financial climate and the 2008 crash had had a negative influence on several couples' current attitudes. They noted that there were fewer job opportunities and less work available since the recession. Some participants worked in the public sector, and were very conscious of spending cuts in recent years. Several individuals commented that they had noticed the value of money declining in real terms, over the past few years.

> ‘[I feel] *terrible* [about our finances]. *It could be better obviously because my husband is not working ... It’s difficult. Food seems to have increased and everything seems to be going up, and I only work a part-time job. They can’t offer me a full-time job where I am* [at a primary school].’
>
> (Charlotte, 30s, North West)

2.2 How couples go about decision making

Overall, couples agreed that financial decision making was a collaborative process, and that there was a ‘usual’ way for them to go about it. A typical pattern emerged across all 24 couples in the way that the partners interacted to make a financial decision, and in what instigated the decision making initially: a trigger set off the decision-making process, the couple usually discussed the decision several times, and eventually decided on an outcome.

2.2.1 Triggers to decision making

Identifying the need for a financial decision was typically in response to something specific that one or both partners witnessed or experienced: a trigger.

One type of trigger, mentioned relatively frequently, was a significant life event, such as a birth, death or illnesses. These reminded people of their fallibility and mortality, and were relatively powerful triggers: individuals who had experienced them had often taken financial decisions as a direct consequence. As Section 2.1 discussed, becoming parents tended to bring a significant sense of financial responsibility. Some new parents expressed intentions to buy life insurance, for example. The financial aspects of these decisions – the cost of a financial product or the change to household income, for example – were often a secondary focus. The experience of birth, death or illness, either personally or by someone close, was the primary issue, tending to evoke a response that was emotional in nature.

> *‘My brother died last August. Luckily, he had had a policy that he had kept running so that paid for his funeral. That made me think, “If I left this lot and I didn’t have insurance, it wouldn’t be a nice thing to leave people, to have to bury myself.”’*
>
> (Darren, 40s, North West)

> *‘We made the decision for me to reduce my working hours when Pete had his stroke. Our income reduced by £300 each month.* [...] *I’m the breadwinner now, so I have got to be able to work and* [...] *when I come home I have got to cope with Pete.’*
>
> (Siobhan, 50s, North West)

Purely financial triggers were mentioned less frequently. These involved changes to couples’ financial circumstances, resulting in their having more or less money available to spend. Financial triggers tended to evoke a less emotional reaction than life triggers, and decision making in response to them was generally described in more matter-of-fact terms than those made in response to life triggers. Examples of financial triggers included inheritance, maturing investments, and new working arrangements that resulted in palpable increases or decreases to individuals’ salaries.

> *‘Ralph had an endowment policy mature, and it was a case of what to do with the money. That was when we decided to get a buy-to-let property.’*
>
> (Hannah, 40s, Midlands)

2.2.2 The process itself

Couples made it clear that discussions do almost always take place when they make significant financial decisions. Although there were isolated cases where one partner took charge of a particular type of financial decision independently, no couple described their typical decision-making process as involving one partner exclusively, without some kind of agreement.

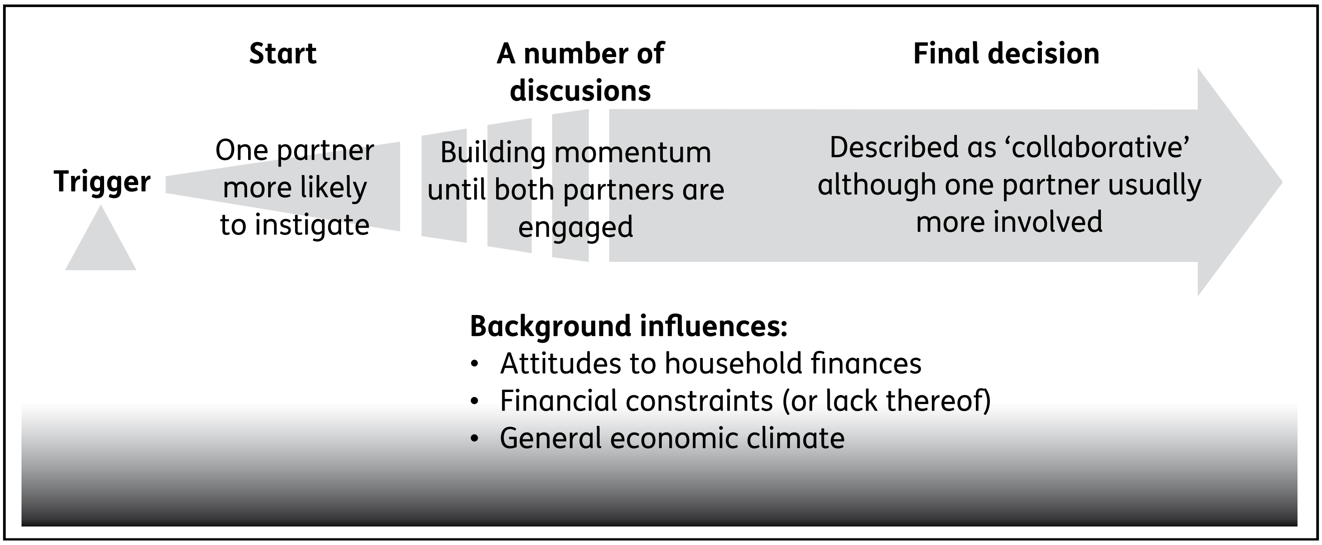
> *'We talk about it, like, "I'm going to buy a van". It's not just, "Surprise!"'*
>
> (Cara, 20s, North West)

> *'We do discuss everything. Smaller things, I would tend to take the lead and I would run it by him and if he is fine with it then I will deal with it.'*
>
> (Jade, 20s, North East)

Most people defined a 'significant' financial decision as one that involved a substantial amount of money. Interpretations of 'substantial' varied according to couples' level of wealth and income. A few offered alternative definitions of 'significant' in the context of financial decisions, for example, decisions that necessitated saving up money, or meant taking out a loan in order to pay for something.

Figure 2.1 below provides a visual representation of the typical form that discussions took as couples made a significant financial decision.

Figure 2.1 Typical form of discussion during the decision-making process



Decision making was often instigated by a trigger, which caused one partner to identify the need to decide on a course of action. At this point, it was common for only one partner to have engaged seriously with the idea.

> *'Zara lost her Dad, and that was the point at which she said, "I'm going to have some money coming in, so maybe we could* [buy a house] *together."'*
>
> (Niall, 30s, South East)

It was usual for couples to return to the issue under discussion several times before reaching a decision. With each discussion, momentum increased until both partners were engaged, and each recognised the need to make a decision. However, engagement could vary between the two partners, with one partner generally more interested and involved in the decision than the other.

> *'He lets it in one ear and out the other. I talk to him and it's like he's not listening, sometimes. I do say it's for the benefit of the house and it's going to be worth making* [the decision]. *Eventually we come to an understanding.'*
>
> (Charlotte, 30s, North West)

Some couples described decisions that were discussed more than once, but postponed to an unspecified point in the future, or dropped completely without action being decided. For example, when Barry was too ill to work, he and his wife Hailey had discussed the possibility of renting out Barry's black cab to another driver. After a few conversations and some thought, they had decided against this, partly because of the tax they said they would have had to pay on the income generated by hiring out the cab.

Regardless of the degree to which they had been active or involved in identifying the need for a decision, or in the ensuing discussions, all of the couples interviewed described their typical decision making as collaborative. However, examining the process they describe in detail suggests that the process as a whole did not necessarily entail shared input. It was only really at the final stage, where the outcome is decided, that both partners were involved collaboratively.

> *'We will come together to make the decision. Probably about 90 to 95 per cent of the time, the actual decision is a joint decision.'*
>
> (Ryan, 30s, South East)

In addition, background influences often affected whether a decision was made at all, how and what was decided. The way that each partner felt about handling the household finances, and constraints the couple were under, including the wider financial climate, influenced the degree to which individuals were involved in a decision, or the perspective from which they approached it.

2.3 Roles played in the decision-making process

Most couples included one partner who was more active in the decision-making process, and another who was comparatively reactive, or passive. In referring to these two types, we use the labels 'alpha' and 'beta' roles respectively.

Similarly, broad themes emerged in the roles and responsibilities that men and women fulfilled. This section discusses alpha and beta roles, as well as the tasks typically undertaken by male and female partners.

2.3.1 Alpha and beta roles

Alpha partners took the most responsibility for household finances. In general, this person was more closely involved in the day-to-day running of the home than their partner, and by extension, closer to the household bills and used to dealing with them. Alpha partners usually referred to a range of sources when they needed financial information or advice, and were the more likely to have a relationship with a professional financial adviser.

> *'I think I'm more confident ... He's quite laid back. He probably wouldn't do anything.* [If it was up to him to decide] *We wouldn't have a holiday. We wouldn't have a car. We'd just sit in the house all day.'*
>
> (Kelly, 20s, North East)

With some couples, there was a sense that the handling of financial income and outgoings had given the alpha partner a degree of financial confidence, relative to their partner. In spite of this confidence, alpha partners tended to say that they felt stressed by managing the household finances, and perhaps as a consequence, the majority thought of themselves as savers, rather than spenders. Overall, they were more long-term in their thinking than their beta counterparts.

With their partners taking a greater degree of control, those fulfilling the beta role took on less financial responsibility, and were reluctant to increase this. Some in beta roles explained that they were away from the couple's home more often than their partners because of their working arrangements, while others were explicit about their lack of interest, or even their laziness.

> *'She's the boss* [...] *I don't mind it really. Sometimes I don't like it, but she does a good job.'*
>
> (William, 30s, South East)

In general, these individuals had less financial confidence than their alpha partner. Several beta partners described a specific financial responsibility, such as car insurance, or small purchases for the home, that suggested they had a well-defined comfort zone. Beta partners were often more inclined to spend money than to save it, usually short-termist in their financial thinking and, compared with the alpha partners, relatively relaxed about the household finances. If they consulted sources of financial advice, these were often informal sources, such as friends, family and colleagues.

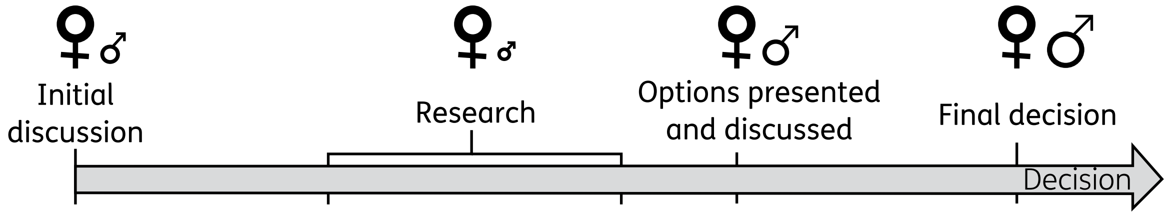
There was a gender pattern, with women somewhat more likely to be the alpha partner, and men the beta partner; this is reflected in how both partners approach the financial decision-making process, which we will explore in Section 2.3.2. Our interviews with two same-sex couples indicate that in these households, the same roles emerged, with one partner demonstrating typically 'alpha' behaviours and the other partner showing 'beta' behaviours.

The more the alpha partners took charge of the household finances, the more entrenched this behaviour became for these individuals, causing them to 'stay close' and continue to scrutinise the couple's circumstances, their incomings and outgoings. This allowed the beta partners to keep their distance from the household's finances: none indicated that they would like a greater degree of involvement, and all seemed happy to allow their partner to continue in the alpha role.

2.3.2 Male and female roles

Independent of the alpha and beta roles described in Section 2.3.1 above, men and women tended to take on specific tasks and responsibilities as they went about the decision-making process. Figure 2.2 maps typical tasks performed by men and women. The size of the gender symbol at each stage represents the relative importance of each partner's role in each task, in a male-female couple.

Figure 2.2 Example of male and female roles in the decision-making process



The death of a family member prompts the woman to realise she would want her children to be provided for, if she or her partner were to die. She mentions this to her partner and after a couple of brief discussions, they agree to investigate life insurance products.

The woman carries out research into life insurance policies using a price comparison site, and mentions the plan to friends at work.

If she cannot find a product she is willing to buy, she may now veto the decision and decide against taking out life insurance at all.
If she has identified some viable options, the woman presents them to her partner.

The male partner may now veto the decision, e.g. if he does not like any of the options to have emerged from the research.
Both partners are involved in the final discussion(s) and feel that they contribute to it collaboratively.

Most couples explained that women usually raised an issue for discussion, often, as noted, in response to a specific trigger. The initial discussion concluded, the next stage that couples described was a research period, in which one partner – again, often the woman – conducted research into the different options available.

> *'Normally, it's a proper sit down and do some homework. It is on my part, anyway. He might throw in some random guesses, but I prefer something a little more concrete to work with.'*
>
> (Abbey, 40s, South East)

The length of time and amount of effort devoted to the research varied between couples, but was most often conducted online or via informal sources such as friends and family. If the research did not reveal viable options, there was scope for the woman to postpone the decision, or to decide on the couple's behalf that they would not go ahead. For example, Siobhan explained that her husband Pete had raised the idea of buying a new porch, but after some research she had realised that it would not work feasibly on their house, and decided not to go ahead.

> *'Pete will say, "I've always fancied having a porch. Shall we have one?" I weigh it up and I like the one that belongs to number 29 on another road, but it's not feasible. He has the fantasy ideas where I have the more practical ones, so mine always win.'*
>
> (Siobhan, 50s, North West)

Provided the woman had identified some possibilities through her research, she would now present them to her partner for discussion. Couples described that either at the point where the options were discussed, or at some later date, they would settle together on a final decision. In most cases, both partners were clear that they had contributed equally to this final part of the process.

To summarise, women tended to have more influence across the decision-making process, and were often behind its instigation. Men's reported involvement varied, although most felt that they had an integral role at the final stage.

Lastly, individual income did not appear to influence the tasks that partners undertook, or their level of influence: that one partner earned significantly more than the other, did not necessarily mean they had more influence on the decision-making process, or its outcome.

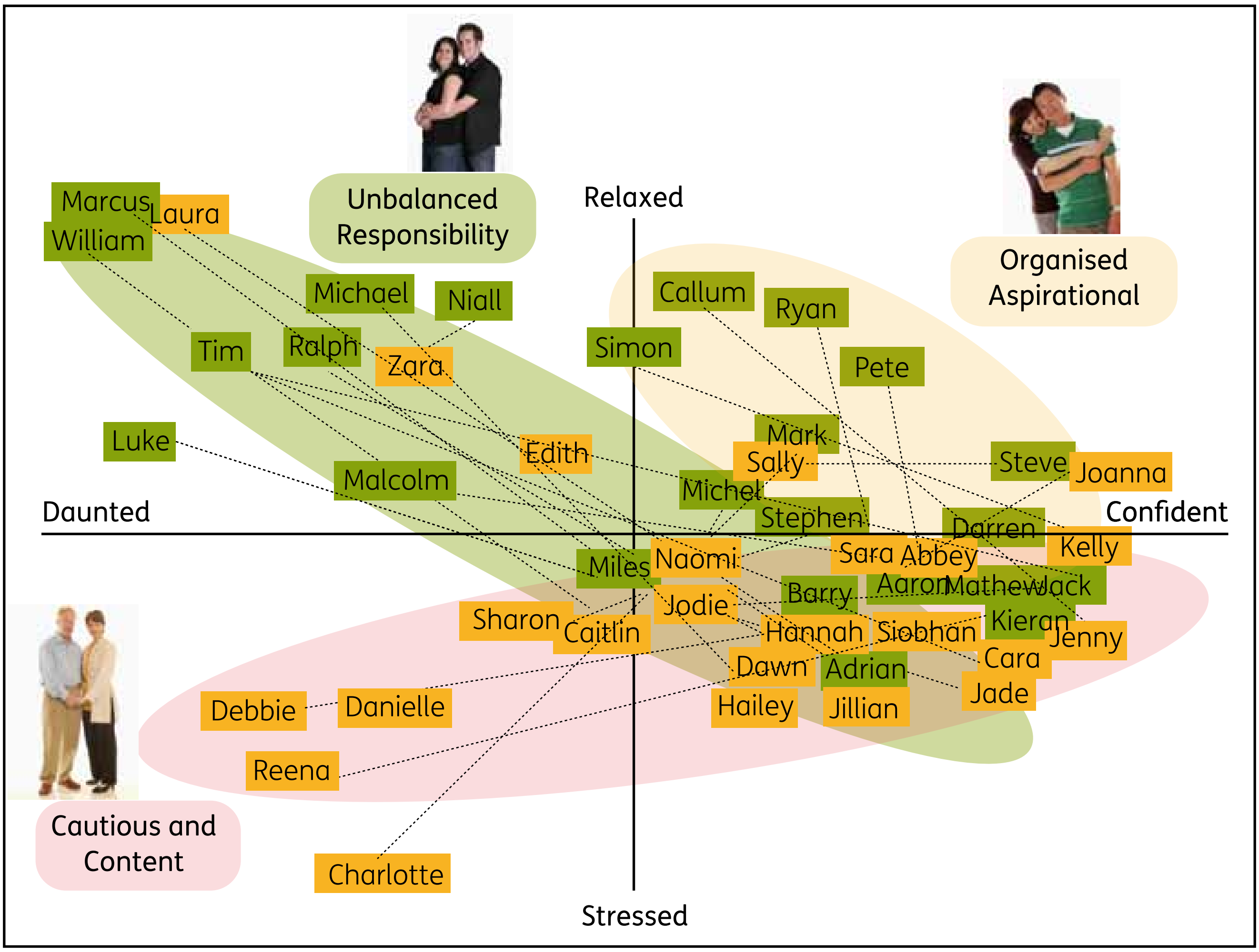
3 Decision-making typologies

One aim of the research was to identify any emerging decision-making typologies for couples, describing groups of couples with similar characteristics. This chapter describes the process for identifying groups within the couples who took part in the research, and goes on to discuss these groups in turn.

3.1 Creating typologies

In order to identify groups with similar behaviour within the 24 couples, we created several matrices based on the emotions that participants typically exhibited – to greater or lesser extents – when discussing financial decision making. Because financial confidence and emotional factors were drivers of behaviour, we decided that 'daunted' versus 'confident' were the most suitable emotions for the x-axis, and 'relaxed' versus 'stressed' for the y-axis. We assigned each participant a position on the matrix, before linking partners together.

Figure 3.1 Defining a typology for couples' behaviour



The shaded areas in Figure 3.1 indicate the three broad types of household decision making that emerged from the matrix exercise. A noticeable majority of women are more 'stressed' than 'relaxed', with the opposite holding true for male partners. There is no gender pattern for level of confidence, with both male and female partners populating opposite ends of the spectrum.

The following sections explain in detail the characteristics and tendencies of couples within each type, including the way they go about decision making.

3.2 Type 1: Unbalanced Responsibility

Couples in the Unbalanced Responsibility group tended to comprise an alpha partner – often a woman – with a high level of financial control and responsibility relative to the other person in the relationship. The alpha partners frequently mentioned the need to rein in their partners, in order to protect the household finances. Many couples in this group were relatively young, in their 20s or 30s.

3.2.1 Decision-making dynamics

The alpha partners in the Unbalanced Responsibility group were generally in control of the household finances. It was not uncommon to find partners who enjoyed being in control; others assumed a more controlling role out of necessity, to curb some of their partner's less well-controlled financial behaviour or because their input was needed in order for relatively basic financial actions to be taken. Overall, the alpha partners felt comfortable managing the household finances.

> *'I think that's what* [William] *thinks as well, "Don't worry, Caitlin will deal with it."'*
>
> (Caitlin, 30s, South East)

When couples in this group had to make significant financial decisions, it was typically the alpha partner who would raise the issue and be more actively involved in the decision-making process. While the final decision tended to be agreed upon jointly, the alpha partner usually had greater 'ownership' of the decision and was often only seeking agreement from their partner to go ahead with their initial idea.

Alpha partners tended to come across as more worldly in their outlook. Often this was linked to past experiences: family background and upbringing emerged as particularly strong influences on financial attitudes and behaviour among couples in this group.

> *'I think it's because my husband came from a background where his father was financially stable and I didn't. I came from a background where we lived day-to-day. My mum brought us up. So that is the way I am now. I don't just make decisions. I am careful to think, "What if that happened? What if this happened?" Whereas he is, "No, no, we will go for it. It is going to work" and he seems to be more laid back than I am.'*
>
> (Charlotte, 30s, North West)

The beta partners in this group were generally relaxed about the household finances but professed to not being financially savvy, at least relative to their partners. They typically appeared less realistic than the alpha partner about what they could achieve and what they could afford. They tended to be spenders rather than savers, engendering a feeling among alpha partners that they should exert more control over their partners financially, for the sake of the household finances.

> '[He might] *go out for a meal or something. If we had £50 on the table, that would be his decision, whereas mine would be, "Let's pay a bill."'*
>
> (Caitlin, 20s, South East)

Many beta partners in this group dedicated their efforts to following their dreams, and largely deferred to their partners on important financial matters. They commonly rejected responsibility, either citing 'laziness' or a lack of time as reasons for doing so.

'Because I have a busy working lifestyle I normally leave it to my partner to deal with all the finances. My wage comes in and I don't have to deal with all the expenses and everything else which goes with it.'

(Ralph, 40s, Midlands)

Beta partners were generally happy to assume responsibility for certain small financial decisions, within their own defined 'comfort zone' – examples of this included car insurance and pet insurance.

3.2.2 Attitudes towards retirement planning

Couples in the Unbalanced Responsibility group typically had only limited, if any, provision in place for retirement. The alpha partners were more likely to have started, or at least thought about, retirement provision than the beta partners. While alpha partners contributing to a pension scheme could often relay key details, such as the level that they contributed, beta partners did not fully understand how their pensions worked.

'I still don't know about it really. I think £5 a week comes off my wages and I am not sure where it goes or what happens to it. I am a bit naive about that.'

(Luke, 20s, North East)

Many couples in this group were relatively young, and had not yet begun, or had just begun, to think about saving for retirement.

'At the moment I feel that life is beginning. I was a student and in fashion it's quite difficult to get a job ... [I have not put any retirement provision into place] *because it is somewhere where you need to have a starting point.'*

(Marcus, 30s, South East)

Another barrier to retirement planning for these couples was the relatively big difference between alpha and beta partners in their respective levels of household financial responsibility. For active planning to take place, the onus would often be on the alpha partner to initiate discussion about the topic, and propel the process forward.

'[I will say] *"I think we should start talking about pensions," "Yes, yes, yes, I am watching this programme." It doesn't last that long. It might be something just because I have received a statement and I might say, "This has happened, what do you think?" and, "We really ought to do something about it" and then it just doesn't happen.'*

(Abbey, 40s, South East)

One or two of the alpha partners remarked that they wished their partner would be more proactive and to take more of an interest in this type of decision making; they did not necessarily want to plan so far into the future alone.

'[Planning for retirement] *is something I can't do on my own. I can do everything – the shopping and the bills – but when it comes to that* [retirement planning]*, I think we need to pull together.'*

(Dawn, 30s, Midlands)

As Section 4.2.5 will discuss, some couples in this group said that they distrusted the government, and suggested that regardless of changes made today, government pension policy would only continue to change in the future.

'I want to retire early but the likelihood is that it is not going to happen because the goalposts have all moved.'

(Abbey, 40s, South East)

3.2.3 Defining characteristics

The Unbalanced Responsibility segment is characterised as follows:

- there is a dominant alpha partner, usually a woman, who is more 'worldly' in her outlook than the beta partner;
- beta partners are relatively disengaged from household finances and financial decision making;
- the alpha partner has more ownership of the decision-making process overall, and is much more active than the beta partner in taking a decision forward from inception to action;
- alpha partners were more likely to have begun, or at least considered, making provision for retirement, than beta partners.

3.2.4 Case study: Cara and Tim

Cara and Tim are in their early 20s and live in the North West. Earlier this year they decided to buy a house together. Cara left university a year ago and has started her first job in the NHS as a support worker, but wants to become a psychologist eventually and plans on earning much more in the future than she does now. She sees herself as being at the beginning of her career. Tim has worked as a builder since leaving school, but has recently been promoted and is now earning a higher salary than Cara. Cara usually manages all household bills and informs Tim how much he needs to pay her each month towards each bill.

Cara admits that she used to be a 'spender' when she was at university, but has since become more sensible. She describes herself as 'bossy' and enjoys being in control of their finances.

'I am quite paranoid about finance. I don't like being in debt. I don't like owing money. It stresses me out. [...] *I basically do everything for Tim. I pay everything and then I tell Tim what he has to give me for his share.'*

(Cara)

Tim also says he used to be less inclined to save but has started saving more in the last two years. He admits that he leaves most of the financial organisation to Cara.

'I didn't [get involved with the process of moving house]. *Cara does all that. I want to move house but I won't do anything about it. I always say that I am more busy at work but I am not really because Cara works now.'*

(Tim)

'Cara normally sets it out and organises the money more. She just says what we need to put money away for and all that kind of thing.'

(Tim)

3.2.4 Continued

When this couple have to make significant decisions, it is Cara who tends to raise the issue, and then continually brings it up in conversation, developing the subject to find a solution they both agree on. Cara typically does all of the research, and presents what she feels are the best options to Tim for discussion. Unusually, when they made their most recent significant decision – to buy their first home – it was Tim who introduced the idea, after complaining about paying rent to Cara's mother.

> *'He did when I showed him. He is really lazy. He doesn't do anything. He will just wait for me to do it. Then I do it, show Tim what the best one is and what we would be paying monthly and he agrees, and I do it, usually.'*
>
> (Cara)

They report that the final decision is a joint one, although Tim is simply agreeing with an option Cara has already identified as the best one.

> *'I just go along with everything unless I don't agree with something.'*
>
> (Tim)

Both Cara and Tim feel that retirement is a long way off – too far away to consider at present. They find it very difficult to imagine themselves or their lives in 20 years' time.

> *'I have not even been working full-time for a year and to be thinking about when I stop work, what? It seems madness.'*
>
> (Cara)

Cara has an NHS workplace pension which she was offered through her job. She talked to friends and family and asked them for advice before joining the scheme.

3.3 Type 2: Cautious and Content

Couples in the Cautious and Content group tended to be older than those in the other two, owning their homes outright or being close to doing so. Most had grown-up children; some also had grandchildren. Couples in this group were generally careful with money, and stressed the importance of not exceeding their limits. Their ambitions were typically tempered by what they thought they could afford. The majority were uneasy about using credit, preferring to spend only what they had.

> *'I think it is quite important to meet your commitments and pay for what you have as you go along. I am not a big borrower. If we have something, I pay for it, and that's the way we've always been.'*
>
> (Darren, 40s, North West)

Couples in this group reported being quite comfortable managing their household finances. They were not necessarily in strong financial positions, but felt they had matters under control.

> *'It* [managing finances] *doesn't worry me. I am quite happy paying bills, looking at savings, looking at your outgoings, your in-goings, your internet accounts, savings, rates, looking at pensions, looking at any type of saving schemes such as ISAs. I am quite comfortable with the terms and what they all mean, generally.'*
>
> (Steve, 40s, Midlands)

3.3.1 Decision-making dynamics

Couples in the Cautious and Content group generally conformed to traditional gender roles in the home, with male partners typically being the 'breadwinners' or main earners, and female partners being homemakers, or in paid employment with a lower income than their partner. Correspondingly, men tended to be the alpha partner and women the beta partner within the couple, making this group the exception of the three.

Alpha partners in this group were fairly confident about managing household finances, and often took control of a very significant proportion of it. They were realistic about what they could achieve through household budgeting: examples of this were committing to a mortgage that they could still afford should one partner stop earning, and budgeting carefully for bills and groceries.

Beta partners were typically women who trusted their partners to handle the bulk of their finances. Some had their own small area of responsibility, for example purchases for the home or the children, or small-scale insurance products.

> *'Steve looks after the bills and I pay for nice things like holidays and birthday parties, birthday presents.'*
>
> (Sally, 40s, Midlands)

The beta partners in this group were split between those who were quite daunted by financial matters, and those who were not as confident as their partners but happy to weigh in on financial decisions. The latter group would take on a significant role in the decision-making process by actively researching issues at the centre of financial decisions.

3.3.2 Attitudes towards retirement planning

Cautious and Content couples typically had some form of provision in place for retirement, although alpha partners were likely to have more comprehensive provision than their beta partner. For example Stephen's pension was more comprehensive than that of his partner Sharon, who appeared to have misunderstood her arrangements, explaining in turn that her workplace pension would pay out one-eightieth of her final salary.

Many couples in this group were in the older age groups, but had only recently begun planning for their retirement, or were still looking to put plans in place. Several couples worried that the provision they had would not suffice, and voiced intentions to contribute more in the future.

> *'I know it* [my pension provision] *is not enough. It does lurk at the back of my mind that it is not really enough. If I had to retire in a year's time then I think I would be struggling.'*
>
> (Mathew, 60s, South East)

Couples' actions in organising provision tended to be triggered by life events rather than happening spontaneously: engagement with retirement planning was typically reactive rather than proactive. In some cases, retirement plans were triggered by changes made to a workplace pension by the individual's employer. In these instances, the risk of losing provision, or having provision reduced had made the topic of retirement planning front-of-mind.

> *'I have a company pension and I have got my own private pension as well. When my son was born I took a pension out for him ... Steve said it was a good idea.'*
>
> (Sally, 40s, Midlands)

'My pension at work is changing which I think initiated us looking at pensions ... So we have not made any decisions as such but we are fairly aware that we are going to have to in the next few years.'

(Danielle, 40s, North West)

Even if they had concerns about their retirement; some people admitted to having their 'head in the sand'. For example, Hailey had learned after a few years in a previous job that the proportion of her final salary paid out by the company's defined benefit (DB) scheme would be reduced by two-thirds from the proportion she had been promised initially. She had made no further plans to supplement that pension scheme. Mathew explained that he had a defined contribution (DC) scheme through his employer, but felt that he had started contributions quite late in life. However, he had not made any plans to increase his contributions or organised a supplementary source of retirement income.

For beta partners, lack of engagement was in some cases reinforced by reliance on their alpha partner, and the underlying expectation for the alpha partner to organise provision on their behalf. This reliance was generally extended from existing dynamics within their relationship, and specifically from their approach to household finances. Beta partners, who often relied on their alpha partner to provide the majority of the household income, tended to adopt the same reliance in relation to retirement planning. Mathew's wife Debbie had made no provision for retirement, and although she regretted this, she had not made any alternative plans and expected to depend on Mathew to a large extent, as well as the state pension.

'I find it [the thought of retiring] *quite frightening actually because I haven't got a private pension and I could kick myself that I have never organised it.'*

(Debbie 50s, South East)

One or two of the couples in the Cautious and Content group also mentioned more immediate financial priorities that they deemed more urgent than retirement planning, such as paying their children's university fees. In these cases, the couples envisaged that discussions regarding retirement would be revisited after these priorities had been dealt with. Even at this relatively late stage in the life course, retirement planning had been sacrificed to other emerging priorities.

'Things [planning for retirement] *have kind of stopped because we are very aware that we may have two children at university in the next year or so. We haven't done anything really. It* [retirement planning] *will probably be revisited once they get through* [university].'

(Danielle, 40s, North West)

3.3.3 Defining characteristics

Couples in the Cautious and Content group can be summarised as follows:

- there is a dominant alpha partner, usually a man, who plays the traditional 'breadwinner' role in the relationship;
- Cautious and Content beta partners usually fulfil the traditional 'homemaker' role;
- beta partners are mostly disengaged from long-term household finances, but may lead small decisions, such as purchases for the home or children;
- the beta partner may carry out research but the alpha partner generally takes a much more active role in significant financial decisions, and may even take action without consulting the beta partner;
- both partners tend to have some provision for retirement in place, but alpha partners often have more comprehensive arrangements than beta partners.

3.3.4 Case study: Debbie and Mathew

Debbie is in her early 50s and Mathew is in his early 60s. They live on the outskirts of London. They have not made any significant decisions in the last few years. Mathew works in the healthcare industry as a consultant and earns a high salary; Debbie is a part-time florist, earning a significantly lower salary than her husband.

Mathew is 'conservative by nature' and takes charge of their longer-term financial planning. He will often act quite independently in making these plans, preferring not to 'burden' Debbie or 'worry her that I am about to die'. Debbie does not believe that she has the capability to make complex financial decisions. She has a well-defined comfort zone limited to product insurance and purchases for their home.

> *'Some investments, your money is tied in which I find is quite frightening. It doesn't seem to be relayed in layman's terms. It's all a bit confusing.'*
>
> (Debbie)

> *'I struggle a bit with complex finance, things like life insurance and pensions and the like but just day-to-day management is not a problem. That's fine.'*
>
> (Mathew)

When the couple have to make everyday decisions regarding their home, holidays or smaller purchases, Debbie tends to have an idea and raise it for discussion. Her first step is to ask Mathew whether they can afford it. Effectively this is the point where he signs off the decision. Debbie then does all of the research and tends to make the final decision herself, assuming that Mathew will not be interested. However, for long-term decisions (e.g. about their savings) Debbie trusts Mathew to make the best decision and generally isn't involved. Mathew effectively makes these decisions alone.

> *'If it's something in the house, I think I'd probably have the final say. He would have the say on the spending, but I would probably have the say on what it would be.'*
>
> (Debbie)

> *'I suppose I would tend to make the financial decision but I would leave all the design and research to her. I suppose that is how it normally goes really.'*
>
> (Mathew)

Mathew began making contributions to a workplace pension when his employer arranged one for him in his late 30s, but thinks that its value is poor because of the financial climate. He now thinks he may have to work into his seventies until it will provide a reasonable income. Debbie has no pension provision and has recently become concerned by this. With Mathew's help, she applied for a State Pension Forecast. She expects to depend on Mathew in her retirement.

> *'I will probably be working until I am 120 anyway so it is not going to make any difference!'*
>
> (Mathew)

Other family members have downsized, and the couple state this as a possible source of income, although Debbie finds the idea upsetting.

> *'I know it's only bricks and mortar, but I'm very emotionally attached to it.'*
>
> (Debbie)

3.4 Type 3: Organised Aspirational

Couples in the Organised Aspirational group were a mix of ages from 20s to 50s. They also varied in terms of income and affluence. Couples in this group were generally confident, but careful with money. Typically, they described themselves as cautious, but implied that they trusted in their own judgement. It was unusual for these couples to have experienced major financial problems and consequently they had not been 'burned' by negative experiences.

> *'I'm always trying to put money away. Not that I am always successful with it, but I've got the intention. It's just to make sure I know exactly what is going out, especially since I started working for myself.'*
>
> (Ryan, 30s, South East)

The individuals in each couple were more similar to one another in their approach to finances than individuals in other groups were. However, there were still differences between the two partners, with individuals fulfilling alpha and beta roles. In this group the alpha partner had generally gained their financial confidence through fulfilling a typical 'researcher' role. The beta partners in this group were typically more relaxed about finance, and often seemed to have quite entrepreneurial mindsets.

> *'Quite confident* [with managing finances]. *We do all right. I am very, very careful, although I do have moments where I throw caution to the wind and have a bit of a splurge, but it's not very often.'*
>
> (Jenny, 30s, North East)

Beta partners in the Organised Aspirational group generally differed from the beta partners in other groups. Organised Aspirational beta partners tended to be equally capable of fulfilling the alpha role, but chose not to. They indicated a better awareness of what they could realistically afford out of their budget as a household than beta partners in the other two groups. Beta partners in this group were not reliant on their partners through a lack of financial awareness or capability, as was the case in the other two groups, but were noticeably less engaged and more relaxed about the household finances than their partner was.

3.4.1 Decision-making dynamics

Everyday financial decision making tended to be led by the alpha partner, who was responsible for monitoring household income and outgoings within the couple. These individuals tended to be closer to the household bills than the beta partner. Alpha partners tended to feel confident in making decisions about household finances, but were cautious with money. In most cases the alpha partners tended to be more inclined to save than spend their money.

A similar pattern tended to emerge when these couples made a significant financial decision. It was typically the alpha partner who would actively lead the decision-making process by raising the subject and then researching options. The couple would then discuss the options together and come to a final decision jointly. After a final decision had been reached, it was typically the alpha partner who was responsible for putting this final decision into action. In some cases the alpha partner reported initiating the research phase even before raising the issue with their partner and involving them in the process.

Beta partners in the Organised Aspirational group mentioned barriers to involving themselves in the decision-making process that were similar to those mentioned by beta partners in the Unbalanced Responsibility group. They tended to allow their alpha partners to lead the process, reporting a disinterest for it, 'laziness', or felt that they could 'take a back seat' because they knew their partner would ensure the issue would be resolved.

'It is usually her [who takes the lead]. *I just get the day over with and just sit and watch the TV or something like that.'*

(Simon, 40s, North East)

Similarly to the other groups, the way Organised Aspirational couples approached decision making was strongly influenced by family background and upbringing. Couples implied that their parents had had a direct impact on their attitudes to managing finances.

'I guess my job is quite entrepreneurial. I want to work for myself eventually. My dad has got his own business and I find it more interesting to save money to have a house and investment, save money so I can have a business or another one or something like that afterwards.'

(Steve, 20s, South East)

3.4.2 Attitudes towards retirement planning

Typically in this group, at least one individual within the couple had a non-state pension and this tended to be a workplace pension. For example, Kelly was a member of an NHS scheme and her husband Simon a member of a well-known private sector employer's scheme.

For most of those with workplace pensions, the decision to join the scheme had been triggered by the individual's employer. Many did not actively seek to join a pension scheme but were offered it by their employer. There were a couple of exceptions to this pattern. Callum's actions in organising his retirement provision had been triggered by receiving a pension forecast and deciding that it was too low; he was not prompted by his employer as other individuals in this group were.

'I think there was a deal [at work] *where you sign up for a pension and they match whatever you are putting in.'*

(Kieran, 20s, North East)

Attitudes to retirement planning differed in the Organised Aspirational group compared to the other two groups. Organised Aspirational couples tended to voice the importance of retirement planning rather than rationalising their own inertia to organise provision for themselves. Couples in this group were impacted by inertia to the same degree as those in the others, but tended to rationalise this inertia less, and to express a more responsible outlook. However, despite recognising the importance of pension provision, those without provision had still not been motivated enough to make alternative retirement plans.

'Once I do stop working, once I do stop having a regular income coming in, I need to make sure that myself and the family [are looked after] *as much as possible.'*

(Sarah, 30s, South East)

Among younger couples there was a strong sense that day-to-day life came first, and that irrespective of any other barriers, this was getting in the way of retirement planning. As Section 4.1.1 will discuss, they also implied that they had already dealt with retirement planning by joining a workplace pension, and did not therefore need to explore it any further for the time being.

'We know it is going to come so we just try and put it on the back burner and ignore it. We took action for that to happen so I don't feel as though I need to talk about it just yet.'

(Callum, 30s, North East)

3.4.3 Defining characteristics

The Organised Aspirational group is characterised by the following features:

- One partner plays an alpha role and the other a beta role, but the two individuals tend to be more similar to each other in their approach to finances, than partners in the other two groups are.
- Alpha partners are usually women, and carry out a typical ‘researcher’ role.
- Beta partners tend to be quite relaxed about finances, but are capable of fulfilling the alpha role if necessary.
- Alpha partners typically lead the decision-making process, however, beta partners usually become involved in the final stages and contribute to the final decision.
- Couples in this group tend to recognise the importance of retirement planning, though younger couples in particular are unlikely to have made any provision for retirement.

3.4.4 Case study: Ryan and Sarah

Ryan and Sarah are in their 30s, recently married and living in outer London with their son. Their most recent significant decision was triggered by Ryan’s redundancy: they decided that Ryan would try a career as a musician.

Ryan used to work in sales but is now working as a session musician and hoping to make a name for himself in the music industry. Sarah has a temporary admin job with a housing association. The couple see financial decisions as important and based on ‘teamwork’. They try to meet every month to discuss their finances, sitting at the kitchen table to talk. While the household bills tend to stay the same, they discuss the things they want, their goals. Both check their bank statements ‘on a daily basis’ and are always looking for ways to save money, using tools such as Money Saving Expert. They are currently researching life insurance products, in order to provide for their son, should anything happen to them.

> *‘Since we got married we sit down and try and have at least a monthly or a quarterly meeting. I hate it. My wife Sarah, she likes to make sure that everything is covered.’*
>
> (Ryan)

When this couple make significant decisions it is typically Sarah who identifies a need, but Ryan generally agrees with her. Sarah is then usually responsible for researching their options. Ryan feels that Sarah is more capable of doing this than he is; he reports noticing advertisements and being interested in managing their finances and making decisions, but admits to getting distracted easily. Generally, the final decision is collaborative, although Sarah admits that she would prefer Ryan to simply choose one of the options that she has already identified.

> *‘Any kind of major decisions, we always talk about it and consult on it. There is some stuff where Ryan says, “Take charge and you don’t even need to ask me.”’*
>
> (Sarah)

> *‘She is amazing. She’s online, and like, 20 minutes later, it’s done.’*
>
> (Ryan)

3.4.4 Continued

Sarah has a frozen workplace pension from a previous job but is not contributing to a pension currently. Ryan has no non-state pension provision and does not see a point where he will stop working, if he manages to have a successful career in music. He hopes to have royalties and investments to live off, if he does stop working.

Sarah feels she gives pensions and health insurance the most thought. She tries to have a long-term plan, but feels that this is difficult. While they do not discuss pensions regularly, Sarah is aware that with every year that passes, she has less time to plan for their retirement. However, she feels that she has other priorities at the moment which must be dealt with first.

> *'I can get quite anal about it. I try and have a long-term plan but it is a bit hard at the moment financially. I am the one that is always thinking about pensions, thinking about health insurance whilst also we are trying to manage the day-to-day stuff.'*
>
> (Sarah)

4 Retirement decision making

This chapter discusses the provision that individuals and couples had in place for retirement, and the discussion and conscious decision making that had fed into these plans. It also identifies possible barriers to engagement with retirement planning and different types of inertia, noting the relevance of some of the principles of behavioural economics to pension planning. Finally, the chapter discusses the three types' likely reactions to automatic enrolment.

4.1 Plans in place for retirement

Most couples had only a vague vision of their life in retirement, and were not planning for it actively. While some spoke about the sort of place where they would like to live and the way they might spend their time, none talked spontaneously about the income they would have.

The couples we interviewed tended not to recognise decisions about pensions (for example, deciding to increase or decrease the amounts they contributed to non-State pension schemes) as being financially 'significant' to them. These decisions were not generally associated with household finances in the same way as taking out an investment, or buying a financial product like income protection or life insurance. In some cases, couples only recalled these decisions when the interviewer asked about them directly.

4.1.1 Saving into a workplace pension

In most couples at least one partner had some kind of non-state pension provision. This was usually in the form of a workplace pension. There were indications that workplace pensions were seen as something of a 'safety net', in that they allowed people to feel they could relax. Once contributing something to a pension, there were indications that people assumed they did not need to engage further with retirement planning. None of those who were members of workplace schemes had investigated or taken out an individual personal pension independently of their workplace scheme.

> '*I thought it would be better all round if I did it* [joined his workplace scheme]. *They gave you a package. A lot of people* [at work] *said it was a decent one.*'
>
> (Callum, 30s, North East)

In some cases, however, individuals had not felt that their workplace pension was good enough. For example, Jade had pulled out of a workplace pension when she became disillusioned with the provider, but had not yet got around to making alternative savings arrangements.

> '*It wasn't very good and they messed around a bit, so I pulled out. They weren't ringing me about stuff, and they weren't getting back to me when I was asking them questions about it. A few from work pulled out and I haven't thought about it since.*'
>
> (Jade, 20s, North East)

Some individuals had been members of DB schemes, and where this was the case, alpha partners in particular tended to be more aware of how much they had contributed, and how much they expected to receive as income, than those in DC schemes. This was often the case even when individuals did not have a high level of financial knowledge or confidence: they were still able to remember the broad terms of the arrangement and, typically, what had happened to these schemes – even when the detail they could provide was sometimes vague.

Hailey: *'Everybody had to belong to the pension scheme which was terrific because it was an end salary scheme. In 1981, after I had been in it for about five years ... we all had to rejoin the scheme. They were doing away with the end salary pensions. There were five of us ladies who were holding out. Not the men, who didn't have to sign, it was only the women.'*

Barry: *'They kept changing the width of the field, the goal posts.* [Hailey] *was in a final salary situation where it was 1/25 of her final salary. We got a letter one day addressed to me, on behalf of her, saying that, "If anything happened to your wife she would be worth to you £109,000." They brought it down to 1/75 of her salary.'*

(Hailey and Barry, 60s, South East)

Whether they were contributing to non-state pensions or not, most couples anticipated living off shared pension income in retirement. However, awareness of what the retirement income would add up to was typically low or non-existent.

In a small number of cases, one partner was contributing to a pension or investment that the other did not know about. In no case did this appear to be because one partner was concealing their actions from their partner. With younger couples, this was sometimes because they had begun saving before meeting their partner. More often, however, the couple had simply never discussed these savings.

Aaron: *'I started the pension six months ago. I've got a few ISAs.'*

Joanna: *'You've got ISAs? See, we don't talk!'*

(Joanna, 20s, and Aaron, 30s, Midlands)

4.1.2 No provision for retirement

Only a handful of people had arranged non-state private pension provision other than a workplace pension. Those who had tended to be self-employed, and to have been made aware by a financial adviser that getting one in place was prudent.

It was far more typical, however, for people to present justifications for not having made provision for retirement. It was common for them to state that they would continue to work for as long as their health allowed, for example, and to say they were unable to visualise life without work. They also mentioned plans to downsize to smaller houses and invest or live from the proceeds of the sale, to rent out their current home and live off the rent, or, less commonly, to acquire one or more buy-to-let properties closer to retirement. The majority of these justifications for delaying retirement plans tended to be post-hoc, and in a sense reactive to being asked directly about their plans, rather than an explanation of a rationale they had reached prior to the interview. The exception to this trend was those who mentioned buying to let, specifically to provide for retirement. Some couples also expressed a preference for investing in other vehicles than pensions, and were already doing so, or planned to in the future.

'In terms of pension, I can see Marcus more being interested in investment. I will probably go for a pension. So, having a large property, if we need capital then we could sell that large property, to then go into a lower property, or to have multiple properties, to then be able to let it out or sell.'

(Miles, 40s, South East)

The research included a broad mix of couples, in different situations. Some participants were perhaps several decades away from retirement and consequently had not given much consideration to pensions. There was a general sense among individuals that they would arrange some kind of provision, ‘further down the line.’ However, typically they did not know how they would go about this, or the sources of information they might consult.

> *‘If I get a job like that* [as a barrister] *and I can earn a decent amount of money, I will be able to just shovel a bit part of that into an accelerated pension fund. At the moment there’s nothing I can do.’*
>
> (Laura, 30s, South East)

4.2 Inhibitors to retirement planning

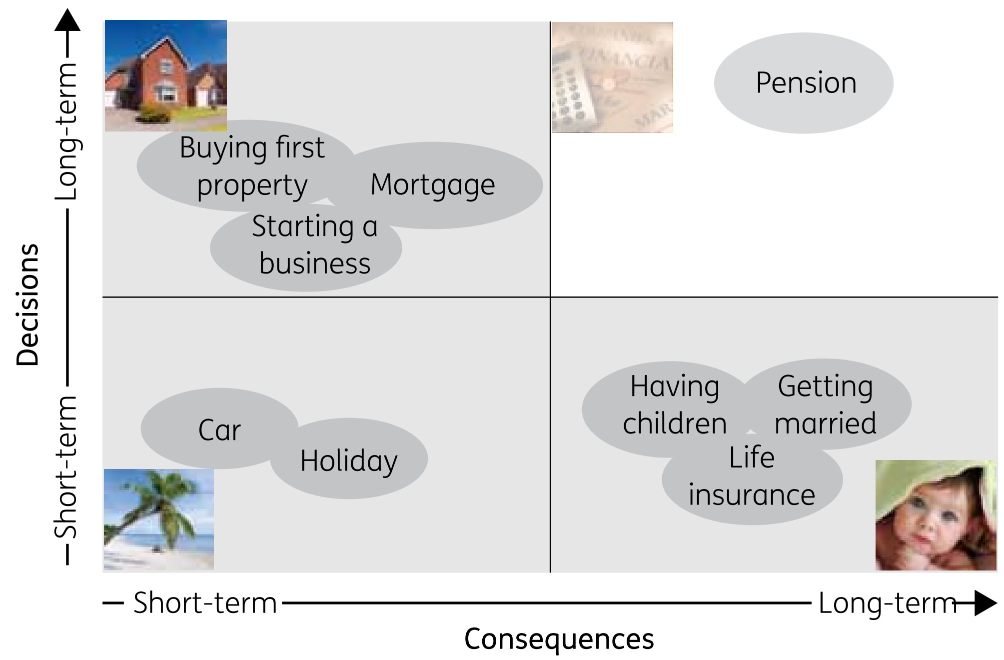
The research indicated that the forces inhibiting retirement planning can be emotional or material, and that they can be linked to the anticipated consequences of decision making, other priorities that the couple have, or their general feelings about finances. Collectively, inhibitors often result in pensions occupying a position outside the scope of financial discussions and decision making.

Pensions were less likely to be raised for discussion by the couple than other financial issues were. There were indications that workplace pensions, where offered, had not usually been discussed within the context of the household.

4.2.1 Long-term decisions with long-term consequences

Decisions can be shorter- or longer-term in their implementation, and in their consequences. For example, making a significant purchase, such as a car or expensive holiday, is a short-term action, completed relatively quickly, with outcomes that are evident soon after the decision is made. Other decisions, such as buying a house, have relatively immediate consequences – the buyer can live in the house soon after reaching all the necessary agreements, for example – but saving up for the purchase itself generally takes years to complete and so the decision is in that sense a long-term one. Figure 4.1 below illustrates some short- and long-term decisions and consequences.

Figure 4.1 Short-term and long-term decisions and consequences



Pensions stood out as long-term decisions with long-term consequences. Couples tended not to recognise the relative ease of implementing a pension or the benefits of beginning to save for the future. Instead, they generally perceived no immediate result of joining a pension scheme and beginning to make contributions, other than a decrease to net earnings.

While classical economic theory says that people are essentially rational and self-preserving in making decisions, behavioural economics posits an alternative view: that people make much less rational, more imperfect decisions, in real life. In their explanation of behavioural economics' foundations and features, Thaler and Sunstein (2008) include a description of factors that cause people to make poor choices, many of which are relevant to this discussion.

Behavioural economics argues that people tend to make poor choices when these choices have delayed effects. Indeed, participants pointed out that they were expected to make choices about retirement provision years before they reached this stage of their life. Moreover, for most people, the relationship between pensions-related decisions and the retirement experience was ambiguous. The expected income from a pension would begin to be paid only in several years' or even several decades' time, and some people reported that they did not understand from the projections they received how much income a pension would provide, or, consequently, the experience that their behaviour in saving into a pension scheme, would translate into.

> *'I know how much it will be worth and what it would do at the moment, but the forecast changes every year. Obviously, inflation and stuff like that would alter it.'*
>
> (Simon, 40s, North East)

> *'It's very difficult to estimate how long you'll continue in decent health, and even what you want in ten years' time.'*
>
> (Jack, 50s, North West)

The decision to save in a pension scheme was long-term, with the consequence – an income that most people thought of as being part of the far-off future – also long-term in nature. It followed that for most couples, pensions were outside the scope of most of their conversations about financial decision making. Relatively few couples participating in the research had made a significant financial decision that was specifically pensions-related, such as beginning to make contributions, or deciding to increase their level of contributions.

Compounding this, individuals with non-state pensions were most often members of workplace schemes. The implication of these schemes' nature as workplace pensions, was that the possibility of joining was often introduced, considered and negotiated, specifically within their workplace. Consequently, it was natural for the decision to be made in the workplace, too.

> *'I kind of just did it* [joined the scheme] *but I did tell* [Keiran] *afterwards and luckily he said, "That looks good."'*
>
> (Reena, 20s, North East)

The decision to join a workplace pension was itself often a passive one, and more a matter of deciding to accept what was offered, than of actively seeking out or selecting a product and level of contribution. Crucially, the workplace pension was often thought of as an individual product, and the decision to participate in a workplace scheme as an individual one.

> *'The pension is something that you have got to wrap around yourself. It's individual.'*
>
> (Edith, 60s, North East)

4.2.2 The appeal of tangible outcomes

Behavioural economics argues that the more distant and abstract the outcome of a decision, the harder it is to arrive at. An added complication with pensions is their lack of tangibility: there is no physical 'reward' as a result of the decision, as there is with many purchases. To illustrate this, participants in this research whose significant financial decisions had been to purchase cars and holidays, for example, had not usually felt intimidated by these decisions. This ties in with Thaler and Sunstein's (2008) claim that people find it easier to make decisions that give them constant or immediate feedback and reward. Buying a car gives instant gratification because it can be driven straight away; purchasing a holiday does not give such immediate feedback but the time that elapses between making the decision and experiencing the holiday is generally a relatively short one.

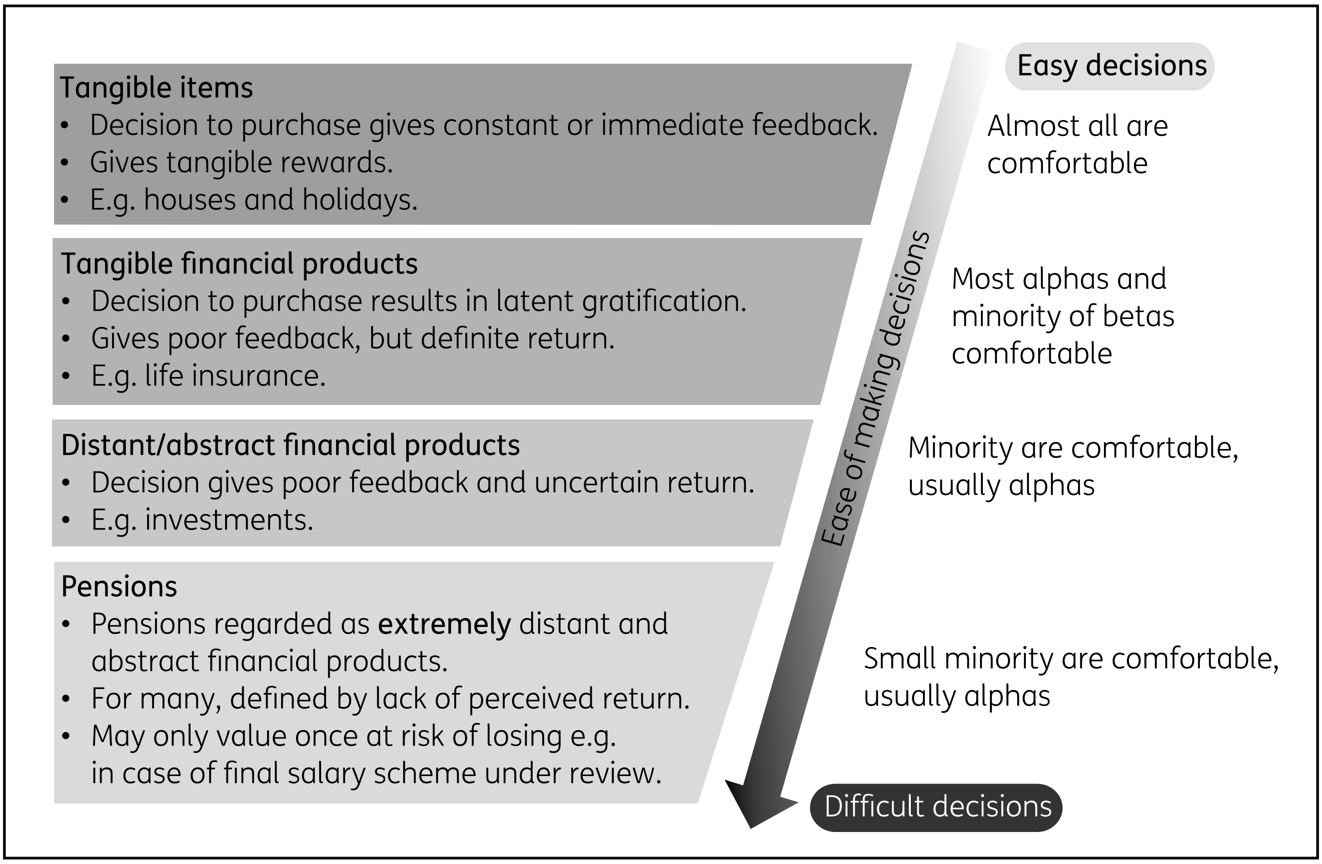
There were indications that decisions couples had taken to purchase financial products had been harder. However, many alpha partners and some beta partners still appeared comfortable with decisions of this kind – insurance products, for example. Typically, couples who had purchased these products had identified a need for them, and so were clear that this was something they wanted, and were gratified by the purchase. While, for example, life insurance did not give ongoing feedback to couples purchasing it, they were rewarded by the feeling that they had cover in place and would benefit from the product if they needed to.

Behavioural economics also holds that people tend to struggle to make decisions when the choices they make give them poor feedback and give uncertain returns. In this research, people indicated that choosing investment products had put them out of their comfort zone compared with more 'everyday' purchases. The products appeared more distant and abstract to people, with only a few, mainly alpha partners, comfortable making these decisions.

Finally, pensions represented one of the most difficult financial decisions couples were faced with. These were seen as the most distant and abstract sort of financial product, and the uncertainty of the return they might provide was thought of as one of their defining features. Some people talked about struggling to understand pension statements, or simply ignoring them, and many expressed concern over 'horror stories' they had heard in the press about returns and losses.

Figure 4.2 illustrates how the ease of making financial decisions varies according to how tangible or abstract the product in question is.

Figure 4.2 Ease of decision making about different items and products



There were also indications that people were loss-averse: a few seemed only to value their workplace pension, once they were at risk of losing it.

> *'I work for an employer that has got a good reputation for a good pension. I kind of take that for granted, really, but they are changing this year. I think we have the final salary pension and that might be going ... Our contributions are going to increase.* [...] *That is what has made us think about, will we have enough at the start of my retirement?'*
>
> (Danielle, 40s, North West)

Only rarely did individuals, usually alpha partners, describe themselves as comfortable with decision making that concerned pensions.

4.2.3 Rejection of retirement planning

Retirement planning, and pension saving specifically, was often put off, and sometimes rejected entirely. Three main types of reasons were evident for this rejection. They are discussed in turn below.

Some individuals were focusing strongly on the present, and indeed one or two exhibited a latent 'fear of the future.' Younger couples in particular spoke of their preference to deal with their current lives and responsibilities over their futures, especially where they had parental responsibilities. These tendencies were strongest in the Unbalanced Responsibility and Cautious and Content groups.

> *'I want to stay young with the children. I don't want to get older. I get funny even thinking about it.'*
>
> (Caitlin, 30s, South East)

More broadly, there was a general sense of uncertainty about the future among participants, and this affected their openness to retirement planning in a negative way. This was particularly the case for the Unbalanced Responsibility and Cautious and Content groups. It was typical for couples in these groups to talk of the government 'moving the goal-posts' – the changes to State Pension Age were a frequently-cited example, and to express distrust over the government's handling of pensions policy.

> *'But we have contributed an awful lot more* [than she expects to receive in the form of the state pension]. *We have contributed over the years. NI actually was for your pension and for your National Health and now it is purely for your National Health. But they haven't reduced the percentages* [that people pay as NI contributions]*.'*
>
> (Hailey, 60s, South East)

Another reason for rejecting retirement planning was the conviction that savings would be unreachable not just for the accumulation period, but 'forever.' Some people saw retirement as being so far away, that they were unlikely ever to see money saved in a pension again. In short, they were extremely reluctant to 'surrender' money to a pension when they were so uncertain of the return they would see, and so aware of horror stories. Again, this sentiment was more prevalent among the Unbalanced Responsibility group than the others.

> *'It's just the fact that I heard loads of people lost loads of money* [in pensions]*.'*
>
> (Tim, 20s, North West)

4.2.4 Inertia

There was an overall tendency, across all three of the groups identified in the typology, for retirement planning and decision making to be inhibited by inertia. While most people saw retirement planning as something positive, they did not take steps to put any provision in place.

This inertia took three main forms, which are discussed individually below. In some cases, retirement planning had not been rejected, but one or more of the varieties of inertia discussed below was entrenched and difficult for the individual or couple to overcome.

Day-to-day inertia

Couples' ongoing need to deal with everyday life and its various demands on their time tended to result in their only becoming aware of the need to make decisions about retirement, or to prioritise them, when triggers took effect, alerting them. All three groups in the typology mentioned day-to-day inertia implicitly, or spoke directly of their need to prioritise the 'daily grind' over retirement planning.

Material inertia

A few couples, particularly in the Unbalanced Responsibility group, explained that they were simply unable to plan because they had insufficient money available to enable decision making. This included couples where one or both partners had a low or irregular income – for example, those who worked on a self-employed or freelance basis.

> *'I think, because we haven't really got much spare money, it goes on something like the washing machine or the kids, so it's not something that I personally have thought, "I can afford to put into a pension." It's never really come into my mind. We haven't got it at the time. If we do in a couple of years, then it is something that I might, as the kids are getting older, think, "I've got money spare."'*
>
> (Caitlin, 30s, South East)

Emotional inertia

For some individuals, reluctance to make decisions, or to contemplate retirement at all, stemmed from an underlying fear or sense of intimidation when faced with financial products and decision making. It was evident from interviews that some people's lack of confidence was a consequence of their unfamiliarity with this type of product. Some spoke openly about their fear of making the 'wrong' decision and wasting their money. Others pointed to the economic climate.

> *'I don't know enough. The whole country doesn't seem to be confident, especially when it comes to savings and banking and whatever else.'*
>
> (Malcolm, 40s, South East)

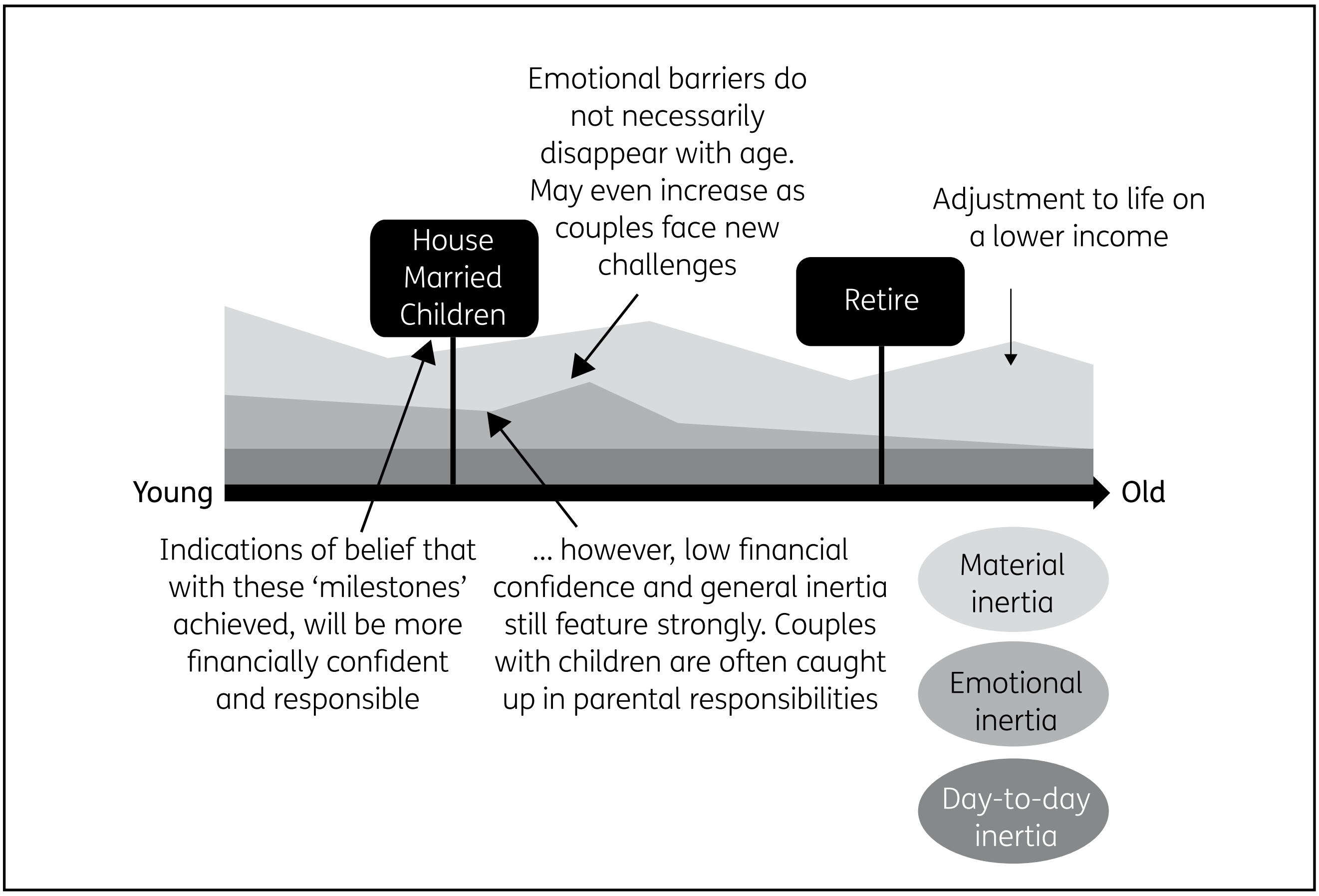
How inertia may change over time

Piecing together the circumstances that all of the couples describe, indicates that the types of inertia at play tend to vary over the life course. The situations that participants described indicated that many believed inertia would abate as certain 'milestones' such as marriage and parenthood were achieved. In essence, some couples suggested that being 'old enough' to make plans for retirement corresponded with the incidence of certain life events such as marriage or parenthood. Despite this, in some cases, such life events tended to reinforce other existing types of inertia, with the result that retirement planning was still not addressed. For example, the additional responsibilities that come with having children can give couples yet another reason not to save for retirement. At no point do the three forms of inertia appear to subside enough for couples to make their retirement plans well in advance of it.

> *'I think once you get married and you have children and then it* [planning your retirement] *is the next stage isn't it? At the moment I am in my mid-20s and still having fun.'*
>
> (Sally, 20s, South East)

Figure 4.3 illustrates the broad pattern in the three types of inertia and how the couples participating in this research indicated that they grow and reduce throughout the life course. For example, day-to-day inertia is a constant presence, and this layer is the same thickness all the way through the life course, including after the 'house/married/children' and 'retirement' milestones are achieved. Emotional inertia, in contrast, was portrayed as reducing slightly as the 'house/married/children' milestones were reached, but then increasing afterwards and reaching a peak before declining, and featuring hardly at all after retirement.

Figure 4.3 Typical variation in the types of inertia inhibiting retirement over time



4.2.5 Likely reactions to automatic enrolment

There were broad patterns in the three groups' likely reactions to automatic enrolment, and in whether they thought it would be likely to impact on their current pension savings or other retirement provision. The groups are discussed in turn below.

Unbalanced Responsibility

Although they recognised that they would have to make contributions, some couples in the Unbalanced Responsibility group thought of automatic enrolment as giving them 'something for nothing' and anticipated remaining in schemes. Others in this group displayed a marked tendency to distrust the government. While this distrust was mentioned by couples in the other groups, it was more pronounced in the Unbalanced Responsibility type. These couples were often wary of what they would receive through automatic enrolment. One or two expressed intentions to hedge their bets, for example, by investing an equivalent amount to their automatic enrolment contribution in an alternative form of savings.

While members of this group were among the most negative in their reactions to automatic enrolment, Unbalanced Responsibility couples were also typically the most 'inert' group, as described above in Section 4.2.4. It therefore seems likely that most couples in this group will continue to contribute to employer schemes after automatic enrolment is implemented.

'Would I take myself off the default? I feel like I need to do more research on how pensions work now. I don't trust the Government at all. None of it feels stable and I am not surprised that they are changing it but I don't necessarily trust that they are going to be changing it for the better ... I wouldn't [opt out] *but I would have another one as well just as backup. It does feel like a serious thing and I would feel better having two different schemes and not putting all my eggs in one basket.'*

(Laura, 30s, South East)

Cautious and Content

Couples in the Cautious and Content group tended to be open to the 'nice extra' that they saw automatic enrolment as providing, with some especially welcoming the need 'not to think about it.' While this group was largely positive to the idea of automatic enrolment, they were unlikely to think it would have any effect on other pension provision, or on their overall plans. Overall, the indication among the Cautious and Content group was that they would remain members of schemes that they were enrolled into.

'Actually, I think that's probably quite good, because it takes away the decision making unless you decide to opt out, obviously.'

(Mathew, 60s, South East)

Organised Aspirational

The Organised Aspirational group responded relatively positively to the idea of automatic enrolment, or at any rate, did not see it as problematic. Some within this group expressed interest in knowing more about it, to allow them to ensure they could afford to make contributions, and to be clearer about the likely returns they would get. Overall, there were indications from this group that as long as any strongly-felt concerns were assuaged, they would not opt out.

To summarise, some of the three types were more open to automatic enrolment as a concept than others. Whatever their response, there was no indication that the majority of individuals in any group would take steps to opt out of a workplace scheme. It, therefore, appears likely that many will remain in schemes by default after being automatically enrolled.

5 Conclusions

This chapter draws together the research findings, and explores possible implications with regard to policy aimed at increasing couples' pension saving.

5.1 The process of couples' decision making

While couples admit they do not typically enjoy managing their household finances, they recognise the importance of keeping abreast of incomings and outgoings. Many of those we spoke to mentioned exercising financial prudence, and gave examples of ways in which they did this.

Couples are typically moved to actively make financial decisions by 'life triggers' such as getting married or having children. Discussions tend to increase in momentum from the outset to the point where a final decision is made.

Couples find short-term decisions with short-term consequences, such as holidays or purchases for their children, the easiest to make. Even the most financially daunted partners engage with household finances at this level. Conversely, only a small number of people engage successfully with long-term decisions entailing long-term consequences.

5.2 The respective partner roles in financial decision making

In most couples, one partner fulfils an 'alpha' role, exhibiting greater financial control, both over day-to-day matters and in the longer term. Alpha partners are not necessarily financially savvy or confident; often their behaviour is dictated by their partner's reluctance to take on financial responsibility, rather than by their own eagerness. The 'beta' partner's level of responsibility tends to be limited, but this partner generally provides at least some input to decisions. These respective roles are often self-reinforcing, with beta partners becoming accustomed to relying on their alpha counterpart over time.

Women are more often than men the alpha partner, and so tend to be the instigators of financial decisions, and to carry out the research that informs its outcome. The internet in particular emerged as a channel used frequently by alpha partners to inform significant household financial decisions. While couples' financial decisions are collaborative, their responses generally indicate that it is the final stage of the decision-making process that involves both partners to the greatest extent.

Policy communications could leverage this pattern of decision making by appealing to the female alpha partner during the research stage of decision making. Additionally, the suggestion that women are more 'stressed' about household finances may be relevant to the framing of communications aimed at encouraging retirement planning and provision. Reaching out to beta partners may not be as effective as reaching out to alpha partners, given that the former usually rely on their partners for long-term financial planning.

5.3 The existence of household decision-making typologies

This research found that patterns exist in the way that couples go about making financial decisions together, and the way they feel about finances. We have identified three broad groups: Unbalanced Responsibility, Cautious and Content, and Organised Aspirational. On the surface, decision making appears to be carried out as a couple; in reality significantly personal roles and tasks make up the process.

Understanding the characteristics of the different groups may prove useful for tailoring messaging about retirement planning. In particular, it may be worth considering that couples in the Unbalanced Responsibility group were least likely to engage with pensions.

5.4 The individual character of retirement planning

The research also highlighted the possible limitations of approaching pension saving from a couple's perspective: across the groups identified, pensions were typically treated as very individual financial products.

Most couples, even those in older age groups, discuss retirement only on occasion. Relatively few of those we interviewed had been truly active in putting retirement provision in place: although many had a non-state pension, this was in most cases a workplace pension offered by the employer and accepted by the individual. Pension ownership, therefore, is not typically the result of a genuine 'household' decision, discussed by both partners.

The generally individual and work-based nature of pensions suggests that the workplace is likely to be the more appropriate space in which to communicate information about pension policy developments, particularly automatic enrolment. This research indicates that active pension-related discussions and decisions may be more likely to happen in the workplace than elsewhere, including within the household. Discussions could still take place at home, for example when beta partners look to their partner for their opinion on the scheme, but they will still be given the relevant information at work as a starting point.

5.5 The difficulty of engaging with pension products

Couples tend to make excuses for not having put more concrete retirement plans in place. Some rationalise their inaction by suggesting that they may continue to work beyond State Pension Age, or that they could downsize their home. Others say that they contribute to a savings account as a substitute for pension saving, or that they will save more for retirement in the future when their earnings are higher.

Couples see retirement planning as involving long-term decisions with long-term consequences – what behavioural economics calls 'delayed effects'. Unlike financial decisions with more tangible outcomes, like purchases, no immediate gain is made by starting or increasing pension contributions, or saving for retirement in some other way. This makes it difficult for momentum to build in the same way as with other financial decisions, where the topic needs to be returned to several times before an outcome is reached.

In this study, we found that while it is typical for significant financial decisions to be instigated by a trigger, few triggers appear to prompt decisions specifically about retirement provision, or to create engagement with pensions. The unfamiliarity of the decision type, often combined with a lack of financial confidence, mean that pensions often feel like an unknown quantity.

While it would be extremely difficult to transform pensions into a more tangible financial product, or to improve the relationship between today's choice to save and the long-term experience of living from those savings, there are ways in which the potential positive outcomes of pension saving could be conveyed more clearly. For example, associating pensions saving with providing for one's children could leverage parenthood's role as a life trigger in prompting active decision making. Additionally, giving some sense of a 'guaranteed minimum' return on a pension may help to increase tangibility.

5.6 Active rejection of pension saving

Households also present reasons for rejecting retirement planning altogether. The main reasons people give are their preference to focus on the present, their mistrust of pensions and their uncertainty about what the future will bring. Couples in the Unbalanced Responsibility group are most likely to express distrust of government 'moving the goalposts' for retirement; they also have a tendency to link pensions with their negative perceptions of the government.

Active rejection of pension saving is something to consider with regard to the introduction of automatic enrolment. Educating people not to opt out of their workplace scheme once enrolled may help to overcome this rejection, particularly for the Unbalanced Responsibility group, who display the most negativity towards automatic enrolment, in part because they understand it to be a government-led measure. However, the research indicates that couples in this group are typically the most inert when it comes to making retirement-related decisions: ironically, they could therefore be the least likely group to actively opt out of a scheme.

5.7 The lifelong influence of inertia on retirement planning

The research indicates that several different layers of inertia exist, diverting people from long-term financial planning. In particular, 'day-to-day' inertia – the ongoing need to manage the home and family from one day to the next – tended to focus households in all of the groups on tactical financial issues, rather than strategic ones. While almost all couples appear to suffer to some degree from day-to-day inertia, couples in the Unbalanced Responsibility group profess to be most affected by the other types of identified in the research, 'material' inertia and 'emotional' inertia.

Due to the various types of inertia acting on couples throughout the life course, they typically find it very difficult to plan for retirement well in advance. Conversely, this inertness is likely to mean that they will remain in a pension scheme, should they be automatically enrolled by their employer.

The combination of the 'unknown' nature of pensions, the fact that they do not provide instant benefits, and the backdrop of multiple layers of inertia, has often resulted in passive – and often individual – retirement-related decision making in general.

Highlighting the instant benefit of beginning to save into a pension, and underscoring the immediate protection that doing so could provide, could be a way to address the lack of tangibility and feedback that makes the decision to save in a pension difficult for many.

5.8 Implications of the research findings for automatic enrolment

As noted above, the research indicates that in many cases, people will remain in employer schemes after they are enrolled automatically, and that this will be the outcome even among couples who are more sceptical about pension products, because of their relative inertness.

There is little evidence from this research to suggest that automatic enrolment could encourage 'trading up', with a positive experience of being enrolled and receiving employer and government contributions leading people to increase their level of contribution. Given the passivity around pension decisions that this research has highlighted, it is unlikely that most will increase their engagement in this way as a result of being enrolled automatically in an occupational scheme.

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This qualitative research was undertaken to understand more about just how couples go about making financial decisions and particularly those around pensions and retirement planning.

It addresses questions such as: How do couples differ in how they go about making financial decisions? Do couples discuss and coordinate their pension planning? And how will they react to the introduction of automatic enrolment?

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